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STATEMENT BY THE DELEGATE FOR BELGIUM
AT FOURTH MEETING OF SUB-COMMITTEE F

Held on Monday, 12 January 1948, at 6.00 p.m.

The following is the text of the speech of Mr. SUIEENS (Belgium):

The Belgian delegation, like the Belgian Government, has always been guarded in its attitude to Articles 20 - 24. These are the only Articles in connection with which my Government has made express reservations. My delegation has stated the reasons for this attitude several times. However, there is no harm in redefining them. Belgium is essentially an exporting country. She exports on an average a third of her production, and in certain branches more than ninety per cent. Her prosperity, her very existence are essentially dependent on her foreign markets. This explains the great value she attaches to the security of her economic relations abroad. Of all the ills from which she might suffer, protection is the worst. And the worst form of protection she has to fear is the system of restrictions. I have known the golden age when no measures of this kind existed. I have known the time when, such measures being in existence, the countries concerned decided to eliminate them by an international agreement. I have seen them reborn. I cannot help feeling suspicious about them. Neither can I help being astonished that several countries intend to make them an essential factor in their economic policy. In my view, nothing can do more to disorganize international trade than measures of this kind. All the work done in the period between the two wars by international organizations, among them the Economic Committee of the League of Nations, is unanimous on this point. By their very nature, restrictions reduce the level of trade. By the more or less arbitrary direction they impose on the flow of trade, they hinder freedom of exchange. They prevent - and this is their principal defect - adjustments of trade balances and are thus a direct blow at multilateralism, which is the basis of world prosperity.

I confess that my reactions are those of a community which lives

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essentially by exporting, and that the Charter is not created only for this type of country. The Charter should have meaning and value for all countries, whatever their stage of economic development, their structure of their type of economic system. It must take into account the considerable difficulties that have to be faced by war-damaged countries in their work of reconstruction. In these circumstances there can be no question of any group of countries upholding arguments that satisfy their interests alone. They must compromise with the interests of others. Belgium, in particular, could not adopt too radical an attitude regarding restrictions. She was the less able to do this because, although she has acted with moderation in this matter and has freed a large part of her trade, she has herself maintained a system of restrictions.

Restrictions are an unavoidable evil; what can, and must be done in the common interest is to seek certain rules that limit their harmful effect and confine them to their purpose. Now, in the present text of the Charter these rules are neither definite nor complete. What must these rules be? What must be the conditions governing a system of restrictions which will not be incompatible with the general purposes of the Charter? In my view, there are three:

(A) First of all, we must limit the cases in which there may be recourse to restrictions. The Charter does this. Among other cases it permits the use of such measures in the case of balance of payments difficulties. This is a normal attitude. No country can refrain from taking the necessary measures when its balance of payments is threatened. Its danger is too great. It must save its currency, which is the basis of prosperity. But the Charter as it stands includes certain passages which might be invoked to justify new restrictions. This is a very grave danger. The Belgian delegation considered that the text of the Articles concerning restrictions should be revised, so as to leave as few loopholes as possible.

(B) Whenever restrictions are authorized, they must only be used when all other means have failed. The application of restrictions is often an easy way out. But not only that; it can be a dangerous expedient.

Recourse to restrictions is an individual reaction. It is open to serious doubt whether, in most questions, individual reactions are the best. The purpose of the Charter is to substitute collective action for individual action in every sphere.

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There is no reason why this principle should not also be applied to balance of payments difficulties. It is rather odd that while various chapters of the Charter appeal for co-operation and concerted action, little or no such appeal is made regarding quantitative restrictions.

(C) Restrictions must be applied in accordance with clear and equitable rules and must injure foreign countries as little as possible. Here we are treading on delicate ground. Where customs duties are concerned, we know what equitable treatment means. It merges with the provisions on most-favoured-nation treatment. In the case of restrictions, the question is much more difficult. In this field, the concepts of discrimination and non-discrimination are rather vague. They should be defined so that no abuse can arise. Moreover, in certain cases discrimination is unavoidable.

This brief statement makes it clear that the Geneva text does not wholly satisfy the three conditions that I consider essential for the establishment of a system of restrictions.

The Geneva text is a group of ill-assorted provisions, without much logical connection. No doubt this defect is common to any work of compromise. But a work of compromise has the advantage of bringing about agreement and of being viable. That is why for a long time the Belgian delegation, though maintaining its reservations, considered it difficult to suggest any alterations. But discussion showed that many points were once more in question and that improvements could be contemplated. Our first idea was to draft a completely new text for the articles dealing with restrictions. A text of this kind was drawn up. It caused rather a sensation. It had the advantage of providing a coherent system covering these questions, so long the subject of controversy. On the other hand, it had the great disadvantage of destroying the work of compromise achieved at London and Geneva, and of again calling in question texts to which certain administrations had agreed, and to which they would not have been able to admit any alteration. In these circumstances, we fell back on a much more modest undertaking and confined ourselves to submitting a few amendments that alter as little as possible a text which already represents a considerable amount of effort.

I should now like to explain each of our amendments in detail:

(I) I will begin with Amendment A, which proposes that a new paragraph be inserted at the beginning of Article 21. The Belgian delegation

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considers the insertion of this paragraph essential. The paragraph begins by establishing the principle that matters connected with the balance of payments of each country are, above all, within its own competence. But the balance of payments of a country A is only the reverse of the balance of payments of other countries, and therefore anything affecting country A's balance of payments also concerns all the other countries. For this reason it is the duty of the Organization to promote or facilitate concerted action between Members, in order to give assistance, in the commercial field, to the country suffering from a disequilibrium and to prevent its difficulties from extending to other countries.

We deem this paragraph essential because it defines the spirit of those Articles of the Charter that are concerned with the balance of payments. Among other things, it helps to show the Organization in its proper role. The Organization must not appear primarily as a policeman responsible for prevention. It must be above all a body designed to help with its advice the country which is in difficulties and to obtain, on its behalf, the combined aid of the other Members of the Organization. If, after reading the new paragraph proposed by the Belgian delegation, you look once more at the limitations imposed on the individual action of Members by the rest of Article 21, I have no doubt that these limitations will appear in a different light.

(II) The Belgian delegation's second proposal is merely an alteration in the numbering of the paragraphs of Article 21, made necessary by the first amendment.

(III) We also consider the third alteration essential. Paragraph 3 (b) (i), as it stands, excludes from the full effect of common action the restrictions imposed by a country as a result of the adoption of certain domestic policies of full employment, reconstruction, and development or increase of productivity. We believe that the present wording of this paragraph is dangerous. Although it was introduced with undoubtedly praiseworthy motives by countries which certainly do not intend to abuse it, it is the type of clause that opens the door to every kind of abuse and repudiation of the principles contained in the Charter. It is possible that one day, sooner or later, some Governments may consciously or unconsciously make use of paragraph 3 (b) (i) as it now stands to pursue a policy of individual advantage secure from all sanctions, while still benefiting from the advantages of membership of the Organization. It is difficult, if not impossible, to delete this passage; but it is possible to limit the abuses to

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which it may give rise. This is the purpose of the two additions proposed by the Belgian delegation:

(a) Under the first addition, a State could not reject the Organization's recommendations without consideration on the grounds that they affected a domestic policy of the kind described in paragraph 3 (b). We wish it to be recognized that the Organization has a right, when considering a particular situation, not to be obliged to confine itself to those aspects of the situation which do not affect such domestic policies. But this must be interpreted in the light of the right, which is specifically recognized in our draft, of each Member freely to determine its own policy. It must also be interpreted in the light of the new paragraph 1 of Article 21 that we are proposing. The Organization acts in the interests of Members. Its primary concern must be for countries suffering from disequilibrium in their balance of payments; thus in view of paragraph 1, the Organization must refrain from proposing to any country measures which would run counter to its interests. But if the Organization is to play a genuinely international and useful part, why not expressly authorize it to intervene in a friendly way in its dual capacity of adviser and co-ordinator?

(b) The second addition concerns slumps. We are all anxious to make every effort to avoid, as far as possible, the recurrence of the crises from which we have suffered so much. Here, the Organization is called upon to play an essential part. But it would be quite powerless to gain acceptance for its friendly advice or to institute a programme of world co-operation to avoid an economic crisis, if any Member could simply take refuge behind the "taboo" of domestic policies. Is it not far wiser to recognize that where there is an imminent threat of a serious and widespread slump, the Organization may have the right and even the duty to call the attention of Members to all preventive measures that can be taken to avert the crisis; and that Members must give serious consideration to the possibility of adopting the measures advocated by the Organization, even if they necessarily involve temporary changes in domestic policy? Our proposed paragraph 3 (b) 1 B states this, while recognizing that it rests with each Member to adopt, or not to adopt, the Organization's recommendation regarding adjustment of its domestic policy.

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Failing more radical alterations which the Belgian delegation would have liked to have seen made in Article 21, paragraph 3 (b) (1), the proposed changes impose some restraint on the excessive freedom of action accorded to Members by the Geneva text in contradiction of the ideal of co-operation on which the Charter should be based.

I should also like to repeat that we are not afraid of the intervention of the Organization. Its actions, as a whole, will either be moderate and just, bearing the hallmark of common sense and respecting the interests of each Member, in which case the Organization will be a most valuable asset to the prosperity of the world and consequently of every State; or else, owing to the human weaknesses of those who compose the Organization, its actions will be partial and unreasonable and it will soon collapse under the weight of its own defects.

There would be no point in speculating as to whether the Organization will be good or bad. It is an unknown factor. Faced with that unknown factor, we are making a declaration of faith and hope. We have faith in its qualities of heart and head, and we hope that it will bring benefits to each of us that will help to ensure the prosperity of all.

(IV) The fourth alteration proposed by the delegation of Belgium is self-explanatory. We wished to reaffirm the principle of international solidarity and draw the attention of each Member to the possible repercussions of its individual actions on the essential interests of other Members.

(V) Lastly, the delegation of Belgium wishes to amend Article 23 1 (b). There is no doubt that we should aim at re-establishing trade on a multilateral basis, that is, under a system in which international commercial transactions are made on the basis of world prices and are paid for in convertible currency.

But that objective can only be attained by degrees. We must also bear in mind the possibility of an economic crisis occurring even after postwar difficulties have been overcome. I shall not waste this Committee's time by speaking at length on the phenomena characteristic of a period of economic crisis, such as inconvertible currencies, balance of payments difficulties, price differences and the necessity of obtaining or disposing of certain goods through bilateral trade. The Belgian proposal on this Article takes such phenomena into account and, at the same time, tries to confine them within reasonable bounds and to keep in view the ultimate goal of facilitating a return to multilateral trade.

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The wording of the Belgian amendment, by avoiding the repetition of ideas already contained in Article 23 1 (a), considerably simplifies the beginning of Article 23 1 (b).

I must emphasize the fact that the Belgian proposal is applicable only when there is a substantial and widespread disequilibrium. If there is no substantial and widespread disequilibrium, countries have no right to resort to measures which are incompatible with the rule of non-discrimination contained in Article 22.

Similarly, the Belgian proposal is applicable only when a departure from Article 22 has the effect of increasing the volume of international trade.

In the Geneva text these two conditions appear in Article 23 1 (a) and are included in Article 23 1 (b) by the word "accordingly".

We have repeated the third proviso of the Geneva text, that contained in Article 23 1 (b) (i), in a simplified form; discriminatory transactions must be made at prices not substantially different from the prices prevailing in other markets for comparable goods. I do not think we should attempt to define more closely the expressions "substantially different" from the "price prevailing in other markets" for "comparable goods." It will be for the Organization to decide in each particular case, in the light of all the facts, whether these conditions are fulfilled or not. Naturally, the tendency of the Organization will be to avoid the formation of enclaves in world trade where prices would be definitely fixed at levels different from world prices, which would make subsequent return to multilateral free trade impossible. But this tendency will be restrained by the need to take account of the facts of each case and, as the delegate of Norway has pointed out, the need to avoid the sudden dislocation of trade systems which are now affording some assistance to countries in difficult circumstances.

Our proposed Article 23 1 (b) (ii) shows that discriminatory transactions may be made either by utilizing credits that could not otherwise be used, or under barter agreements.

But whatever the category to which such discriminatory purchases belong it is essential in our opinion that a country should not adopt a policy that might have the effect of diverting goods from sound, normal trade, either with countries paying in convertible currencies or with countries to which it is indebted. We think that the reduction of blocked debts and the increase of convertible currency resources /constitute an

constitute an important stage in a country's return to a system of multilateral trade.

However, as it has been vividly expressed by the delegate of France, there must be no discrimination in favour of the hard currency countries. This is why the Belgian proposal limits the obligation to maintain the flow of goods towards countries with convertible currencies or towards countries with accumulated purchasing power, to the volume of goods that would have gone to those countries in a normal period. Let us suppose that country A has 100,000 tons of phosphates annually available for export and that in a normal period it exported 20,000 tons to country B, which has convertible currency, 20,000 tons to country C, which holds sizeable reserves of country A's currency, and 60,000 tons to countries E, F and G, with which country A has a favourable balance of payments. Under the Belgian delegation's proposal, if countries B and C wish to purchase the whole of the 100,000 tons of phosphates, country A may of course comply with their request, but will not be obliged to do so. But it will be obliged to sell at least 20,000 tons to country B and 20,000 tons to country C. As regards the remaining 60,000 tons, it may dispose of them as it pleases and may, if it so desires, assign these 60,000 tons to country Z in return for other goods imported on a discriminatory basis.

I should like now, Mr. Chairman, briefly to sum up the ideas underlying the amendments contained in the document before you and which I have had the honour of submitting to you in the statement I have just made.

The delegation of Belgium has no desire to deny the value of quantitative restrictions in correcting maladjustments in the balance of payments. We do not deny the advantages of discrimination as regards imports in a period of disequilibrium. We recognize the ideal which underlies the pursuit of policies of full employment and economic development. Nothing in the document I have submitted to you tends to reduce a Government's right freely to determine its domestic policies. Nothing in our proposals allows the Organization to impose its will to a greater extent than is already provided for in the Articles of the Charter, as it emerged from the discussion at Geneva.

We have paid more regard than we wished to the reluctance of many countries to be bound too closely by the Charter or to have rules of conduct laid down for them by the Organization. But in the Articles relating to the balance of payments, we have sought to give the Organization the function of assisting, advising and co-ordinating, thus promoting the purposes of the Charter and, with them, world prosperity.