

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## QUANTITATIVE RESTRICTIONS FOR PROTECTIVE PURPOSES

### Statement by the Dominican Delegation at a meeting on 2 December 1954

In our opening statement we already expressed our deep concern about an inherent injustice in the present structure of the General Agreement. That is to say that quantitative restrictions for protective purposes, as admitted by the Agreement, throw a disproportionate burden of internal economic adjustment on the international community and especially on those countries which are the most vulnerable ones. We refer to the fact that primary producing countries having no balance of payments difficulties are obliged to receive from all other industrialized economies finished or semi-finished goods without discrimination - the only barrier they can use are tariffs - while the free access of their own primary commodities to the import markets of industrialized countries is denied to them in many cases in accordance with certain rules of the Agreement in Article XI. This is, in a nutshell, what the famous agricultural exception to the general rule of non-discrimination amounts to from the point of view of those countries, which, like the Dominican Republic, are primarily exporters of agricultural products.

Nobody here at this table can deny, that this is a serious problem for us and for the international community as a whole, because in order to protect one section of the economy of a highly developed country the whole economy of a country living by the export of a few basic agricultural products will be hurt. This is the more serious if all this can happen within an international Agreement aiming at the expansion of world trade and at the raising of the living standard in all parts of the world and especially in those countries which still have a very low income per capita.

I know perfectly well that all of you are conversant with the fact that exports of agricultural products play a strategic role in many under-developed countries for the simple reason that there is no alternative employment available for the economic forces of those countries. Hence, agricultural exports determine national income, rate of savings, rate of capital formation; they are decisive for maintaining monetary stability and for the rate of progress of development programmes.

We have talked at length in this Review Session about under-developed countries and their need to apply all possible means of international commercial policy in order to give them a chance of making progress in their efforts to grow and to increase their economic welfare. This is one aspect of the situation of under-developed countries, an aspect which apparently sometimes frightens the well-developed countries, because they are thinking of their own interest in safeguarding, as far as possible, their free access to those markets, a preoccupation which I fully appreciate, but which I do not share in the least, on account of the experience which the world at large had in the last 100 years with the favourable trade development between industrialized and developing countries. However, I do not wish to dwell on this subject here any longer. The only reason I am mentioning this matter is to show you the other aspect of the problems of under-developed countries. That is to say their pressing need for trade. Without the greatest possible access of the primary products of under-developed countries to the important markets for those products, there is no chance, not even a remote one, to make headway in our efforts to increase the purchasing power, the standard of living and the development of the less privileged areas of the world.

From this follows logically that ways and means should be found to protect the under-developed producers of primary agricultural products against barriers of trade like quantitative restrictions as far as possible and to assist them in their quest for free unhampered access of their few basic export commodities to the world import markets, which are the natural markets of those under-privileged countries.

We feel that GATT can not remain indifferent to this situation. We fully realize, however, that there is a clash of interests between under-privileged areas and some highly industrialized countries. This clash is the consequence of the fact that some industrialized countries, for reasons best known to themselves, are unable and unwilling to recognize an international division of labour between differently shaped economies, differently shaped on account of differences in economic development and economic opportunities. All this is not a hallmark of our time. Similar problems relating to the division of labour between European countries and the young overseas countries including the United States of America existed already in the nineteenth century.

The under-developed countries, like the Dominican Republic, are fully aware that they have to live in a world as it is, and not in a world which is shaped according to their wishes; hence we realize that there is the problem of how to reconcile the interests of producers of basic agricultural commodities with the interests of those industrialized countries that wish to maintain an agricultural sector within their economies at all costs, even at the price of price-support programmes.

We have resigned ourselves to the idea that those price-support programmes are here to stay and that therefore GATT has to deal with them. Our confidence in GATT would not be enhanced, if no better formulas than the existing ones could be found, with regard to the reconciliation of the export interests of the primary producing countries with the need for protection of agricultural production subject to price-support programmes of highly industrialized countries.

Our ideas of a fair solution of the problem involved centre about the following main problems:

- (a) periodic review by the CONTRACTING PARTIES of quantitative restrictions for agricultural protection in connection with price-support programmes;
- (b) limitation of protection for processing industries;
- (c) fair and equitable administration of quantitative restrictions;
- (d) establishment of an equilibrium in bargaining power between a country applying quantitative restrictions and a country affected by them.

#### Periodic Review

We all know that quantitative restrictions of imports have an actual tendency to perpetuate themselves by establishing vested interests. Provisions should therefore be inserted in the revised Agreement that quantitative restrictions for protective purposes are not to be maintained any longer than the special circumstances under which they have been created continue to exist. I know of a case, in which my country is deeply interested, in which quantitative restrictions were introduced in 1935 in order to meet a specific situation of an agricultural commodity. This situation ceased to exist long ago, but the quantitative restrictions are still going strong.

We are in favour of introducing into the Agreement the Organization for European Economic Co-operation system, that is to say, that the CONTRACTING PARTIES should periodically review those quantitative restrictions, exploring the possibilities of gradually relaxing or even eliminating the said restrictions. This seems especially necessary in those cases in which the market, subject to protective quantitative restrictions, represents an essential part of total world demand of the specific agricultural products. This is by no means something completely new.

We found that the United States had proposed the following with regard to quantitative restrictions for agricultural protection to the London Conference of 6 December 1945:

"Such quotas should not be more restrictive than necessary, should be removed as soon as they cease to be necessary for the purposes of this sub-paragraph, and should be made the subject of periodic consultations with the Organization."

(Chapter II, Section C)

Limitation of protection for processing industries via quantitative restrictions

Furthermore, we share the opinion of those who believe that the imposition of quantitative restrictions for the purpose of defending price-support programmes should not be used to discriminate against processed, as compared with raw materials. It is only natural that the primary producing countries claim the right of processing their own raw materials, and of offering them in the world market without being penalized for doing so. The processing of their own raw materials represents for the under-developed countries the soundest form of industrialization, besides being by far the most economic and most efficient exploitation of their natural wealth.

It is for this reason that the revised General Agreement should contain provisions which make it mandatory for the industrialized countries not to impose import quotas on processed agricultural raw materials which are more restrictive than the import quotas on the unprocessed commodity.

Let me say here that we wish to be reasonable and realistic. We are advocating only the progressive removal of these restrictions, which will not cause undue hardship on the industrial processors in the main centres of consumption.

Fair and equitable administration of quantitative restrictions for protective purposes

It should be evident that a fair and equitable administration of the permitted quantitative restrictions on basic agricultural products is a matter of vital concern to the world exporters of these products. The provisions of GATT (Articles XI, XIII) therefore should be tightened up in such a way as to assure that a disproportionate burden of agricultural adjustment in a specific country is not thrown on the rest of the world. According to our opinion, not only should imports not be reduced relatively to the domestic production over an average of at least five years, but the import quotas should not be established below the level that would bring in as high a quantity of imports as would enter in the absence of price-supports and import controls.

It is the view of our delegation, that here again the allocation of total quotas should be made subject to a periodic review by the CONTRACTING PARTIES.

In order to protect the interests of the suppliers of primary commodities to a principal market ruled by permitted quantitative restrictions the distribution of individual quotas requires, according to our opinion a thorough revision.

Equal quotas for all countries are obviously inequitable. Allocation according to a previous period or base year is equally unsatisfactory, since the base year is soon out of date, industrial conditions having changed, or the incidence of tariff rates having experienced an alteration which affects the competitive position between the various suppliers. Under no circumstances can previous years be used as a yardstick for the allocation of individual quotas if import restrictions had been already in force during those years. We suggest that the revised Agreement contain provisions according to which the allocation of individual import quotas for primary

commodities in principal markets taking a major part of the world market offerings, should reflect the relative position of each country in the total world import market of such commodity. This would prevent a serious abuse of quantitative restrictions, namely that a country could acquire more than a fair share of the world market.

Effect of agricultural quantitative restrictions  
on bargaining power in tariff negotiations

Under the existing rules for multilateral tariff negotiations a primary producing country is seriously curtailed in its bargaining power in tariff negotiations with industrialized countries if the latter apply quantitative restrictions for agricultural protective purposes against the main export items of an under-developed country. In these negotiations the industrialized countries employing quantitative restrictions for agricultural protection have in the past made full use of their right to insist on tariff concessions for their manufactured goods and exportable farm products on a strictly reciprocal basis. They have not been forced however to negotiate concessions on their quantitative restrictions for agricultural purposes together with tariffs, even when those measures affected deeply the few export items of a primary producing country.

The attainment of an expanded and well-balanced international trade in the interest of all of us will require, according to the opinion of our delegation, the co-operation of the CONTRACTING PARTIES towards establishing an equilibrium of bargaining power in multilateral tariff negotiations between industrialized countries applying quantitative restrictions and the primary producing countries affected by those measures.

These are the highlights of the problem under discussion as far as it refers to quantitative restrictions for agricultural protection, as we see it. The Dominican delegation reserves the right to table concrete proposals regarding the revision of the present rules of GATT dealing with quantitative restrictions for agricultural protection, corresponding to the ideas we have just advanced.

Summing up, it is the view of our delegation, that quantitative restrictions for agricultural protection pose serious problems for primary producing countries. It seems to us, on account of our own experience, that their interests were not sufficiently considered in the present rules, which we believe should be thoroughly overhauled. On the other hand, we wish to be realistic and reasonable. We firmly believe that a reconciliation of the different interests in this matter can be found, especially if the CONTRACTING PARTIES do not lose sight of the fact that there is no substitute for a two-way trade and that a fair solution of this particular problem is of vital importance for the future economic development of under-developed countries.