COMMITTEE ON INCREASE IN QUOTA - TRINIDAD AND TOBAGO
Meeting 68/1
January 30, 1968

J. O. Stone, Chairman

Executive Directors	Alternate Executive Directors
P. L. Faber	
J. González del Valle	A. Phillips O.
P. Lieftinck	
	G. Huntrods

P. C. Hole, Secretary

Also Present

W. B. Dale

Legal Department: J. V. Surr; Treasurer's Department: D. L. Lechliter; Secretary's Department: J. W. Lang Jr., A. G. H. Wright; Western Hemisphere Department: A. Ayerza, J. Guenther, C. Y. Mansfield; Secretary's Department, IBRD: U. K. Ghoshal.

The Committee took up the report and recommendation of the staff on Trinidad and Tobago's request for an increase in quota to $44 million (EB/CQuota/Trinidad and Tobago/68/1, 1/9/68), as provided for by paragraph (3) of the first decision on Compensatory Financing (Decision No. 1477-(63/8), February 27, 1963).

The IBRD representative said that the IBRD was still awaiting a formal application from Trinidad and Tobago for a corresponding increase in its subscription to that organization, but it was expected that this would arrive in due course.

Mr. Faber thought that the figures in Table 1 on page 4 of the staff paper clearly supported the staff's recommendation in that although the variability of its exports and current receipts was low compared to other countries whose quotas in the Fund ranged from $30 million to $57 million, Trinidad and Tobago ranked first in per capita income, foreign trade, and current payments and receipts. He noted that the data related to the period ending in 1962 which, as had been explained in connection with the Nigerian request for a quota increase, was the relevant period. He hoped that members of the Committee would give their support to the recommended action.

Mr. Lieftinck thought that the case for an increase in quota to $44 million was a rather weak one. In his opinion the real criterion for a quota increase under the Compensatory Financing Decision was the extent of fluctuation in export income, and he pointed out that in the case of

Trinidad and Tobago the variability of both exports and current receipts had been very low in comparison with other countries in the relevant quota range. The fact that the other economic indicators were quite impressive was not, in his view, very relevant to the request under consideration. Moreover, one needed to analyze the data very carefully; for example, the relatively high figure for per capita income could be largely attributed to the high level of income of the 'expatriate' population. He was prepared to agree to a 50 per cent increase on the basis of the present quota (i.e. from $25 million to $37.5 million) but he saw no justification for an increase to $44 million.

The staff representative from the Treasurer's Department drew the Committee's attention to page 2 of the staff paper which explained the direct derivation of the recommended increase. The paper on "Potential Quota Adjustments under the Compensatory Financing Decision" (EB/CQuota/65/6, 2/9/65), which was based on calculations shown in EB/CQuota/64/3, 11/9/64, had been circulated to the Committee of the Whole on Review of Quotas and had set forth a potential adjusted quota for Trinidad and Tobago of $44 million.

Mr. Faber said that one needed to take into account the high percentage outflow of revenues deriving from foreign investment in Trinidad and Tobago's oil industry. In addition he pointed out that the rate of growth of GDP had fluctuated from 11 per cent in 1955-62 to 3.4 per cent in 1963-65 and to 7.5 per cent in 1966 so that one had to consider not only the variability of exports but also the fluctuations in the growth rate. He added that member countries had come to expect that requests for quota increases on the basis of EB/CQuota/65/6 (2/9/65) would be fully met by the Fund. In his view a quota of $44 million for Trinidad and Tobago would not disturb the over-all structure of quotas in the Fund, and it would fit well into the relevant range of quotas.

Mr. González del Valle supported Trinidad and Tobago's request for an increase in quota to $44 million which, in his view, was fully in accord with the Fund's present practices with regard to quota adjustment under the Compensatory Financing Decision. He recalled that the Executive Board discussion in 1965 of the various formulae for computing quota increases had been inconclusive. The Board never agreed on either the objective criteria that ought to be applied or the relative weights that ought to be given to the different elements in the computation. Therefore, although sympathizing with the doubts expressed by Mr. Lieftinck, he thought that the Committee would have to rely in the present case on pragmatic considerations, and, in this connection, he made three points: first, as Mr. Faber had mentioned, the recommended quota increase would have a marginal effect on the over-all structure of quotas in the Fund; second, it would be an appropriate adjustment in the context of the present Latin American range of quotas; and third, it would fit well in the range of quotas set forth in Table 1 of the staff paper.

Mr. Huntrods sympathized with the views expressed by Mr. Lieftinck in connection with general policy considerations. However, he felt that Trinidad and Tobago's case, on its individual merits, justified an increase in quota to $44 million and he therefore expressed his support for the request.

Mr. Dale observed that the papers submitted to the Committee of the Whole on Review of Quotas had no binding legal status. He had always viewed them as informal, advisory papers from the staff to the Executive Board. However, he pointed out that in all previous cases requests for quota increases under the Compensatory Financing Decision had been based on the calculations set forth in these papers, and he drew attention to the fact that in these calculations the variability of exports had been given a greater weight in relation to previous quota formulae, and the level of reserves a smaller one. If the Executive Board were now to indicate that it would have difficulty in recommending to the Governors an increase in quota based on these calculations, it would re-open the whole issue of what were the objective standards that should be applied with respect to quota increases under the Compensatory Financing Decision.

Mr. Lieftinck had no doubt that the papers submitted to the Committee of the Whole on Review of Quotas had no binding legal status whatsoever. He noted that Mr. González del Valle had submitted a new argument, namely, that a quota of $44 million for Trinidad and Tobago would fit well in the present range of quotas of Latin American countries. However, he could not recall any previous occasion on which weight had been given to this form of regional consideration. Even when he considered the case of Trinidad and Tobago on its own merits he felt that an increase to $44 million would be an excessive one.

Mr. González del Valle observed that Mr. Lieftinck had raised some basic issues with respect to policy in general. Eventually the Board would have to agree upon a formula for appropriate quota levels and adjustments as increases in quotas would assume a much greater importance with the advent of special drawing rights.

Mr. Lieftinck asked the staff whether it had been the standard practice in previous cases to base proposals for increases in quotas under the Compensatory Financing Decision on potential adjusted quotas rather than on current quotas in the Fund. The staff representative from the Treasurer's Department responded that all such cases had, indeed, been handled in this way. In the light of that fact, Mr. Lieftinck was prepared to agree to the request as he did not want his dissatisfaction with the Fund's practice in general in this connection to be registered to the detriment of a specific country. However, he requested that an indication be made in the report of his doubts on the procedure whereby quota increases under the Compensatory Financing Decision were based on the potential adjustments set out in EB/CQuota/65/6 (2/9/65).

The Chairman endorsed the view that the Committee was not legally bound by the calculations set forth in the papers pertaining to potential adjusted quotas under the Compensatory Financing Decision. As there were no further comments, the Chairman took the consensus of the Committee to be in favor of the requested increase in Trinidad and Tobago's quota. He said that the staff would prepare a draft report to the Executive Board together with a draft resolution for a vote by mail. The report would record Mr. Lieftinck's doubts on the general procedure that had been followed in arriving at the quota increase and it would be cleared with Committee members before being submitted to the Executive Board.

The meeting was adjourned.

Approved:
March 18, 1968