

IX. Request by Paraguay for Upward Revision of Fund Quota

articles of Agreement: Art. III, Sec. 2

Adjustment of quotas. The Fund shall at intervals of five years review, and if it deems it appropriate propose an adjustment of, the quotas of the members. It may also, if it thinks fit, consider at any other time the adjustment of any particular quota at the request of the member concerned. A four-fifths majority of the total voting power shall be required for any change in quotas and no quota shall be changed without the consent of the member concerned.

Letter from Alternate Governor for Paraguay

March 13, 1946.

Mr. Chairman
Board of Governors
International Monetary Fund

Mr. Chairman:

In accordance with express instructions received from my Government, I am taking the liberty of submitting for the consideration of the Board of Governors of the International Monetary Fund, a request for an increase in the Paraguayan quota in the Fund.

At the time the Bretton Woods agreements were signed, due to circumstances which have been expressed in a note presented to the Chairman of the United States Delegation, the quota established for Paraguay turned out to be far less than that desired by my Government. It can also be said that this quota is not in accord with the relative position of my country.

To illustrate the case better, I transcribe below the notes exchanged between the Paraguayan Delegate and Mr. White, Chairman of the United States Delegation at that Conference:

"Bretton Woods, N.H., July 21, 1944. The Honorable Harry D. White, Assistant to the Secretary of the Treasury, Delegate of the United States of America. Sir: The Delegation of Paraguay to the United Nations Monetary and Financial Conference begs to state, in confirmation of previous discussions with members of the Delegation of the United States of America, that it has been instructed by the Government of Paraguay to request that a quota of 8 million dollars be assigned to Paraguay in the Stabilization Fund. Unfortunately, and because of difficulties in communications which have been explained in our discussions, these instructions arrived shortly after commission I had approved the respective quotas assigned to the countries represented at this Conference. As your Delegation will realize, the 2 million dollar quota assigned to Paraguay is considerably below the quota desired by our Govern-

ment. The Delegation of Paraguay wishes to leave a record of the above mentioned circumstances and hopes that in due time the desire of the Government of Paraguay be considered, in the assumption that it may wish to participate in the formation of the Stabilization Fund. I avail myself of this opportunity to express the sentiments of my highest consideration. Nestor M. Campos Ros, Delegate of Paraguay."

"Treasury Department, Washington. July 22, 1944.
Dear Mr. Campos Ros: I wish to acknowledge receipt of your communication of July 21 and to inform you that I have made note of its contents. I am transmitting it to Mr. Warren Kelchner, Secretary General of the Conference, who will make it a part of the permanent records of the Conference. Very truly yours, H. D. White, Delegate of the United States."

With a national income estimated at about 50 million dollars, and an export income of 15 million based on four principal products, Paraguay must have her quota in the Fund raised at least to 5 million, before she can feel securely established within the mechanism of the Fund. My country is one that produces raw materials, and is practically without manufacturing industries, which implies our complete dependence on foreign commerce. Any interruption, any important change in the exporting of our products, might oblige us to claim assistance from the Fund beyond the normal limits or cause us to resort to measures which it is in the interest of everyone to avoid.

The figures in our balance of payments for the last five years are not an adequate indication of what may happen in the next five years, since during the war we had ample markets and good prices for our products.

Moreover, as my country has no seacoast, in order to put its products in the export markets, it must depend on factors that are beyond its control, such as transport facilities through other countries, etc. Climatic factors also can influence the figures of our foreign commerce, and have frequently done so in the past, affecting the navigability of our rivers or delaying and even ruining the harvest of some of our products. It is not the purpose of this letter to represent Paraguay as a candidate for permanent aid from the Fund. That is not the true situation nor the intention of my country, but we cannot be guided by excessive optimism and fail to make the necessary provisions for difficult years.

The reason for the establishment of this international institution is, as I understand it, to offer to all of the members an assurance of aid in times of temporary distress, and it is in this spirit that Paraguay submits its request.

In brief, in order that Paraguay can feel at ease in this new international institution, it needs a quota of 5 million dollars.

I ask that you kindly give your favorable consideration to this request.

Very truly yours,

Ruben Benitez
Alternate Governor of the
Fund and Bank for Paraguay

Excerpt from Proceedings of the Board of Governors
March 15, 1946

MR. VINSON: The Chair recognizes the Governor from Paraguay.

MR. BENITEZ: (Addressed the Boards in his native tongue.)

TRANSLATOR: The Delegate of Paraguay wishes to claim the attention of this honorable Board for a few minutes. It concerns a request which, on special instructions from my Government, I must make to the Board of Governors; but first I would like to make some explanations and background.

At the time of the signing of the Bretton Woods Agreements, due to unfortunate circumstances which were explained in a note to the Chairman of the United States Delegation, the Paraguay representative did not receive in time instructions from my Government concerning the quota it desired in the Fund--eight million dollars.

During the general conversations about quotas, members of the respective commission, in informal discussions, had offered to the Paraguay delegate a quota of five million, which the expert considered in accord with the relative position and economic conditions of my country.

Paraguay is a country without diversified manufacturing industries and bases almost all of its foreign commerce on the exchange of six or seven fundamental products for articles manufactured in other countries. All of these products, which are canned meat, leather, tannin, cotton, hard woods, petit grain, tobacco and yerba mate, represent substantial parts of our international commerce, and temporary interruption in any of these exports could put us in a situation of economic distress. With a quota of two million, we would not have against such cases an adequate defense.

Moreover, the figures of our commercial payments will have to fluctuate in an unavoidable manner, when, responding to the spirit of the Bretton Woods pacts, we have to abandon the regime of control of exchange which we have maintained, in varying degrees of rigor, since 1932. We see, for the next few years, a large amount of importing of agricultural machinery and transportation equipment, also of other general products whose supply has been almost exhausted during the war. Our monetary reserves are explicitly for that purpose and are quite high, but we need an additional assurance, and that can be given by the increase of our quota to five million. Therefore I hereby request that adjustment.

I wish to point out also that, in accordance with its national income, the amount of its monetary reserves, and the statistics of its international commerce, Paraguay is entitled to a quota of five million, and I might add that the granting of this quota would not be an error, but rather the correction of one that was made wholly involuntarily.

MR. VINSON: Supplementing the statement of the Governor of Paraguay, I wish to report to the committee that on March 13, a letter, addressed to the Board was delivered to me by the Governor from Paraguay.

The suggestion made by the Governor of Paraguay with respect to the upward revision of the quota to it, with the written statement presented to the Board of Governors, will be referred to the Executive Directors and it is hoped that they will act as promptly as is appropriate under the Section.

MR. CASTRO: Mr. Chairman.

MR. VINSON: The Governor from El Salvador.

MR. CASTRO: As I understand it, the position of the Chair has been to submit the proposition of the representative of Paraguay to the Executive Directors, and I do not really understand whether it is going to be the Executive Directors that will be appointed for the Fund who will decide the matter later, or whether the idea of the Chairman has been to submit the matter for study and report to the Procedures Committee. I would just like to have that clear.

MR. VINSON: I thought the statement was made by the Chair that the request would be referred to the Executive Directors for a report to the Board of Governors. They would study the data submitted and make recommendations with respect to the upward revision of the quota, but the changing of the quota, under the Articles of Agreement, is within the jurisdiction, exclusive jurisdiction, of the Board of Governors.

MR. CASTRO: Mr. Chairman, I understand that if the proposition that has been presented by our Chairman is accepted, the matter that has been introduced for our consideration by the Governor representing Paraguay, will not possibly be decided at this meeting of the Board of Governors of the Fund.

I just wonder, Mr. Chairman, if an effort could not be made in the direction of making it possible for us, if there is sufficient time, to decide the proposition that has been presented by the Governor representing Paraguay.

I just would like to see if it could not be possible to submit this matter to the Procedures Committee for study; and should the Procedures Committee be ready in time to submit a report to the Board of Governors, the matter could be decided at this meeting.

My proposition is that the Procedures Committee should be empowered to make a preliminary study and if there is time, that we may act on the report of the Procedures Committee at the present session.

REPRESENTATIVE OF MEXICO: Mr. Chairman, I wish to support very warmly the proposition made by the Delegate from El Salvador in behalf of our friend from Paraguay.

It seems to me that a mistake of this nature certainly must be different from the consideration of the quotas for entirely new members, especially as the Governor from Paraguay has pointed out, when we were at Bretton Woods a quota of five million dollars for Paraguay had already been determined by those who had studied the relative position of the different countries.

I believe that the studies, the technical studies concerning Paraguay, are, or must be in our archives, and it would be very easy to pass on any new proposal that the Procedures Committee might make to this Board.

Therefore, I wish to support very warmly the proposal made by the representative of El Salvador.

MR. VINSON: I think that the Board should be apprised of a little history in regard to the fixing of the quota for Paraguay.

At Bretton Woods, the quota was fixed in accordance with their desire at the time. Shortly thereafter, after all the quotas had been determined, it was the hope and desire of Paraguay to increase that quota. That was not particularly confined to Paraguay at Bretton Woods. It was deemed inexpedient to re-open the quotas after they had been allocated, and it was for that reason that it was not re-opened. But the quota fixed at Bretton Woods was the quota that was at that moment acceptable to Paraguay.

In regard to the consideration of the matter at this meeting, I am happy to inform the Governor of El Salvador, that this matter was presented to your Procedures Committee and careful consideration was given to it. It is a matter that can be and would be a precedent, and it was thought that a study by the Executive Directors should precede the determination of a new quota, not only for our friend, the Government of Paraguay, but for other applications for revision of the quota.

It is the thought and the hope that prompt action may be taken by the Executive Directors when they are constituted. We will exert every appropriate effort to have prompt action by the Board of Governors upon this matter.

But I do think it would be inadvisable for the Procedures Committee, which, as you all remember, is not a committee on substantive matters, to consider this particular issue.

EL SALVADOR: Mr. Chairman, I just want to raise this point of order. I would like to finish as soon as possible the study of the proposition made by the Governor representing Paraguay and, therefore, the Procedures Committee might feel after studying this case that the matter should be still subject to further consideration after the present meeting of the Board. And at this time I think that some decision should be taken of the motion.

MR. VINSON: That matter was presented and pressed on behalf of Paraguay, that it might be determined at this meeting of the Board, but it was not thought feasible. Does the Governor for El Salvador present a motion?

EL SALVADOR: I have presented a motion and it was seconded and I could not feel free, I may say, to withdraw a motion that has been seconded. If it had not been seconded, I would be entirely agreeable, Mr. Chairman, to say that I would withdraw my motion. But I think it is a parliamentary procedure which makes it impossible to withdraw a motion that has been seconded.

MR. VINSON: Will you restate your motion?

EL SALVADOR: My motion was to the effect that the proposition presented by the Governor representing Paraguay should be referred to the Procedures Committee for a study and recommendation; that their report, if feasible, should be presented to the Board of Governors of the International Monetary Fund at the present session so that it may be acted upon by the Board.

MR. VINSON: The Governor for the United Kingdom.

LORD KEYNES: I wish to support the course of action which you have proposed from the Chair. It is important as a matter of precedent not to make snap decisions without study on such important matters as changes of quota. There is no pressing urgency at this moment since the size of the quota is of no practical consequence until the Fund starts its operations. I should hope that the Executive Directors would be able to make a recommendation to the Governors well before that date and that the Governors would be able to deal with this, preferably by post or, at any rate, in some way or other well in advance of its becoming a practical issue.

MR. VINSON: The Governor for Honduras.

MR. CACHERES (Honduras): Mr. President. I am not familiar with the motion presented by the Delegate of El Salvador but here in Section 2, page 2, "Adjustment of quotas," the Agreement reads as follows: "The Fund shall at intervals of five years review, and if it deems it appropriate propose an adjustment of, the quotas of the members." It may also, if it thinks fit, consider at any other time the adjustment of any particular quota at the request of the member concerned. It has been stated right now that the Fund has not begun to work. Precisely because the Fund has not begun to work, it is necessary to settle this matter by the Governors and not to wait until the Fund is working. I think, if the Fund thinks fit, it is possible to adjust a quota.

In the spirit of this provision, I should like to support the motion of the Delegate from Salvador that this matter be referred to the Committee on Procedures in order that this committee report to the Board of Governors.

Right at this meeting we fixed the quota of Denmark. We as the Governors decided on a quota of 68 millions for Denmark. I think that in some way this is a precedent for consideration by the Board of Governors of the Fund the proposition presented

by the Governor for Paraguay. I think that it is advisable to consider in this meeting of the Fund the proposal of Paraguay.

MR. VINSON: The Governor for the United States.

MR. CLAYTON: Mr. Chairman, we have great sympathy with the Governor representing Paraguay, to have consideration given promptly to a change of the quota. Under all the circumstances, we can see why they would desire this. It seems to us, however, as Lord Keynes has indicated, that it might be a very bad precedent to open up matters of this kind for quick consideration so that it would be a kind of invitation to any countries that had an idea that they would like to have their quotas changed to have it presented here and have it acted upon within the next two or three days. I am just wondering if a solution of the matter does not lie in this direction. I believe that either the Agreement or the By-Laws contemplate that votes may be taken by the Board of Governors between meetings by mail or by telegraph on any matter of this kind that might be presented to them, and I just wonder, Mr. Chairman, if the Governor from Paraguay could not be assured that in referring this particular matter to the Executive Directors they would be asked to make a report within ninety days at the utmost and immediately on receipt of that report the Board of Governors would take a vote by mail or by cable and arrive at a decision.

It seems to me, in view of what Lord Keynes says as to the significance of the matter relating only to the beginning of the Fund, we might arrive at a decision well before the Fund is really in operation. I just make that, Mr. Chairman, as a suggestion of a way out of the matter.

MR. VINSON: The Governor from Mexico.

MR. MONTEROS (Mexico): I wish to leave at liberty our friend from Salvador regarding this motion. I think what Mr. Clayton has just suggested is of the utmost importance. If the Executive Directors could make their recommendation within a certain reasonable period--that is, before this Board meets again--and a vote later taken on this very important matter for our friend from Paraguay, then I would certainly move that it be done as Mr. Clayton has suggested.

MR. VINSON: The Governor from Norway.

MR. JAHN: I should like to ask the Governor from Paraguay a question, whether it is the intention to increase the subscription to the Bank, say, to five or four million dollars so that their subscription for the Bank will not be completely out of line with the subscription to the Fund.

MR. VINSON: The Governor of Paraguay.

MR. BENITEZ: I have no instructions about that.

MR. VINSON: I placed this matter concerning the quota before your Procedures Committee, the speeding up of the vote of the Board of Governors by telegraph, was considered. I think the record will show that the Executive Directors were

requested to report promptly. I think it would be a bad precedent to fix a time limit on the Executive Directors. This is a good-faith organization. The Procedures Committee was in sympathy with the idea of securing prompt action, and, as I understand it, a conference was held with the Governor for Paraguay to report to him the sense of your committee.

Just one further word in regard to the motion of our friend from El Salvador. If the Board of Governors desires to adopt that motion, of course your Committee on Procedures will be happy to consider it. It so happens that they have already considered it and I have no reason to believe that there would be a change in their recommendation. But if the Board desires to have the Procedures Committee review the matter, we can meet and report back our action.

MR. CASTRO: Mr. Chairman, before deciding anything concerning my motion, I would like to hear the delegate from Paraguay state whether he is agreeable to the suggestion that has been made by Mr. Clayton of the United States delegation or whether he is not.

MR. BENITEZ: This is an exceptional matter. That was a mistake and I would like a correction to be made.

MR. VINSON: I am certain there will be issue taken with that.

MR. BENITEZ: This procedure to draft this proposal at a session of the committee is not paramount.

MR. CLAYTON: Mr. Chairman, I would like to offer an amendment to the motion of the representative from El Salvador.

I move that this matter be referred to the Executive Directors with the request they report as promptly as possible to the Board of Governors and upon receipt of that report by the Board of Governors, the Board of Governors shall take a vote on it promptly.

MR. VINSON: The Governor for the United States offered an amendment to the motion of the Governor from El Salvador.

MR. CASTRO: Mr. Chairman, if I understand it well, the proposition made by the Delegate from the United States, Mr. Clayton, is to the effect that the action of the Board of Governors should be taken promptly before waiting for the next formal meeting of the Board of Governors?

MR. CLAYTON: That is correct.

MR. CASTRO: Then I feel I can agree with that. I agree with that.

DR. NASSR: Mr. Chairman, I want to know whether that proposition of Mr. Clayton includes every country or whether it is an exceptional situation for Paraguay?

MR. CLAYTON: It has to do only with the application of Paraguay.

DR. NASSR: Mr. Chairman, you will remember at Bretton Woods we protested at the quota in the Fund and the Bank. We did not bring this matter up here because we did not feel it appropriate to bring it up, but in the case the Board of Governors is going to vote on the subject, I would state we would be glad to bring it up and discuss it in the same way as you discussed it for the Governor of Paraguay.

MR. VINSON: The motion of the Governor of El Salvador as amended by the Governor of the United States is before the Board. Those favoring the motion as amended will signify by saying "Aye."

("Ayes.")

Contrary "No."

(None.)

The "Ayes" have it. The motion as amended and agreed to.

DR. NASSR: Does the approval of the motion include other countries?

MR. VINSON: My understanding of the statement from the Governor for the United States was that it applied only to the application of Paraguay. That is the only pending application at this time.