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S T A T E M E N T
BY THE BELGIUM-LUXEMBURG DELEGATION
AT THE EXECUTIVE SESSION ON JUNE 9, 1947

The original draft of the Charter, from which the work of the Preparatory Committee has proceeded, laid down the purposes as follows:

- "1. To promote the solution of problems in the field of international commercial policies and relations through consultation and collaboration among Members.
- "2. To enable Members to avoid recourse to measures destructive of world commerce by providing, on a reciprocal and mutually advantageous basis, expanding opportunities for their trade and economic development.
- "3. To encourage and assist the industrial and general economic development of Member countries, particularly of those still in the early stages of industrial development.
- "4. In general, to promote national and international action for the expansion of the production, exchange and consumption of goods, for the reduction of tariffs and other trade barriers, and for the elimination of all forms of discriminatory treatment in international commerce; thus contributing to an expanding world economy, to the establishment and maintenance in all countries of high levels of employment and real income, and to the creation of economic relations conducive to the maintenance of world peace.
- "5."

These purposes are in conformity with the views of the Belgium-Luxemburg Economic Union, which in particular agreed with the order adopted in setting out the aims and the relationships of cause to effect it established. For these reasons the Economic Union accepted membership of the Preparatory Committee, on the understanding that the debates and general activities of the Committee would serve to perfect the Charter as an instrument of economic liberation.

It was to be expected that certain countries, or groups of countries, would insist that the first draft had not taken into proper account their own particular economic problems. As a delegate international body set up by the Economic and Social Council, it was precisely the task of the Preparatory Committee to collect accurate information on the various particular problems of each party, to determine then by careful study exactly what interests were involved, their importance and vulnerability, so as to gauge what measure of protection it would be wise to afford in each case. After examination of the conflicting views expressed, it would have been possible for the Committee to express its considered opinion in the texts it would propose for the various articles of the Charter and in the commentaries thereto. It would have appeared clearly which interests would be best served by renouncing special protection and relying on the beneficial effect of the operation of the Charter; which interests would require special treatment through limited exceptions to the general principles; and which interests should be sacrificed for the common good even when they were in themselves perfectly legitimate.

As time went by in preparation for the meetings and lengthy debates in the sessions, attention was progressively engrossed by innumerable points of detail, and the general picture seemed to be forgotten. Little by little the character of the Charter was altered, until those who had only seen it in its original form would find it hard to recognise.

Day by day the trend is towards the confirmation of each and every privilege, simply because they exist, and towards condoning every form of restriction, because they have become a habit. There is a general refusal to face the fact that the passing protection gained by these practices will have to be paid for many times over by the disastrous consequences they entail, including the loss of the temporary advantages which appeared so precious.

These developments are a cause of great anxiety for the Belgium-Luxemburg Economic Union. In the light of them it may have to revise its position.

The Charter as it is now developing is in danger of establishing a status of privilege to be given:

1. to state-trading countries
2. to countries giving and receiving preferences
3. to under-developed countries, which may apply quantitative restrictions for the furtherance of their employment, development and social policies
4. to countries which have suffered from the war and which may therefore apply quantitative restrictions for the purpose of reconstruction
5. In cases (3) and (4) discrimination is allowed according to the criterion of essentiality, which is in fact purely subjective.

6. Exchange control, which was to be an exception under the original Charter, has become an accepted rule.
7. Producers of primary commodities will be protected by inter-governmental agreements.

How does the Belgium-Luxemburg Economic Union stand with regard to these provisions?

1. It does not indulge in state-trading.
2. It receives no preferences.
3. It is not an under-developed region.
4. It aims at affecting reconstruction by a policy of steadily removing restrictions.
5. It does not apply the criterion of essentiality to its imports.
6. It intends to lift exchange control as soon as possible.
7. It is not an exporter of primary commodities and produces none of them in sufficient quantity to cover its consumption.

That highly industrialised countries are better able to face every type of economic fluctuation seems to be an accepted opinion. Yet this is true only in certain instances. Perhaps a large industrial country which has also plentiful natural resources and reserves of wealth could withstand any kind of crisis better than others.

A small territorial unit, however, - the Belgium-Luxemburg Economic Union, for instance - which specialises in the processing industries, can only survive under certain given conditions. It depends, for its life, on imports of raw materials and foodstuffs which do not exist within its frontiers. Exports are more vital to it than to other countries, for they provide the means of payment for imports. To promote sales abroad it must rely on two factors. One is the technique and quality of its products, the other is that it offers primary producers a market which is not proportionate to the number of its consumers but to the level of their economic activity.

The freer world trade is, the more intensely these factors operate: Quality and price have their full attraction for buyers, while on the other hand every country benefits directly or indirectly, through the play of multilateral trade, from the market offered by the industrial country. The particular interest of the Economic Union thus coincides with the general interest.

For this reason the Belgium-Luxemburg Economic Union has always been cautious in matters of protection.

Together with the Netherlands, it has again shown moderation in the new common tariff which is the basis of their present negotiations. Still in agreement with the Netherlands, the Economic Union has declared its firm intention of foregoing quantitative restrictions, which were weapons they had to assume during the 1930-1939 economic warfare. Belgium would only resort to the exceptions allowed by the Charter in the last extremity, when its balance of payments would be in grave danger. This would mean that by then the resources saved from the holocaust of war would have melted away and that the country was on the brink of disaster.

Such an event is by no means improbable. The development of the Charter is such that it may soon threaten the Belgium-Luxembourg Economic Union in precisely that way, for it would find itself bereft of means of action in front of countries fortified behind exceptions and privileges it could not claim for itself.

A moderate tariff would, most likely, not help to obtain relief from high duties abroad. In order that it should serve, the principle embodied in article 24 (1)(c) would have to be recognised as implying that when there is free entry or a low rate the value of the concession lies in the market which is kept open by the binding and the absence of quantitative restrictions. The mistaken belief should not be indulged in that because the imports accorded a favourable treatment are highly necessary to the importing country there is no chance of a change occurring. However much one needs a thing one must do without it if one cannot pay for it, and seek a substitute one can afford. It is therefore in the common interest that it be recognised that there should be compensatory facilities for the exports which serve to finance the imports favoured by an open-door tariff.

Should this not be generally admitted, there would be an increase of the initial handicap upon those whose vital exports of manufactures must scale the high tariff walls everywhere, while raw material producers either enjoy free entry or a preference, or at worst have to pay very low duties.

The primary producers' advantage will be further increased by the protection intergovernmental commodity agreements will provide. In contrast to this, it is proposed to preclude any possibility of such agreements applying to manufactured products, not because it is envisaged that, as there are fewer producers involved, rational organisation could be brought about by private agreements which could be supervised by the Organisation, but because it is supposed that the problems which affect primary products can never arise in connection with manufactured goods.

To complete the dismal picture, Belgium's consuming power would lose its bargaining power. First of all because in the absence of quantitative restrictions no discrimination could be effected in order to divert the benefit of it to countries which offer markets for Belgian goods. Moreover, the rapid economic decline of the nation would radically curtail the buying power of the masses which would stagnate in unemployment and poverty.

To accept the Charter would be the death-sentence of the Belgian-Luxemburg Economic Union, unless the instrument conforms to the following conditions :

1. The original spirit of freedom should pervade the whole document.
2. The striving towards ever freer trade should be strongly stressed.
3. The sacrifices of each Member should be real and proportionate to their economic power and to the special privileges they enjoy.
4. A measure of equality should be established in the means of action and defence available to each Member.
5. General prosperity should be sought by orderly and balanced development of all parts of the world with equal profit to all.

If the Charter is not to be an instrument for the fulfilment of these purposes, it would be preferable to bear in mind the lessons of the recent past and to remember that a lone free-trader cannot survive in a world where others resort to high protection and indulge in an economic armaments race. When this happens one must look to one's weapons and prepare to face depressions and crises far worse than anything that can be imagined now. The warlike techniques of 1940-45 were infinitely more deadly than those of 1914-18. In the same way the techniques of economic warfare in the future will make those of 1930-39 appear childish. The effects of the new measures will be terribly destructive and the damage to world economy will be correspondingly more widespread and lasting.