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MEASURES OF THE BELGIAN GOVERNMENT TO DEAL WITH CURRENT FINANCIAL PROBLEMS

Statement by Mr. John M. Leddy (United States Delegation) at the meeting of the Contracting Parties on October 22

Mr. Chairman, some days ago my Government was disturbed to learn that the Government of Belgium had taken a decision to institute quantitative restrictions on imports from the United States. This development was of concern to the United States, partly because of its effect on our trade and partly because it represented a step backward from our goals of convertibility and multilateral trade by a country whose recovery from the difficulties caused by war and enemy occupation has been truly remarkable.

It was not clear at the time whether these restrictive measures had, in fact, been imposed or whether they were merely contemplated. Although to the knowledge of my Government these restrictive regulations have not yet been officially published by the Government of Belgium, it now appears that they are actually in effect. Licenses for the importation of goods from the United States are in fact being denied and the movement of United States merchandise into Belgium is being impeded. It is estimated that these measures may have the effect of reducing imports of dollar goods by about 18 percent. Needless to say, this would be a severe cut.

But more important than its effect on our trade is the effect it may have on the future development of the General Agreement on Tariffs and Trade. This action has been taken at a time when the gold and dollar resources of Belgium have not been declining, but have been increasing from levels not hitherto regarded as unduly low.

I would like to record at this point that there are certain obligations in the GATT which bear on this matter.

It will be recalled that paragraph 2(a) of Article XII states that:

"No contracting party shall institute ... import restrictions under this Article except to the extent necessary ..."

"(i) to forestall the imminent threat of, or to stop, a serious decline in its monetary reserves, or

"(ii) in the case of a contracting party with very low monetary reserves, to achieve a reasonable rate of increase in its reserves."

It will also be recalled that paragraph 4(a) of Article XII provides that:

"Any contracting party which is not applying restrictions under this Article, but is considering the need to do so, shall, before instituting such restrictions (or, in circumstances in which prior consultation is impracticable, immediately after doing so), consult with the contracting parties as to the nature of its balance-of-payments difficulties ..."

It will also be recalled that Article X provides that:

"Laws, regulations ... pertaining to ... restrictions or prohibitions on imports or exports or on the transfer of payments therefor, or affecting their sale ... shall be published promptly ..." and that no such measures shall be enforced before it has been officially published."

The Delegate of Belgium has now provided us with a statement of the considerations leading to the adoption by the Belgian Government of measures of control over imports into Belgium from the United States.

I am sure he will understand that what I now have to say is prompted by the concern of my Government over the future integrity and, indeed, the usefulness of the General Agreement on Tariffs and Trade as a world-wide instrument for the expansion of international trade.

The measures imposed by Belgium have been described to us as being restrictions which Belgium is now entitled to impose under Article XV of the GATT and Article XIV of the International Monetary Fund Agreement.

My Government is unable to accept this line of reasoning. In our judgment, the provisions of the GATT, taken as a whole were never designed to permit balance-of-payments restrictions on trade, as these clearly are, to escape from the broad tests and procedural requirements laid down in Article XII. The point at issue, therefore, is whether or not the restrictions imposed by Belgium are justified on the basis of the dollar

balance-of-payments position of Belgium. If I understood the Delegate of Belgium correctly, he has not in his remarks attempted to defend them on those grounds at all. From what he has said, and in the light of our own very detailed knowledge of the situation, the history of these restrictions shows that they have been devised to afford special protection in the Belgian market for goods of Western European countries at the expense of goods from dollar countries, and not for the purpose of protecting Belgian dollar reserves. In short, these restrictions have a distinct trade background.

The Delegate of Belgium has defended these restrictions on the ground that they are necessary to protect the financial stability of Belgium, which has been jeopardized by excessive Belgian credits to other countries. I would like to point out that the United States has also extended credits and grants to other countries in amounts which no one can describe as modest. I am sure that no one would suggest that we should, on that account, be authorized to impose trade discrimination in favor of our debtors.

At this point, Mr. Chairman, I should like to read the following statement of the Belgian representative to the EPU Managing Board on September 5. In describing these restrictions, he said that "this step has been taken very reluctantly by the Belgian Government which fears that it may lead to an increase in the level of prices and believes that it constitutes a step backward on the road to convertibility and is by no means justified by the financial or the foreign exchange position of the country."

Whatever else may be said, I think it is abundantly clear that, in accepting the General Agreement and the International Monetary Fund Agreement, we have accepted the basic principle that restrictions of this kind should not be instituted except when justified by the balance-of-payments position of the country imposing the restrictions. If this principle is now rejected or brought into serious question, then I believe we are placing in jeopardy one of the foundations on which the General Agreement was built.

It has been suggested that these restrictions are necessary in order to solve the problems of Belgium in relation to the European Payments Union and the OEEC. My Government has not subscribed to that view and I believe that the OEEC itself has not recommended the restrictions which are now being imposed. It is true that in the OEEC report there are general recommendations saying that Belgium should take measures "open to" her to reduce the surplus. I suggest that this is not a measure which is open to the Belgian Government. In any event, I am sure that all of us will agree that another international organization, regional in character, could not have the authority to set aside the obligations of Belgium under the GATT. This was certainly made clear by my own Government, and I am sure it was accepted by others, in recent discussions on this subject in the OEEC.

My government has always been a strong supporter of the European Payments Union, as well as of the GATT and the Fund. We do not share the view that these import restrictions are necessary for the operation of the Union.

So then, Mr. Chairman, we come back to the central issue: Are these restrictions justified by the dollar balance-of-payments position of Belgium? On the basis of facts known to us, we believe they are not. However, we do not ask the Contracting Parties to accept our judgment on this. All we ask is that the normal procedure of the General Agreement be adhered to; that we set up a working party which, in consultation with the Monetary Fund, will consider whether these restrictions meet the balance-of-payments criteria set out in the Agreement and will report its findings and recommendations to the Contracting Parties. This, in all fairness, I think we deserve.