During the concluding stages of the Sixth Session the Contracting Parties heard a statement by M. Max Suetens, Belgium, in which he reviewed the recent measures which the Belgian and Luxemburg governments had taken to cope with the inflationary danger the Belgium and Luxemburg Economic Union - B.L.E.U. - would be exposed to if new important credits additional to those already made to foreign countries, and specially to the European Payments Union - E.P.U. - during the last nine months, were to be granted by them. The B.L.E.U. developed a programme of measures designed to deal with this problem, in accordance with recommendations of the Council of O.E.E.C. Among the measures which had been taken were restrictions against dollar imports. In effect, the Belgian delegate stated, these were Exchange Restrictions and as such were justifiable under GATT Article XV, paragraph 9. The whole purpose of the new import restrictions was to reduce the creditor position of B.L.E.U. with E.P.U., diverting purchases from the dollar area to the E.P.U. area. There was no protectionist intention, he added.

M. Suetens said that the usual criteria for justifying import restrictions as applied under GATT, namely the worsening of the balance-of-payments situation and the decrease in the monetary reserves, could not be applied in this case. This was, he said, a case in which the financial situation of a country must be looked at as a whole and on a broader basis. M. Suetens added that, although his government was not under such an obligation, they would accept, in respect for the spirit of the GATT and in order not to appear to avoid their obligations, the entering into consultation with the Contracting Parties on condition that the Belgian question should be examined as a whole and not in the light of the limited criteria of Article XII only.

Mr. John Leddy, United States, said that the United States Government was disturbed to learn a few weeks ago that the Belgian Government had imposed restrictions on imports from the United States. He believed that these measures - although they had not yet been published - were already fully in effect; they were estimated to reduce U.S. exports to Belgium by 18%. This matter, said Mr. Leddy, was serious both in its effects on Trade and in its effect on the integrity of GATT, for it was taken at a time when Belgian balance of payments were improving and Belgian reserves were not low. The U.S. Government could not accept the proposal that the new Belgian import restrictions were justified simply by reference to the Exchange provisions of Article XV. The point at issue, said Mr. Leddy, was whether or not they were justified by the dollar balance-of-payments situation of Belgium in the light of the tests set forth in Article XII. The fact was, he said, that these restrictions had been devised to protect European goods in the Belgian market and to keep out dollar goods. If Belgium could attempt to justify such restrictions on the grounds of its creditor position, the same argument could be used by the United States. The U.S. Government did not share the view that these import restrictions were justified for reasons connected with the E.P.U. and recalled that there was no recommendation of the O.E.E.C. which could be regarded as endorsing them. The U.S. Government, Mr. Leddy concluded, asked that the normal procedures of GATT should be adhered to and proposed that a working party should be set up, in conjunction with representatives of the International Monetary Fund, to decide if these restrictions were justified under the balance-of-payments provisions of the GATT. Mr. Leddy also pointed out that these restrictions had not been officially published in the proper form as required by Article X of the General Agreement.
Mr. C.M. Isbister, Canada, after remarking on the failure of the Belgian Government to publish or explain the new import restrictions, said that a long list of products was involved and the effect was already being felt in Canada. The Belgian Government, he said, had not discharged its GATT obligation to consult in advance, in this case. He thought that the appropriate procedure was for Belgium to remove the restrictions. If necessary from the Belgian point of view, it would then be possible to initiate consultations in the proper way.

Mr. Isbister referred to the Belgian claim that the new import restrictions could be justified under the International Monetary Fund. He stated that in any event this would not change Belgium's responsibilities, in this case, under the GATT. Should the Belgian Government fail to remove the restrictions it might become necessary to scrutinize them in the Fund as well.

Mr. Isbister agreed with everything that had been said about the strength of the Belgian financial position. He questioned whether the Belgians were correct, however, in claiming their measures to be necessary for reasons connected with the European Payments Union and pointed out that the Council of E.E.C. had refrained from advising Belgium to impose dollar restrictions on behalf of the E.P.U. Canada, he said, was in no way opposed to E.P.U. and regarded it as a useful organisation. But in the Canadian view dollar import controls were not necessary to cope with the problems with which E.P.U. was being confronted. What government wanted to get rid of, said Mr. Isbister, was import restrictions which frustrate trade and cannot be justified under international agreements.

Mr. G. Calder, United Kingdom, said that the Contracting Parties should keep in mind that the E.P.U. was now passing through a difficult period and that the Belgian creditor position was a critical factor in that situation. The Contracting Parties should therefore avoid passing too hasty a judgment which might injure the delicate position of the E.P.U. In making this point the United Kingdom Government was not necessarily at this stage making a definite attitude towards the specific Belgian measures; the intention was to counsel restraint. Their first inclination was to commend Article XII-4(a) as the best paragraph under which to consider them. It would allow consultation over a wide area and he suggested that a working party might be set up to conduct such a consultation.

Mr. Ernest Lecuyer, France, said that the Belgian problem could not be postponed and a solution must be found. Various Articles of the GATT had been suggested as appropriate and a thorough study of the case should be made by a working party, as in previous cases where general principles were involved.

Mr. Andres Vargas Gomez, Cuba, said that the Cuban Government regretted that a new case of application of restrictions to commerce had arisen. As a question of general policy, the Government of Cuba was against all commercial restrictions which could not be justified by the existence of difficulties in the balances of payments of the countries concerned. The case of Belgium affected Cuba particularly, he said, because they used to export some products to that country. But the problem concerned also his Delegation from the general point of view of commercial policy, from the broad angle of the objectives of the GATT which were impaired by the application of restrictions. The Delegation of Cuba, he said, strongly felt that the Belgian Government ought to consult with the Contracting Parties on all the restrictions that they had applied, because the procedure of consultation, when this issue of restrictions was involved, was not a matter of option but a clear obligation of the General Agreement, established by Article XII-4(a).
In reply, M. Suetens, Belgium, repeated that his case must be solved in GATT and argued that Article XV, Exchange Restrictions, was clearly the appropriate article in this case. He emphasized again that the Belgian restrictions were not justified on balance-of-payments grounds and he renewed his proposal to enter into consultation on condition that standards which did not apply to his case should not be imposed on him in advance. As to the non-publication of the restrictions, M. Suetens said that it was not until October 15 that the schedules were in final shape and the measures were fully enforced.

Summarising the discussion, the Chairman of the Contracting Parties said that the delegate of Belgium had explained that the restrictions imposed by the Belgo-Luxembourg Economic Union were part of a whole programme designed to prevent the threat of inflation in B.L.E.U. by limiting the extension of Belgian-Luxembourg credits to foreign countries and by reducing the surplus of the two countries in the European Payments Union. He has also indicated that since Belgo-Luxembourg was not in balance of payments difficulties and there did not exist an imminent threat of a serious decline in the monetary reserves of the Economic Union, the Belgian Government could not be expected to justify these measures under the tests of Article XII, of the GATT. In the view of his Government, these import restrictions fell within the provisions of Article XV, paragraph 9(b) of the GATT.

On the other hand, said the Chairman, other delegations had called for consultations on the B.L.E.U. restrictions under Article XII. The delegations of countries adversely affected by the Belgian measures had shown in their remarks that they were fully aware of the factors cited by the Belgian delegate but had also indicated that they did not believe that these factors of the citation of Article XV in any way removed the need for consultations called for under paragraph 4(a) of Article XII. These delegations considered that these restrictions, although exchange restrictions, were also trade restrictions subject to the provisions of Article XII.

Continuing his summary the Chairman said that the delegations of the United States and Canada had stated that their trade had been damaged and that the substance of the matter should be dealt with by the contracting parties. But he understood that these two delegations, in view of the statement by the Belgian delegation that the B.L.E.U. was not in balance-of-payments difficulties now believed that consultation under Article XII 4(a) would serve no useful purpose. At the same time they did not consider that more general consultations would be helpful. Although Belgium considered that it was living within the terms of the GATT, it was clear, the Chairman said, that the United States and Canada felt that Belgium had departed from the provisions of GATT. Any government which holds that view may initiate proceedings under those provisions of the Agreement relating to departures from its obligations such as paragraph 4(d) of Article XII or Article XXIII, the Chairman said. For his part, the Chairman said, he hoped that the delegations which were in a position to exercise these rights would give the matter the most careful consideration. It was recognized, of course, that these delegations reserved all of their rights of redress.

The Chairman concluded that in his view the wisest course for contracting parties at this time would be to take careful note of what had been said by the various delegations. Bearing in mind that the Belgian Delegation had informed them that B.L.E.U. was not altering the fundamentals of its commercial policy; that Belgium intended to abide by the rules of the GATT; and that these dollar restrictions might be removed in the near future, he earnestly recommended that the Contracting Parties should not pursue the matter further at this Session.

The Contracting Parties accepted the proposal of the Chairman not to go further into the matter at this Session.