Statement by the delegate of Belgium at the meeting of the Contracting Parties on 22 October regarding measures taken by the Belgian Government to deal with current financial problems.

The Belgo-Luxembourg Economic Union is at present faced with a problem of fundamental importance which may be briefly outlined as follows: the Belgo-Luxembourg Economic Union must ease the increasing inflationary pressure imposed upon it by the accumulation of credits granted to foreign countries in the course of the last few years. A solution to this problem can no longer be deferred if the two countries are to protect their currency and avoid the other evils of inflation.

By 30 September 1951, the foreign credits granted by the Belgo-Luxembourg Economic Union had reached a figure of 19 billion Belgian francs: 12.6 billion to the European Payments Union, a loan of 1.9 billion to the Organization for European Economic Cooperation, plus credits up to 5.11 billion gross granted within the framework of payments agreements, amounting to a total of 19,080 billion Belgian francs.

In terms of relative value, these figures represent for the Belgian economy 7% of the national income for 1950, 12% of the monetary reserves for 1950, 23% of exports for 1950; that is to say a burden of 2,200 francs per head of the population.

Such an accumulation of credits is dangerous in itself. It is all the more dangerous as such credits have been granted within a very short period. In fact, nearly all our credits with respect to the European Payments Union (12 billion francs) have occurred from January to September 1951, i.e. within a period of nine months.

Under arrangements between the Belgo-Luxembourg Economic Union and the European Payments Union, a lump sum of 80 billion dollars in gold is made available to Belgium and Luxembourg. Any credit of the Belgo-Luxembourg Economic Union vis-à-vis the European Payments Union in excess of that amount will have to be covered by further credits to be extended by the Belgo-Luxembourg Economic Union.

At first sight, it would therefore seem that the Belgo-Luxembourg Economic Union has some respite and a certain margin. In fact, in ten days, the credit position of the Belgo-Luxembourg Economic Union with the European Payments Union has already reached the figure of 30 million dollars. In other words, the margin available for the balance of 80 days of the period covered by this transitional arrangement hardly reaches 50 million dollars.
To have a complete picture of the situation it should be added that the increase in credits extended to the European Payments Union has altered, to a considerable degree the ratio between Central Bank's net amounts of convertible and non-convertible currencies respectively. In fact, in January 1950, convertible currency holdings amounted to 766 million dollars, or 80% of a total of 955 million dollars. In August 1951, such convertible holdings dropped to 604 million dollars or 68% of a net total of 895 million dollars.

It is therefore indisputable that urgent and drastic action had to be taken if Belgium were to avoid injecting into its monetary circulation fresh money arising from the accumulation by the Central Bank of credits in inconvertible currencies.

On the basis of the Departmental Decree Laws of 6 October 1944 relating to the control of exchange, the Governments of Belgium and Luxembourg, in order to limit to the greatest extent possible the volume of new credits which the Belgo-Luxembourg Economic Union would have to extend to the European Payments Union, adopted the following measures:

1. **Limitation of exports to European Payments Union countries:**

   This first measure which plainly meets the objective of the Governments of Belgium and Luxembourg is self explanatory.

2. **Control of payments from European Payments Union countries:**

   The purpose of such control is to permit a close scrutiny of all payments received by the Belgo-Luxembourg Economic Union from European Payments Union countries, so as to ensure that the Belgo-Luxembourg Economic Union's position within the European Payments Union shall be affected only by receipts arising from bona fides transactions. Each transaction must be submitted to the Belgo-Luxembourg Exchange Control Board which examines whether foreign exchange which authorized banks propose to sell to their Belgian and Luxembourg patrons do not conceal, under cover of legitimate current transactions, movements of flight capital seeking temporary shelter. In the absence of such controls, the credit position of the Belgo-Luxembourg Economic Union within the European Payments Union would inevitably be liable to increase abnormally at a specially inopportune time.

3. **Termination of the obligation to repatriate the proceeds in foreign currencies of exports to European Payments Union countries**

   Since Belgian and Luxembourg sellers need not now surrender their earnings in foreign currencies, and may use them as they choose, the proceeds of certain exports are no longer taken into account and this obviously eases the credit position of the Belgo-Luxembourg Economic Union.

4. **A 5½% levy on the proceeds of exports to European Payments Union countries and the blocking of these sums for a six months period**

   The purpose of this measure is to make the export trade carry a share of the credits granted by the Governments of Belgium and Luxembourg within the framework of European Payments Union agreements, and it is therefore in line with the general objective of these governments.
5. Restrictions imposed upon purchase of certain dollar goods:

At first sight, it might appear strange that a plan aimed at reducing a creditor position should include a system of import restrictions. The reason is simple. The purpose of this measure is to encourage purchases in European Payments Union currencies by compelling Belgian and Luxembourg importers to buy for a time from European Payments Union countries such non-essential products as these are able to supply. Thus, the Belgo-Luxembourg Economic Union will be in a position to make use - and this is the only way for it to do so - of certain currencies of which it has a surplus and for which unfortunately it has no use except in specific monetary areas. It is hoped that this will further ease the Belgo-Luxembourg Economic Union's creditor position towards the European Payments Union. This being said, what exactly do these measures amount to?

As is well known, dollar imports into the Belgo-Luxembourg Economic Union are subject to import licences or to a declaration procedure which carries the authority of a licence.

Products admitted under the declaration procedure, which has the same effect as an import licence, fall into three categories:

(a) Products which may be imported freely: here the former system remains in force; authorized banks may visa the import declarations without prior government authorization;

(b) products, the importation of which is subject to a previous examination by the Central Quota and Licensing Board;

(c) prohibited imports. The interested parties whose declaration is turned down by the Foreign Exchange Institute may, however, in any such cases, appeal to the Central Quota and Licensing Board, by filing an application for a licence.

In respect of products admitted under import licences the former system remains in force.

Even at the risk of being repetitious, I should like to state once more that all these measures have one purpose only: they tend to limit as far as possible the amount of new credits which the Belgo-Luxembourg Economic Union might have granted over and above those already granted. They form an indivisible whole. From the point of view of the General Agreement on Tariffs and Trade, the last in the series is no doubt the most important one. Though it was the first to be implemented as a measure of conservation, as early as 10 September 1951, it is, like all the others, only an element of an integrated policy, and I beg you to consider it as such. Please do not pass judgment on it as if it were a simple restrictive measure and do not apply to it any of the conventional criteria generally adduced to justify measures of that kind.

In order to prove that it is the unavoidable consequence of a policy aimed at limiting inconvertible credits thereby avoiding inflation, I should like only to quote the following excerpt from the report of the European
"In order to increase the volume of imports from European Payments Union countries, the Belgo-Luxembourg Economic Union has granted such imports preferential treatment by extending to them the benefit of special credit facilities and by applying controls aimed at reducing the volume of imports from the dollar area. At present about 38% of imports from North America into the Belgo-Luxembourg Economic Union are so controlled (according to figures relating to actual imports for the first half of 1951). The Committee wishes to stress that part which these restrictions will play in the development of the Belgo-Luxembourg Economic Union as an import market for new goods and commodities produced in the European Payments Union countries will largely depend on the firmness and rigour with which these restrictions will be enforced and on the necessity in which Belgian importers will thereby find themselves able to buy from European Payments Union countries goods which they so far have been purchasing in the dollar area".

(Non-authentic translation)

The conclusion may be drawn from the foregoing that the restrictions imposed by the Belgo-Luxembourg Economic Union on imports from the dollar area are in fact exchange restrictions or more correctly measures through which exchange restrictions are made effective. Their legal basis is to be found in the departmental decree-law of 6 October 1944 relating to foreign exchange control. On the other hand, as you have seen, the first body called upon to grant or to deny permits is the Exchange Control Institute; the Licensing Board intervenes later with a view to safeguarding the interest of the domestic market. In these conditions, it cannot be doubted that the measures come under Article XV, paragraph 9 of the General Agreement.

I wish to stress that the Governments of Belgium and Luxembourg have had no protectionist aim in view, and that they hope to limit to a minimum the duration of these measures.

The question as to whether they will be eliminated wholly within a not too distant future will depend on the results achieved through the implementation of the new regulations and controls. I am, however, convinced that the first one whose removal will be considered will be that relating to imports from the dollar area.

Such an abrogation, however, could only be decided if the Belgo-Luxembourg Economic Union remains in a position to settle its considerable deficit towards the dollar area - 11 billion Belgian francs for 1950, 8.5 billion Belgian francs for the first six months of 1951 and a probable amount of 16 to 17 billion francs for the whole of 1951.

However, this is a problem of the future and not one which we are called upon to analyse at this juncture, since the restrictive measures, the nature and inevitability of which I have described, have been envisaged exclusively with a view to easing the Belgo-Luxembourg Economic Union's credit position in the European Payments Union.
Belgium has resorted to restrictive measures with the greatest reluctance. Nothing could be more in contradiction with the traditions, the philosophy and the policies of my country than measures of that kind. After the war, Belgium was the first country to tread the path that lead to the liberalization of trade. Perhaps our pace was too quick. If, as a precautionary measure, we had maintained the system of restrictions which was in force three years ago vis-à-vis the dollar area, no one would, I believe, have complained and I should not have to account for Belgium's attitude here today. In spite of the restrictions recently enforced, Belgium remains in the lead among liberal countries. Nothing in our recent action, at all events, is ground for the assumption that Belgium is about to alter the fundamentals of its commercial policy.

In the last few days, the press has stressed the steadily increasing surpluses in Belgium's balance of payments and some surprise is felt that, in such conditions, we have deemed it necessary to impose import restrictions. It cannot truthfully be said that there exists "the imminent threat of a serious decline" in our monetary reserves. But I believe I have given evidence that there is a serious underlying threat to our financial stability. And, after all, that is the only thing that really matters. Monetary reserves are not the sole criterion of the financial health of a country. The disease should be studied both in itself and as a whole.

I have expounded to you - perhaps somewhat at length - the reasons which lead us temporarily to enforce restrictive measures. I have quoted Article XV:9 of the General Agreement as the most relevant in our case and the one that we should be entitled to invoke. But I do not intend to impose this opinion upon you without any discussion. The situation of my country is so special and furthermore the text of the General Agreement is so complex and sometimes so cryptic that one may well understand that the settlement of certain delicate matters may give rise to differences of opinion and some hesitation. Belgium will be very pleased to settle her problem in consultation and in agreement with the Contracting Parties. But she would hope that a decision would not be reached on the basis of narrow criteria under which condemnation of these measures would be a foregone conclusion. We intend to abide by the rules of the General Agreement; but we have the right to ask that such rules be applied to us and that we be judged in a spirit of understanding and justice. I feel sure this will be the case.