

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## ECONOMIC POLICY OF ARGENTINA

### Memorandum submitted by the Argentine Observer at the Sixteenth Session of the CONTRACTING PARTIES

May I start by thanking the CONTRACTING PARTIES, on behalf of the Argentine Government, for the invitation that made our participation as observers at this conference possible.

The fact that we have not asked for the floor earlier does not imply our lack of interest in the many important matters discussed so far. On the contrary, the economic policy of the CONTRACTING PARTIES, the discussions held in this forum and the conclusions and decisions arrived at here are questions of the greatest concern to the Argentine Government, due to their very direct relationship with our own economic and commercial policies or the manner in which they may affect them.

I would like, on this occasion, to express the views of my Government about some of the items included in the agenda of the present session, which are also connected with important developments in the field of international economic relations.

During the fifteenth session of the CONTRACTING PARTIES, held in Tokyo, I had the opportunity to explain the principles and guiding lines of the economic policy adopted by my Government, which implied substantial changes in our process of development and in our foreign trade and payments policies.

The exchange market operating since 1 January 1959, with a single, freely fluctuating rate, subject to the interplay of supply and demand, has since evinced a remarkable stability.

As a result of the removal of exchange and trade controls, our foreign trade now follows a multilateral and non-discriminatory trend, embracing over 80 per cent of all commercial and financial transactions.

The salient features of our commercial policy, based on the above-mentioned exchange reforms, may be summarized as follows: (i) strengthening

of the multilateral approach through the active participation of Argentina in international and regional economic organizations; (ii) trade liberalization through the elimination of bilateral payments agreements that had been in operation within the framework of the former exchange control system; (iii) expansion of trade on a competitive basis, through negotiation of multilateral or bilateral trade agreements adopting the most-favoured-nation clause and eliminating all types of restrictive measures.

### Progress in Trade Liberalization

Since the Tokyo session, the Argentine Government has continued and intensified the reduction or suppression of existing restrictions on foreign trade, especially on imports. After the abolition of advance payments, there was a general reduction of exchange surcharges affecting imports. Commodities subject to a 300 per cent surcharge were transferred to a new category with a 150 per cent surcharge. Only a limited number of imports were included in a new 200 per cent category, which will only be applied - after a case-by-case study - to commodities for which a smaller surcharge may prove ineffective to prevent disruption of domestic industries in the transitional period. The remaining imports are subject to surcharges of 100, 40 and 20 per cent. I should add that the readjustment of surcharges has resulted in a lower average taxation on imports.

Furthermore, and to the extent that the improvement of the financial situation of the country resulted in increased reserves, a greater equilibrium in the balance of payments and a more stable peso, it has been possible to eliminate fully surcharges on imports of industrial machinery and equipment - including those constituting an integrated line of production - agricultural machinery not produced domestically, internal combustion engines for use in the agricultural machinery industry, vessels for fishing on the high seas, machinery and equipment for modernization and expansion of dockyards and the shipping industry in general, commercial samples and advertising materials, aeronautical equipment and materials, etc. Thus, to the removal of surcharges on traditional imports coming from neighbouring countries, have been added the substantive measures of liberalization quoted earlier, as a result of which the list of imports free of any surcharge or discrimination based on origin or currency area has been considerably increased.

### New Export Incentives

The economic development of Argentina is highly dependent on the possibility of expanding its exports. An expanding export trade is the main source from which Argentina may draw the resources needed to cover the cost of its imports and the servicing of foreign loans and investments. Our exports will have to enable us to finance increasing quantities of raw materials, semi-manufactured and manufactured goods, and a wide range of machinery and equipment needed for the development and exploitation of our abundant and diversified natural resources. Furthermore, additional export

proceeds will be needed to increase Argentina's capacity to obtain the additional foreign capital, both in the form of loans and private investment, indispensable for the economic development of the country. Failure to increase our exports, due to declining prices in our traditional commodities and to persistent and ever-growing restrictions and discriminations in world markets, will condemn Argentina to economic stagnation and may give rise to strong internal pressures tending to re-establish our own trade and exchange restrictions. In other words, our policy of free trade is highly subject to the expansion of our exports. With this in mind, the Government has started an intensive programme to promote exports, especially of new products, by virtue of which measures such as the establishment of financing facilities for exports of manufactured goods, tax exemption for exports not included in the withholding system, and a comprehensive system of "refunds" under which exporters get back the amounts paid as surcharges, tariffs or special taxes applied to imported commodities that have gone into the new product exported, have been adopted.

#### Stability and Development

In spite of international and domestic problems, the Argentine Government is determined to sustain and accelerate the fulfilment of the programme of financial stabilization and economic development launched on 1 May 1958. Based on the premise that the nation cannot consume more goods and services than those it produces, the Argentine Government has made substantial progress in the monetary and financial sectors. The reserves in gold and convertible currencies that by 1 May 1959, that is four months after the exchange reform, amounted to \$96.3 million, increased to over \$400 million a year later. The total assets of our Central Bank in reserves and disposable funds amount today to over \$600 million. Our balance of trade, after a persistent deficit of more than \$1 billion during the period 1955/58, closed the year 1959 with a small favourable balance. This, of course, was achieved by resorting to a drastic reduction in imports and substantive cuts in domestic consumption, which measures cannot be but exceptional and of limited duration, particularly when we bear in mind the magnitude of our unexploited resources, as was shown in the case of oil, and the process of our agricultural expansion, now under way. In any event, these circumstances point to a positive advance and are an indication of the efforts being made by the Government and people of Argentina to promote national development and foreign trade on a sound, permanent and stable basis.

#### Argentina and GATT

At the Tokyo conference we announced the acceleration of the preparatory work designed to serve as a basic step for our request for accession to the General Agreement. We are now able to report that a new Tariff Schedule, based on the Brussels Nomenclature, will be put into effect shortly and will replace the present system of exchange surcharges adopted temporarily after our former system of exchange and trade controls was eliminated.

The progress achieved in this field enabled our Government to begin dissemination, among sectors of our private enterprise, of information on the basis, structure and purposes of the General Agreement. The fact that for more than two decades, our foreign trade developed under a system of exchange control, State regulations and bilateral agreements, compels us today to make a considerable effort in order to enlighten public opinion on the structure and aims of GATT and the implications which would derive from our accession to it.

### The International Economic Situation

At this time, however, we find it necessary to express the concern with which our Government sees some developments in the international economic situation, especially those that have been registered subsequent to the Tokyo conference and which have led us to re-examine some substantive aspects of our international position in the field of economic relations. The problems which have arisen between the European Economic Community and the EFTA, the former's agricultural policy and, particularly, the trends shown by some recent proposals at present under discussion, the implication for our foreign trade of the programmes of trade liberalization within the above-mentioned groups, the so-called Dillon Plan and the discussions for the reorganization of the OEEC, trade relations between the United States and the "Inner Six" and the "Outer Seven", the extension, commercial and economic effects, of imperial preferences vis-à-vis the intra-regional trade of the EFTA countries, are but a few of the many problems whose ultimate outcome may determine substantive changes in our commercial and financial relations with the world and, of course, seriously affect our domestic economy.

It does not seem reasonable to us to argue that these are questions which only concern or affect those countries at present participating in their discussion. Neither can we accept the view that regional groups should be established among countries with a similar degree of development. In our opinion, the interdependence of domestic economies is inherent to the essence of a free economic system, and it appears obvious to us that this interdependence is subject to reasons that go beyond the different degrees of economic development achieved by the countries participating in the system. Hence, the tendency to establish international trade in manufactures on a competitive basis while at the same time subcontracting from the same economic law all trade in agricultural commodities, constitutes at this stage of our civilization a serious threat to the free economic system that, by its very nature, is interdependent. Similarly, the tendency to substitute regional self-sufficiency by national autarchy contradicts the principles which served as a basis for the most intensive and formidable international activity known in history in the economic field. It is particularly discouraging to nations which hope to successfully and efficiently put into effect a comprehensive international programme of economic co-ordination and co-operation.

### Argentina and the GATT Principles

However, we do not wish to create the impression that we underestimate the contribution made by GATT to international co-operation. Undoubtedly, it has been valuable, particularly the contribution unceasingly promoted by the secretariat under the able guidance of Mr. Wyndham White. We merely wish to emphasize the importance of the efforts made by countries in the process of evolution, such as ours, by virtue of the adjustment, not only of their financial relations but also of their foreign trade, to the principles based on the most-favoured-nation treatment, of multilateralism and non-discrimination, sturdy pillars of the "organization" system. We see no well-founded reasons for the substantial difference between the principles applied to regulate international trade in most agricultural commodities and those utilized in relation to industrial goods, especially when bearing in mind that liberalization of industrial trade is advocated by the highly-developed countries, while they themselves maintain or even increase a high degree of agricultural protection. It would be interesting to know whether highly-developed countries, with large monetary reserves and a very active participation in international trade, could not find a way of overcoming the problems raised by their agricultural sectors without resorting to measures or policies which tend to disrupt the pattern of that trade by countering the principles of efficiency and competition, thus adversely affecting the situation of countries largely dependent on exports of agricultural commodities. Similarly, it would be interesting to know how the relatively less-developed countries, which mainly export this type of commodity, may envisage a reasonable expansion of their exports in order to increase their demand for industrial products on a multilateral and non-discriminatory basis.

In our opinion, the solution given to the economic problems in the present international situation will determine the evolution of world trade in forthcoming years which, in turn, will determine the fate of a system which in practice bears out contradictions which have not been overcome so far.

We, of course, deem it legitimate and even desirable that the regional economic groups formed by the industrial countries should have for their objective, not only the maintenance of their present high rate of growth, but also its continual improvement. But by this we do not mean the influence and importance of economic improvement of the less-developed countries unless, as we believe, the economic system to which they all belong is based on reciprocal advantages and respect for the same rules.

In this respect, the strengthening of GATT appears to be an essential requirement, provided the economic laws on which it is based are applied with due regard to the different degrees of economic development of Member countries, with a view to avoiding or eliminating the disruption of the world economy produced by the unilateral application of these laws, to the detriment of the less-developed countries.

