

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Quantitative Restrictions

IMPORT RESTRICTIONS FOR BALANCE-OF-PAYMENTS

REASONS AND FOR ECONOMIC DEVELOPMENT

B R A Z I L I A N S T A T E M E N T S

Memoranda dated 23 November 1954
from the Brazilian Delegation

- A -

With reference to the statement made on 20 November at Working Party I, the points put forward by the Brazilian delegation are the following:

1. Due consideration should be given to the need for underdeveloped countries to maximize the marginal efficiency of the capital goods obtained by means of the expenditure of their external means of payment.
2. Due consideration should be given to the problem of scarce currencies from the point of view of less developed countries, whose balance of payment problems are of a permanent and persistent nature in view of their propensity to import being larger than their capacity to do so.
3. The right should be recognized to underdeveloped countries to replace imports paid for in scarce currencies by domestic production without either consultation with or consent to the industrialized countries whose exports are thus substituted by domestic production.
4. The underdeveloped countries should be given the right to select their trade with areas of scarce currencies even when such scarcity is not formally declared by the International Monetary Fund and balance-of-payments deficits do not exist."

With reference to the statement made at Working Party I on 22 November, the Brazilian delegation would like to offer the following comments on the drafting of Article XVIII presented by the secretariat in W.9/17, and which refer directly to countries imposing quantitative restrictions by reasons other than the establishment of balance-of-payment equilibrium or the necessity of developing particular industries and branches of agriculture.

The Brazilian delegation has in mind cases where a country has to impose quantitative restrictions in order to allocate its external earnings in scarce currency in order to maximize the marginal efficiency of the capital goods obtained by means of the expenditure of such funds. This point was implicitly touched upon by me in my opening speech when I referred to the way opened to underdeveloped countries to economize their means of payment abroad. The same point was made more explicit by the Brazilian delegation when discussing tied loans during the stage of general debates in the plenary discussions.

The proposed amendments to the draft Article XVIII in W.9/17 are as follows:

Paragraph 1.

Replace the words 'low standards of living for their people', in lines 4 and 5, by the expression 'low level of real and net national product per capita'.

Paragraph 2.

Delete the word 'special' in the first line.

Replace the words 'to promote the establishment of particular industries in order to raise the general standard of living of the population', in lines 2 and 3, by the following words 'required for the implementation of programmes for economic development'.

Replace 'establishment of new industries', in lines 9 and 10, by 'implementation of these programmes'.

Replace present sub-paragraph (b), by the following: '(b) to apply quantitative restrictions (i) to maintain the country propensity to import within the limits of its capacity to import, and (ii) to give priority to the importation of those products or classes of products which are more essential in the light of its programme of economic development'

"Paragraph 3.

Replace the expression 'in the early stage of development and which can only afford low standards of living for its people', in lines 1 and 2, by the expression 'which can only afford a low level of real and net national product per capita'.

"Paragraph 4.

Delete 'including any compensatory concessions involved', in lines 9 and 10, and replace by 'and by so doing compensatory concessions may not be necessarily involved'.

Delete 'and that the compensatory adjustment offered is adequate'.

Delete 'at the same time as it introduces the compensatory adjustment', and replace by 'at the same time as a compensatory adjustment, if any, is introduced'.

"Paragraph 5.

Delete 'for the development of industrial and other economic resources', in lines 2 and 3, and replace by the expression 'for economic development'.

Delete 'permitted to be', in line 5.

"Paragraph 6.

Substitute the words 'not to prevent' for the words 'to allow', in line 6.

In the last sentence of same paragraph, the following should be inserted between the expression 'balance of payments' and 'and to the desirability': 'as well as to maximize its external means of payment in terms of imports of capital goods necessary for the implementation of its programme of economic development'.

"Paragraph 7.

Delete the word 'before', in line 2, and replace it by the word 'when'.

Delete the word 'Organization' in lines 3, 4 and 5 and replace it by the word 'Secretariat'.

Replace the expression 'It shall consult', in lines 3 and 4, by the words 'It shall give the Secretariat clarifications concerning the motives of its decisions'.

"The Brazilian Delegation has no comments to make on paragraphs 8 to 14 until its suggestions concerning the amendments of paragraphs 1 to 7 are considered by Working Parties I and II."