

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## ACCESSION OF ARGENTINA

### Report of the Working Party

1. At the twenty-second session, the CONTRACTING PARTIES made arrangements for the participation of six governments, which were not contracting parties, in the Kennedy Round of trade negotiations, and for the examination of their applications for full accession on the basis of the results of those negotiations. For the latter purpose a working party was to be set up with respect to each application to examine any matters concerning the terms of accession which were not directly related to the trade negotiations and to prepare a draft protocol of accession.
2. On 24 February 1964 the Government of Argentina notified its intention to participate in the Kennedy Round negotiations with a view to acceding to the General Agreement under Article XXIII.
3. The Working Party on the Accession of Argentina met on 1 and 19 June 1967.
4. The Working Party had before it the following documents to serve as a basis for its examination:
  - (i) the Report of the Working Party which recommended Argentina's provisional accession (BISD, 9th Supplement, page 54);
  - (ii) the Declaration on the Provisional Accession of Argentina, as extended to 31 December 1967, (BISD, 9th Supplement, page 11 and L/2727);
  - (iii) a memorandum on commercial policy submitted by the delegation of Argentina (L/2796).
5. The Working Party examined the application for accession of the Government of Argentina in accordance with its terms of reference (L/2777).
6. In his introduction, the representative of Argentina recalled that in the last two decades his country's gross national product had only increased by an average of about 3 per cent annually and that the general level of prices had risen by approximately 25 per cent per year over the same period. The resulting slow growth of the economy had prompted his Government to take a series of

measures to assure a sustained increase in the rate of economic expansion. This programme of action comprised, amongst other, the following measures: a new parity value of the national currency, a virtual elimination of all exchange restrictions, a drastic reduction of the public deficit, a strict control of the rise in salaries, a restructuring of the tax régime with a view to stimulating productive activities, a general reduction of the level of import duties from an average of 116 per cent ad valorem to 62 per cent ad valorem, and complete liberalization of most imports, of which only 1.6 per cent of the value of Argentine imports in 1966 are still under restriction. This comprehensive set of measures was destined to stimulate production both in industry and agriculture and to assure an equitable distribution of income among the factors of production. Within this scope State-owned enterprises were being restructured, a vast plan of public works had been implemented and foreign capital was being afforded the most ample opportunities to come into Argentina. His Government considered that the nature and objectives of these measures were inspired by and fully consistent with the principles of GATT as embodied in its Preamble and articles, and it was with this understanding that Argentina was applying for accession to the GATT.<sup>1</sup>

7. With respect to Argentina's financial position the representative of Argentina informed the Working Party that the International Monetary Fund had recently found that for many years Argentina had had a high rate of inflation and a low rate of growth. Wages had risen rapidly, and the fiscal deficit had been large, originating mainly in current expenditures and financed to a large extent from Central Bank credit. In recent years the country's balance-of-payments position had been encumbered by heavy foreign debt service payments. Over the past five years exports had grown substantially, largely of agricultural and livestock products, following a lengthy period of stagnation in such receipts. Argentina's net foreign reserve position had undergone wide fluctuations, and although in recent years there had been an improvement, the pace at which progress had been made had been very uneven and foreign reserves were still not adequate.

8. As noted by the Fund, the Government of Argentina had prepared a financial programme for 1967 which aimed at decelerating the rate of price increases and at improving the efficiency of the economy, thereby laying the bases for sound and sustained long-run growth. The programme consisted of an integrated set of credit, fiscal, wage, exchange and trade policies. The programme called for a sharp reduction in the fiscal deficit, which would require a strong effort on the part of the authorities. He said that the Fund had noted with satisfaction the expressed determination of the authorities to adhere firmly to the programme and to adopt such other measures as might be necessary to achieve the objectives being sought.

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<sup>1</sup>This part of the statement of the representative of Argentina is reproduced in full in document L/2802.

9. The representative of Argentina added that, according to the Fund, full implementation of the programme adopted should help his country to achieve a satisfactory balance-of-payments position, thereby contributing to a much needed improvement in its net foreign reserve position. He said that the Fund had noted the importance of the policy adopted by the Argentine authorities to control the short- and medium-term external debt of the public sector, and to maintain surveillance over such debt operations in the private sector.

10. He added further that the Fund had welcomed the liberalization of the exchange system that had taken place and the expressed intention of the authorities to maintain the new payments régime. The tariff reform which had entered into force, providing for a substantial reduction in import duties, should, in the view of the Fund, produce beneficial results for Argentina through better allocation of the country's resources.

11. Paragraph 6 of the Argentine Memorandum (L/2796) referred to a number of special régimes facilitating imports by State entities or enterprises or by certain specific private sectors. Asked to define more precisely these arrangements, the representative of Argentina explained that these were special régimes affording more liberal customs treatment to various sectors of industry and infra-structure, the development of which was a matter of national interest. He added that these special plans involved foreign investments which enjoyed treatment no less favourable than that granted to domestic investments.

12. There were several questions relating to import surcharges. The representative of Argentina explained in the first place that the non-tariff charges referred to in paragraph 5 of L/2796 were imposed to promote the development of the sectors in question and would be abolished as and when their purpose was achieved. They were charges which were collected over and above the ordinary customs duty for the development of industries of national interest. The proceeds of the freight charge would be spent on the development of the merchant navy; those of the charge on imported iron and steel on the implementation of the National Iron and Steel Plan; and those of the charge on forest products for the promotion of afforestation projects and the establishment of highly developed forestry industries. There was no discrimination with regard to the origin of the merchandise and, as regards the freight charge, it was collected independently of the means of transport employed or the flag thereof (including Argentine ships).

13. With reference to "official indicative values" mentioned in paragraph 2 of Law 16690 (L/2796, page 43), the representative of Argentina said that duties were assessed on an ad valorem basis. He explained that "official indicative values" were set only in exceptional cases and applied to a very limited number of products. They were imposed when the prices of a given product in one or more exporting countries varied significantly. The value thus established maintained a relationship with the normal average value of the product in world markets.

14. The representative of Argentina answered a number of questions on his Government's policy with regard to quantitative restrictions. In the course of the last reform, they had done away with restrictions on 160 headings of the Brussels Nomenclature plus 159 sub-headings. Some restrictions still covered six Brussels Nomenclature headings. They would continue to be applied as long as was necessary to ensure the carrying out of the current Industrial Plan which includes important foreign investments. There were no restrictions on pharmaceutical products: these products being only subjected to the payment of customs duty.

15. In reply to a question the representative of Argentina stated that in his Government's view the quantitative restrictions at present in force could be justified by the provisions of Article XVIII of the General Agreement.

16. The representative of Argentina was asked about his Government's policy with respect to the requirement of "prior deposits". He recalled the reductions which had already taken place in the percentage requirements for such deposits from 100 per cent, successively to 75 per cent, and now to 40 per cent of the value of the goods. There were also numerous cases in which this requirement was waived altogether. He referred further to his Government's intention - set out in paragraph 4, page 7 of L/2796 - to relax the system of prior deposits as rapidly as Argentina's balance-of-payments position permitted.

17. Reference was made to the fact that the charges referred to in paragraph 12 above, were not imposed in a discriminatory manner. Confirmation was asked whether this policy was also followed with regard to prior deposits. The reply was that prior deposits were not required on imports from members of the LAFTA if the products concerned were covered by bindings granted within the framework of the Free Trade Area. The reason for this was that the requirement of prior deposits came into being after the Montevideo Treaty. A member of the Working Party questioned the compatibility with Article I of the General Agreement of the differential application of the prior deposit requirement. The Working Party welcomed the intention of the Government of Argentina to relax the system as Argentina's balance-of-payments situation permitted.

18. The representative of Argentina informed the Working Party that his country no longer granted tariff preferences. The earlier beneficiaries of Argentine preferences were now all members of the Latin American Free Trade Area.

19. Anti-dumping legislation conforming with Article VI of GATT was introduced in Argentina by Decree-Law 5342 of 1963.

20. Asked about export subsidies, the representative of Argentina said that his Government granted no export subsidies.

21. Some members of the Working Party referred to the fact that Argentina which at the last session had been removed from the list of countries required to submit annual reports on consular formalities, continued to collect a consular charge of  $1\frac{1}{2}$  per cent on the value of the commercial invoice. They expressed the hope that these consular formalities would be removed as soon as possible and that, whilst they remained, every effort would be made to avoid their being a hindrance to trade. The representative of Argentina replied that the charge of  $1\frac{1}{2}$  per cent was actually in effect when the CONTRACTING PARTIES took the decision referred to and that the decision was taken in recognition of the extreme simplification of formalities which had been carried out by Argentina in this field. He had nothing further to add except to reiterate the assurances given by the representative of Argentina at that meeting (SR.23/7 and Corr.2) that his Government would continue to provide information on its consular formalities if any changes should be introduced.

22. Having carried out the examination of the foreign trade régime of Argentina and in the light of the assurances given by Argentina, the Working Party reached the conclusion that, subject to the satisfactory conclusion of the relevant tariff negotiations, Argentina should be invited to accede to the General Agreement under the provisions of article XXVIII. For this purpose the Working Party has prepared a draft Protocol, annexed to this report. It is proposed that this text be approved by the Council when it approves this report. When the tariff negotiations between Argentina and contracting parties in connexion with the accession have been concluded, the resulting Schedule of Argentina would be annexed to the Protocol, while concessions granted by contracting parties would be contained in the 1967 Geneva Protocol, and on the instructions of the Council a Decision would then be submitted to a vote by contracting parties in accordance with article XXVIII. When the Decision is adopted, the Protocol would be open for acceptance and Argentina would become a contracting party thirty days after it accepts the Protocol.

23. The Working Party recommends further that the Council instruct the Trade Negotiations Committee and its subsidiary body, the Legal Drafting Group, to examine the draft Protocol, to make any formal changes which might be required to link the Protocol of Accession to the Protocol embodying the results of the current trade negotiations. In the meantime and taking into account the timetable of meetings the Chairman of this Working Party is asked to present this Report to the Legal Drafting Group for the latter's information.

ANNEX

Draft Protocol for the Accession of Argentina

The governments which are contracting parties to the General Agreement on Tariffs and Trade (hereinafter referred to as "contracting parties" and "the General Agreement", respectively), the European Economic Community and the Government of the Argentine Republic (hereinafter referred to as "Argentina").

HAVING regard to the results of the negotiations directed towards the accession of Argentina to the General Agreement,

HAVE through their representatives agreed as follows:

Part I - General

1. Argentina shall, upon entry into force of this Protocol pursuant to paragraph 6, become a contracting party to the General Agreement, as defined in Article XXXII thereof, and shall apply provisionally and subject to this Protocol:

- (a) Parts I, III and IV of the General Agreement, and
- (b) Part II of the General Agreement to the fullest extent not inconsistent with its legislation existing on the date of this Protocol.

The obligations incorporated in paragraph 1 of Article I by reference to Article III and those incorporated in paragraph 2(b) of Article II by reference to Article VI of the General Agreement shall be considered as falling within Part II for the purpose of this paragraph.

- 2. (a) The provisions of the General Agreement to be applied by Argentina shall, except as otherwise provided in this Protocol, be the provisions contained in the text annexed to the Final Act of the second session of the Preparatory Committee of the United Nations Conference on Trade and Employment, as rectified, amended or otherwise modified by such instruments as may have become at least partially effective on the day on which Argentina becomes a contracting party; provided that this does not mean that Argentina undertakes to apply a provision of any such instrument prior to the effectiveness of such provision pursuant to the terms of the instrument.
- (b) In each case in which paragraph 6 of Article V, sub-paragraph 4(d) of Article VII, and sub-paragraph 3(c) of Article X of the General Agreement refer to the date of that Agreement, the applicable date in respect of Argentina shall be the date of this Protocol.

Part II - Schedule

3. The schedule in the annex shall, upon the entry into force of this Protocol, become a Schedule to the General Agreement relating to Argentina.
4. (a) In each case in which paragraph 1 of Article II of the General Agreement refers to the date of that Agreement the applicable date in respect of each product which is the subject of a concession provided for in the schedule annexed to this Protocol shall be the date of this Protocol.  
  
(b) For the purpose of the reference in paragraph 6(a) of Article II of the General Agreement to the date of that Agreement, the applicable date in respect of the schedule annexed to this Protocol shall be the date of this Protocol.

Part III - Final Provisions

5. This Protocol shall be open for signature by Argentina until 1 July 1968. It shall also be open for signature by contracting parties and by the European Economic Community.
6. This Protocol shall enter into force on the thirtieth day following the day upon which it shall have been signed by Argentina.
7. Signature of this Protocol by Argentina shall constitute final action to become a party to each of the following instruments:
  - (i) Protocol Amending Part I and Articles XXIX and XXX, Geneva, 10 March 1955;
  - (ii) Fifth Protocol of Rectifications and Modifications to the Texts of the Schedules, Geneva, 3 December 1955;
  - (iii) Sixth Protocol of Rectifications and Modifications to the Texts of the Schedules, Geneva, 11 April 1957;
  - (iv) Seventh Protocol of Rectifications and Modifications to the Texts of the Schedules, Geneva, 30 November 1957;
  - (v) Protocol Relating to the Negotiations for the Establishment of New Schedule III - Brazil, Geneva, 31 December 1958;
  - (vi) Eighth Protocol of Rectifications and Modifications to the Texts of the Schedules, Geneva, 18 February 1959; and
  - (vii) Ninth Protocol of Rectifications and Modifications to the Texts of the Schedules, Geneva, 17 August 1959.

8. Argentina, having become a contracting party to the General Agreement pursuant to paragraph 1 of this Protocol, may accede to the General Agreement upon the applicable terms of this Protocol by deposit of an instrument of accession, with the Director-General. Such accession shall take effect on the day on which the General Agreement enters into force pursuant to Article XXVI or on the thirtieth day following the day of the deposit of the instrument of accession, whichever is the later. Accession to the General Agreement pursuant to this paragraph shall, for the purposes of paragraph 2 of Article XXXII of that Agreement, be regarded as acceptance of the Agreement pursuant to paragraph 4 of Article XXVI thereof.

9. Argentina may withdraw its provisional application of the General Agreement prior to its accession thereto pursuant to paragraph 8 and such withdrawal shall take effect on the sixtieth day following the day on which written notice thereof is received by the Director-General.

10. This Protocol shall be deposited with the Director-General who shall promptly furnish a certified copy thereof and a notification of each signature thereto, pursuant to paragraph 5, to each contracting party, to the European Economic Community and to Argentina.

11. This Protocol shall be registered in accordance with the provisions of Article 102 of the Charter of the United Nations.

Done at Geneva this thirtieth day of June one thousand nine hundred and sixty-seven, in a single copy, in the English and French languages, except as otherwise specified with respect to the schedule annexed hereto, both texts being authentic.