

PREPARATORY COMMITTEE OF THE INTERNATIONAL CONFERENCE
ON TRADE AND EMPLOYMENT

OBSERVATIONS ON "QUANTITATIVE RESTRICTIONS"
BY THE CHINESE DELEGATION

I. GENERAL REMARKS

While recognizing the need to avoid undue resort to quantitative restrictions as a means of trade regulation, the Chinese Delegation finds it difficult to subscribe to the proposition that adjustments of tariff rates alone could afford adequate protection for the interests of an economically under-developed country. The reason is very simple. The margin of a protective tariff has to be considerably high before it can be sufficiently effective to achieve the intended results. Such a course of action would not only contradict the aims of the proposed Conference but would also culminate in an inordinate upswing of domestic prices to the detriment of its national economy. On the other hand, if the margin of protection were too low to be effective, foreign importations of competitive consumers' goods, even non-essentials or luxuries, would continue to overflow the domestic market to such an extent as to prevent or even nullify its efforts toward industrialization. As it is not easy to strike a happy medium, and too high or too low a tariff alike would bring disastrous consequences for an under-developed country, we feel it is imperative for such a country to regulate its foreign trade by the application of simple quota or tariff quota systems during a transitional period to be defined.

Moreover, a country with a long-continuing adverse balance of trade, like China, has to conserve her exchange resources by limiting the entry of non-essential commodities in favour of essential

commodities obtainable from abroad. Restrictions on the imports of luxuries and non-essential goods during a transitional period by the application of a system of licence, are therefore not only indispensable but justifiable. As such restrictions are selective in nature, their judicious application would have the effect of merely changing the composition of imports but not in any way effecting the total volume of imports.

As regards the definition of a "Transitional Period" during which an under-developed country may resort to reasonable measures of quantitative restrictions, we are of the opinion that it should not be limited by any prefixed date; nor should it be determined by such conditions as monetary reserve or balance of payments which, being primarily the criteria for monetary stability, do not necessarily reflect the stage attained in industrial development. We would like, therefore, to propose the following definition of a "transitional period of industrial development" for the under-developed countries during which period necessary and reasonable measures of quantitative restrictions may be imposed or maintained solely for the purpose of protection. That is, this period should extend to such a time as

(a) fifty per cent of the wage-earning population are employed in modern industrial enterprises concerned with production and distribution; or

(b) fifty per cent of their national income is derived from modern enterprises of industry, trading and finance.

We submit these views in the hope that they will receive sympathetic consideration by this Committee and the Preparatory Committee and that provisions to this effect will be inserted in the final Trade Charter, so that all economically under-developed countries may thereby be enabled to expedite their progress in

industrialization and ultimately be able to contribute to the expansion of world trade.

II. SPECIFIC COMMENTS

Another point bearing on the problem of quantitative restrictions is the highly important provision in the United States Suggested Charter, Article 19, paragraph 2, sub-paragraph (e) on the restrictions on agricultural imports. Clause (i) of this sub-paragraph lays down in effect that if a member nation has to adopt import restrictions on any agricultural product, necessary to the enforcement of government measures which operate to restrict the quantities of the like domestic product permitted to be marketed or produced, the restrictions thus imposed should not be such as would reduce the total imports relative to the total of domestic production, as compared with the proportion between the two prevailing during a previous representative period.

If our interpretation represents the real meaning of the Draft Charter on this point, the Chinese Delegation cannot but regard it as imposing grave handicaps on the development of economically underdeveloped countries. These countries, largely lacking any sizeable industry and commerce, have a predominantly agricultural economy, on which an overwhelming majority of their people depend for their existence. The price structure of agricultural products in such countries not only affects the standard of living of their rural population, but also determines the success or failure of any attempt at industrialization. The Government of such a country must from time to time take appropriate measures to regulate the varieties and quantities of production and consumption, so as to stabilize the prices of its agricultural products and maintain a proper balance between foodstuffs and raw materials on the one hand and industrial manufactures on the other. This equilibrium is essential to the maintenance of a decent livelihood for the rural population and to

a steady advance in industrial and commercial development. The standards and methods of adjustment in this matter are necessarily determined by such elements as increase or decrease of population, rise or fall in the costs of living, the total area under cultivation, the varieties of agricultural produce, the state of transport, market conditions and other complex factors. Above all, the quantities and kinds of agricultural imports must depend on the changing state of demand and supply in the country itself. These diversified and constantly changing factors make it impossible for any agricultural country to accept the ratio between the imports and domestic production of like products for any previous period as the standard for regulating such imports in the future. It is thus clear that this provision in the Draft Charter would give rise to the most serious difficulties and impediments to the economic development of such a country.

For these reasons the Chinese Delegation feels that if the Draft Charter is to be adopted by the proposed Conference, Article 19, paragraph 2, sub-paragraph (c) should be so thoroughly revised as not to imply any restraint on the right of all member governments to consolidate their national economy by making any qualitative or quantitative adjustments of their agricultural imports.
