

GENERAL AGREEMENT ON TARIFFS AND TRADE

Meeting of Ministers

STATEMENT MADE BY H.E. MR. M. BARTUR, AMBASSADOR  
MINISTERIAL REPRESENTATIVE OF ISRAEL, ON 28 NOVEMBER 1961

First of all I have to express the utmost regret of the Minister of Trade and Industry Mr. P. Sapir who was by unavoidable circumstances prevented to take part in this meeting. The task to convey the views of my Government and to make any contribution to the debate I may be able to on his behalf has been entrusted to me in the capacity of ministerial representative.

Foreign trade is a vital element in Israel's economy. We are a small country measured in terms of population and area. We are certainly a small factor in international trade though the volume of foreign trade is steadily rising, amounting in 1960 to about 900 million dollars, imports and exports together. The per capita figure of 430 dollars per head of population in 1960 is even more striking an illustration of the decisive weight of international exchange of commodities and services in my country's economy. About two thirds of Israel's exports are composed of industrial commodities, about one third are agricultural products. It is our target to double exports in the next five to seven year period so as to balance imports and exports and to replace gradually unrequited inflow of capital by export earnings. Unhampered and undiscriminated access to foreign markets is therefore a vital precondition of economic progress.

This dependence on foreign markets and suppliers is typical for all young countries maintaining or building a modern economy, and striving towards a decent and rising standard of living for their population. Yet Israel's situation is perhaps unique in one sense: about 65 per cent of our imports and exports are carried out with trading partners in Western Europe. Though geographically not belonging to this area, it can be stated without exaggeration that our economic development and wellbeing is closely interconnected with that of Western Europe.

It is therefore easily understood that though Israel's trade and economic relations, especially with the countries in Africa and Asia, show a very promising increase in volume as well as in diversity and importance, the expanding European Common Market confronts us with formidable problems in the fields of industrial planning and investment policy, trade and financial policy. In short, the emergence of the EEC means for Israel the gradually progressing exclusion and separation from the economic area to which it belongs.

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Traditional and structural ties are in danger of disruption or at best to be seriously weakened.

May I be allowed to give only one illustration:

The European Community in its common outer tariff has established a 20 per cent customs duty for oranges, one of Israel's main export crops, this in comparison to an average of 14 per cent in the compound of the six individual former tariffs. In spite of many interventions and the readiness to give countervalue, no offer to negotiate on this item was forthcoming during the present Tariff Conference. Most probably, compromise amongst producer interests within the Common Market has led to an internal arrangement at the point of least resistance; i.e. at the expense of outsider producers now confronted with an extremely high customs barrier gravely hampering in our case the access to the main and in fact only market (if we think in terms of the enlarged community area).

Countries confronted with such problems will have no other choice but to adopt restrictive measures, to reduce export prices thereby straining their in any case weak economies, and might easily become involved in a growing number of trade disputes or into undesired and undesirable deflections of traditional trade patterns.

Three main factors combine together seriously effecting developing countries. Their young export industries obliged to pave their way into new markets have now to overcome the additional hurdle of the common outer tariff, which favours internal producers within the large and most probably expanding preferential area of Western European integration. On third markets they have to compete with the exports of industries becoming increasingly efficient and of enlarged competitive strength as a result of the higher degree of rationalization and the better division of labour achieved through the establishment of a vast internal market. At the same time private investments so essential to the industrial development of the younger states are drawn towards countries where a large and expanding market area is open to them. Therefore, for financing their industrialization programmes, the younger nations will have to rely mainly on development aid. Industries thus established, are faced with unpredictable marketing opportunities and uncertain competitive conditions.

The obvious danger: misuse of scarce investment funds creating unneeded capacity for unmarketable commodities. It is generally agreed that uncertainty, lack of security and confidence are the worst enemy of economic development and certainly of the flow of private capital urgently needed in the developing countries. For all these reasons, coordination of policies, and the adoption of new trade policies within the Western economic area seem to us a vital precondition for the realization of the universally desired aims in the "decade of development".

The main purpose of this co-ordination is - in our view - the re-establishment of conditions of confidence and the widened and eased access to world markets for the industrial and agricultural exports of the developing nations. No amount of financial development aid can compensate reduced trading possibilities.

These assumptions, I believe, are more or less, generally shared and have been expressed in many statements and declarations. But possibly they bear repetition in order to stress one point: there is no use in paying lip service to them, the abyss between generally accepted theoretical conceptions, and the practice often guided by expediency motivated by internal political pressures existing in all democratic countries has to be bridged.

The task is obviously to devise methods and instruments corresponding to overriding universal considerations. Here certainly lies the purpose of this meeting. At this crucial stage of world affairs the GATT, as the organization of greatest scope in the field of international trade, has a vital role to play in order to co-ordinate the great constructive forces at work within its wide frame.

Its machinery as well as its authority has to be strengthened in order to enable it to fulfil its task. We therefore support the proposal to embark upon new ways of customs tariff reduction by all along the board linear rather than by commodity-by-commodity arrangements. This is the only method through which the discriminatory aspects of the customs unions in their relation to third countries exports can effectively be reduced and synchronization of the rhythm of customs dismantlement within the GATT area at large can be achieved. It is evidently necessary to keep in mind, as mentioned in document C/53 of the respective Working Party, that a flexible interpretation has to be given to the meaning of reciprocity, distinguishing between the obligations of younger or economically weaker countries and their infant industries and those of the highly developed and industrialized areas. This synthesis of regional and universal integration requires that the important sectors of the foreign trade of many countries namely: raw materials and agricultural commodities, on which their export earnings depend, are not excluded from the dismantling of tariff and other barriers to trade.

Understandably we have tried to analyse briefly the problems on the agenda out of the perspective of a developing country depending on undisturbed and expanding foreign trade, neither belonging to any of the powerful economic groupings nor constituting a large market area in itself. This is a situation characteristic of many of the Member countries of the GATT. As we are living in one world - the peace and prosperity of which has become indivisible - it is certainly essential to confront the problems with speed and determination. Corresponding to their greater strength, the greater responsibility, and in fact the decisive influence in regard to effective solutions rests with the stronger economic powers. But, I believe, it is well understood that effective progress can only be achieved in joint action to which all the countries of GATT have to make their contribution. My Government is ready to participate in the task to the full extent of its ability.

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