GENERAL AGREEMENT ON
TARIFFS AND TRADE

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SUMMARY RECORD OF THE ELEVENTH MEETING

Held at the Palais des Nations, Geneva
on Wednesday, 29 October 1952 at 10.30 a.m.

Chairman: Mr. Johan MELANDER (Norway)

Subjects discussed:
1. Increase in the United States Duty on Dried Figs: Request by the Turkish Delegation
2. Belgian Dollar Restrictions
3. Belgian Allocations Familiales

1. Increase in United States Duty on Dried Figs: Request by the Turkish delegation for an extension of the period provided in Article XIX:3(a) (L/44/Add.1)

Mr. ISIK (Turkey) said that consultations were now taking place between the delegations of Turkey and the United States on the subject of the United States increase in the duty on dried figs. His Government wished to await the result of these consultations before deciding to have recourse to measures envisaged under Article XIX:3. A time limit was, however, specified in that paragraph for notification which would expire in this case on 29 October. He requested the CONTRACTING PARTIES to extend the time limit by another ninety days.

Mr. VERNON (United States) said that his delegation had no objection to this request for an extension.

It was agreed to extend by ninety days the period provided under Article XIX:3(a) for the Turkish Government to notify the CONTRACTING PARTIES of any suspension of equivalent obligations or concessions which it might propose.

2. Belgian Dollar Restrictions

M. SUETENS (Belgium) said that the Working Party established by the Intersessional Committee in February 1952 had decided not to meet until the results of the consultations with the International Monetary Fund concerning the restrictions imposed by Belgium on dollar goods were known. These consultations had taken place and the statement of the Fund read as follows:

"The Fund has noted the present strong balance of payments and reserve position of Belgium and Luxembourg. Accordingly, the Fund considers that under existing circumstances relaxation of exchange restrictions is feasible and requests Belgium and Luxembourg to reconsider the necessity for the present level of restrictions affecting dollar imports".

The Fund had, moreover, in a letter to the Executive Secretary of 2 October indicated that the statement did not constitute a formal representation under Article 14 Section 4 of the Fund Agreement, and that the restrictions affecting dollar imports were still maintained consistently with that Article. The Belgian Government had then taken the situation under consideration to try and meet the opinion expressed by the Fund. Account had to be taken of the fact that Belgium might, in the future, have more difficulty in financing its dollar requirements, and M. Suetens noted that certain earlier forecasts of the Belgian balance-of-payment position had not materialised. His Government felt, therefore, that it was justified in proceeding cautiously in its return to a régime of freedom from quantitative import restrictions. The Belgian Government intended, as a first step im this direction, to increase significantly the goods on its free list, to unify the two lists providing respectively for prior approval and prohibition in principle so that licences for products not on the free list would be examined on their merits, and to pursue a more liberal policy with respect to imports of the latter. It was felt that these decisions conformed to the assurances given by his delegation at the Sixth Session, and to the advice of the Fund. The technical details involved in the application of such measures would necessarily make it impossible to bring them into effect immediately, but they were expected to come into force within two or three months. At that time the Belgian Government would report to the CONTRACTING PARTIES in detail.

Mr. VERNON (United States) thought it a tribute to the efficacy of the Agreement and to the goodwill of Belgium as a contracting party that the latter had been able to bring this proposal before the CONTRACTING PARTIES during the present Session. The United States welcomed Belgium's intention soon to liberalise its dollar import restrictions, and particularly welcomed the statement that this was considered as the first step in a return to a regime of freedom from import restrictions. His delegation suggested, in the circumstances, that consideration of the matter be suspended, and hoped that the details of the Belgian programme, when announced, and the measures taken in the period following, would make it unnecessary to discuss the matter again in the CONTRACTING PARTIES.

M. LECUYER (France) said that his delegation was pleased that the difficult situation between Belgium and the United States was on the way to settlement. This matter showed once again that consultations undertaken within the GATT frequently resulted in a satisfactory settlement without the need to obtain a formal decision by the CONTRACTING PARTIES.

M. Lecuyer wished, however, to point out that the solution envisaged by the United States and Belgium in this particular matter might have repercussions on the interests of other contracting parties. It must be remembered that there was a serious general dollar problem for which no satisfactory solution was yet in sight. The CONTRACTING PARTIES should also remember that the satisfactory functioning of the EPU depended to a certain extent on the dollar reserves of its members, and that the achievement of limited convertibility between European countries was also linked to the dollar problem. This was neither the time nor the place to discuss this matter, but his delegation wished to draw attention to the possible repercussions on European economy of the application of the more liberal measures envisaged by the Belgian Government.

Although these measures could not be fully evaluated at the present time, there was the risk that bringing them into force might aggravate the balance-of-payment disequilibrium of the other European countries, who would in turn be forced to limit their purchases from the dollar area. France was not in favour of a policy of systematic discrimination against the dollar area. Its main concern was to promote European economic co-operation with a view to eliminating the dollar deficit. The position he took on this matter now arose from a factual situation which his country continued to consider as temporary.

Mr. ISBISTER (Canada) said his delegation had been seriously concerned at the last Session about the implications which the Belgian dollar import restrictions had for the integrity of the General Agreement, as well as for their adverse impact on Canadian trade, and he had listened with interest to the statement by the Belgian representative. Since the Sixth Session these import restrictions had been the subject of consultation between the Belgian and Canadian authorities and had also been given careful consideration by the Fund. His delegation wished to express its satisfaction with the proposals put forward by the Belgian delegation, which, as he understood them, were that Belgium would shortly announce a substantial relaxation of its dollar import restrictions as a first step in the direction of restoring a régime of freedom from quantitative import restrictions. The action of the Belgian Government was a further indication of the value of the procedures of the Agreement in helping in the settlement of differences in trade policies. He looked forward to receiving the Belgian report on this matter and hoped that the speedy return by Belgium to its traditional liberal trade policies would make it unnecessary for the matter to be raised in future sessions.

Referring to the statement of the French delegate, Mr. Isbister said it raised some very broad issues of great importance to Canada. He agreed with M. Lecuyer that this was perhaps neither the time nor the place to pursue these issues, unless other delegations wished to do so.

Mr. VERNON (United States) wished, in view of the statement by the French delegate, to explain the United States position in the matter. His Government had had some responsibility in helping to bring about the establishment of the EPU. Its objective had been to facilitate the movement of goods among European countries which were available there in the years following the war, but for which many of these countries were, at that time, often unable to pay. The United States had hoped that this would speed the recovery of Europe. The United States had furthermore considered it particularly important to make trade within Europe possible since the existence of trade barriers was resulting in the growth of uneconomic industries in several countries. In helping European countries to bring about the European Payments Union, the United States had nevertheless regarded it as a transitional measure to assist in the recovery of Europe, to make it self-sustaining with regard to the dollar area and thereby to hasten the time when the objectives of the Agreement and of the International Monetary Fund might be reached. The United States recognized the risk that, unless carefully managed, such an organisation might lead to new preferential arrangements. Consequently, the United States had felt that the transitional character of the EPU must be constantly before the members in its operation. The objective

must continue to be the convertibility of the currencies of the several European countries. For these reasons, when cases such as the Belgian case arose, it was the policy of the United States to encourage such a country to move towards convertibility without allowing the existence of EPU to hold back that movement. His Government considered the Belgian action to be consistent with that policy and welcomed it.

Mr. van BLANKENSTEIN (Netherlands) said that his delegation also was pleased that Belgium had been able to settle its problem with the United States and Canada. He considered, however, that the French representative had raised an important question regarding the problems connected with European viability and the dollar expenditure of European countries. He hoped that these problems would be taken into account in the implementation of any agreement reached by Belgium with Canada and the United States.

Mr. SINGH (India) said that his delegation had followed the Belgian case with interest and were pleased that the consultations had led to a satisfactory settlement. He hoped that the measures to be taken would mean that further consideration by the CONTRACTING PARTIES would be unnecessary.

Mr. Di NOIA (Italy) expressed his satisfaction at the settlement. He considered the French statement very important and hoped that whatever measures were taken by Belgium would be sufficiently flexible to take account of the needs of all the countries involved, and particularly the consequences to countries in other monetary areas that might result from the alleviation of restrictions on imports from the dollar area. Since these measures did not amount to complete liberalisation, he hoped that they would be applied so as to satisfy countries in the dollar area without creating difficulties for others.

Mr. SUETENS (Belgium) referred to the statement by the French representative and emphasised that the measures about to be taken by Belgium in no way implied abandoning the EPU, or any intention to disturb European trade. Belgium had never considered that there was any incompatibility between its traditional liberal policies and adherence to the various European organisations. He pointed out that at the last Session his delegation had explained that the measures were necessary to absorb the Belgian surplus within the EPU. Since October 1952 Belgium was in deficit with the EPU and it was natural in these circumstances that it should return to what it regarded as its normal policy. In taking the proposed measures Belgium would take full account of its membership in the EPU and its economic union with the Netherlands as well as its obligations as a contracting party.

Mr. ISBISTER (Canada) said that Canada was a country with an extensive trade and one which had attempted to assist in the solution of the various international problems since the end of the war, among them the dollar problem. Canada sympathised with the countries faced with this problem and had been closely associated, although not a European country, with the OEEC, as a tangible gesture of recognition of the importance to the world of the recovery of Europe. Canada had expressed serious concern about the Belgian import restrictions at the last Session and extensive discussions took place between the two countries.

The Canadian Delegation had been aware at that time of the viewpoints of a number of Belgium's trading partners in Europe, that it was in their interest that Belgium should maintain her dollar import restrictions. While unable to share this view, it was partly by reason of its respect and consideration for the views of the other European countries that the Canadian delegation had refrained from making a formal complaint at the last Session against the Belgian import restrictions. Since the last Session, there had been consultations within the Fund, and the Fund had not reported to the CONTRACTING PARTIES that any structural dollar problem was involved. Mr. Isbister agreed with the United States view that to accept the implications of the statement by the French representative would be to give way to an excess of European protectionism. His delegation was disappointed at the use of any joint arrangements amongst Western European countries to discourage a country in the position of Belgium from relaxing its import restrictions consistently with its international obligations.

The CHAIRMAN noted that Belgium, Canada and the United States had agreed to a settlement of the dispute regarding Belgian dollar import restrictions and that settlement of this problem was received with satisfaction by all contracting parties. The French representative had raised the problem of the possible repercussions on the European economy of the application of more liberal measures by Belgium given the fact that the satisfactory functioning of the EPU depended to a certain extent on the dollar reserves of its members and that the achievement of limited convertibility between European countries was also linked to the dollar problem. There was no need at this time to discuss the implications of this question of possibly conflicting obligations under two international intruments. At this point the CONTRACTING PARTIES could only note the settlement of the dispute in question and look forward to receiving a detailed report by the Belgian Government on the measures taken.

## 3. Belgium's Allocations Familiales

M. le GHAIT (Belgium) said that the CONTRACTING PARTIES, at their last Session, had agreed to defer discussion of the question raised by the Norwegian and Danish delegations as to the compatability with Belgium's obligations under the General Agreement of the taxes levied for the "allocations familiales" on goods imported into Belgium for public works. M. le Ghait said that unhappily no solution had yet been found by his Government and he wished to review the situation.

Belgian legislation concerning family allowances began in 1930 and was consolidated in a law of 1939, which provided that when products were brought for public works from a country where employers were not obliged to contribute to a fund for family allowances for their employees, a levy should be made on the purchasing price to compensate for the charge imposed in Belgium on domestic production. The law provided that in order for goods to be exempted from this levy they must come from countries where employers' contributions amounted to

at least 80 per cent of those provided under Belgian law. The law also provided that the Minister of Labour could decide, on the advice of the Commission for the "Allocations Familiales", the countries which fulfilled these conditions. The result of this legislation was that goods coming from certain countries were exempt from the charge, while others continued subject to it. His Government did not consider this situation, in itself, contrary to its obligations under the Agreement.

This was, in effect, a charge or regulation coming under the provisions of paragraphs 2 and 4 of Article III, as was apparent from paragraph 8(a) of the same Article, providing that the obligation to accord national treatment would not apply to products purchased for governmental purposes. M. Le Ghait referred to the interpretative note to Article I whereby the obligations of Article II, paragraphs 2 and 4, which were incorporated in Article I by reference, should "be considered as falling within Part II for the purposes of the Protocol of Provisional Application", and must be applied therefore only "to the fullest extent not inconsistent with the existing legislation".

It was certainly to be regretted that the existing Belgian legislation resulted in different treatment for goods originating in different contracting parties, and particularly that countries whose family allowance funds were provided by contributions made by employers should receive advantages over those where such allocations were met out of public funds. But there was no obligation, at the present time,upon the Belgian Government to modify its legislation in this matter, since the legislation was in existence before the Agreement was drawn up.

Concerning the complaint of Norway and Denmark, M. Le Ghait explained that a very elastic interpretation had been given this law in the past by the Belgian Government. In 1950, for example, an exemption had been granted to goods from a country whose legislation did not strictly comply with the conditions stipulated in the Belgian law. Basing themselves on this precedent, Denmark and Norway, whose laws on the subject were also not in accordance with the Belgian requirements, had requested similar treatment. The question had been studied by the Belgian Government, which concluded that, under its present legislation, it could not comply with the requests of Norway and Denmark. The exemption granted in 1950 had already been the source of criticism, and the Government could not take new measures of the same kind without opening itself to the charge that it was rendering the law inoperative by administrative action. Since the present complaints arose as a result of too broad an interpretation if the law, the Belgian Government would only be creating further difficulties if they gave in to them.

Two courses were open to the Belgian Government, either to return to a strict interpretation of the law, or to amend it. His Government preferred the latter alternative, and envisaged taking action toward the preparation of a draft law to be submitted to Parliament. M. Le Ghait was not in a position to say that a decision had yet been taken on this matter. There were numerous difficulties involved. From the point of view of the CONTRACTING PARTIES, a law

law eliminating the tax would obviously be the preferable solution. This would, however, mean an increase in the budget and in the intervention of the State in financing the family allowances, and would probably entail objections in principle from certain members of Parliament. On the other hand, a revision of the legislation which would eliminate the charge without increasing the charges to be borne by the State, required a revision of the entire system of family allowances. Another solution would be to replace the present system of charging only goods coming from certain countries, with a charge to be applied generally to goods from all countries. His Government had not yet taken a decision on the solution to be adopted and, in view of the complexity of the problem, requested the CONTRACTING PARTIES for further postponement of consideration of this matter in order to allow another opportunity to reach a solution.

M. Le Ghait finally emphasised that the CONTRACTING PARTIES should take account of the fact that this question was before them not by reason of an unduly protectionist attitude on the part of the Belgian Government, but rather because of a past interpretation of the law which many considered too liberal in view of the Belgian legislation.

Mr. SEIDENFADEN (Denmark) said that the question had been thoroughly discussed at the Sixth Session and at that time the Belgian delegation had assured the CONTRACTING PARTIES that it would attempt to alleviate the situation which, it had agreed, was not quite in accordance with Article I.

In the bilateral discussions that had taken place since the previous Session, the Belgian delegation had attempted to achieve a solution but unfortunately no progress had been made. The question was an important one for Denmark because its position within the EPU vis-à-vis Belgium was difficult and it had considerable interest in removing any discrimination against its exports. The statement by the Belgian delegation indicated a situation which had not changed since last year. The Danish delegation requested the CONTRACTING PARTIES to keep the matter on the agenda and to request a report from the Belgian Government at the next Session if no solution were reached in the meantime.

Mr. THOMMESSEN (Norway) supported the Danish delegate. He had been disappointed in the Belgian statement and pointed out that since last year the charge on Norwegian products had been raised from 6 per cent to 7½ per cent. The situation had thus deteriorated. The charge seemed to him clearly discriminatory. The Belgian administration had a certain discretion to exempt products of various countries if it were found that their contributions to family allowance funds fulfilled the requirements of the Belgian law. It had used this discretion in other cases and had, moreover, never come to any conclusion that Norwegian employers did not have to contribute to an analagous fund.

Mr. Thommessen suggested that the Panel be asked to investigate the legal aspect of the matter and to formulate recommendations which might assist the Belgian Government in reaching a solution.

Dr.TREU (Austria) stressed the interest of this question for Austria in view of its chronic balance-of-payment deficit with Belgium. Since the Sixth Session Austria and Finland had joined Denmark and Norway in their complaint against the Belgian legislation. The Austrian Government had raised the matter directly with the Belgian Government since the Sixth Session, in particular during the bilateral trade negotiations in the summer of 1952. A protocol to the agreement resulting from these negotiations contained an article, Article IV, which read as follows:

> "The Austrian Delegation raised the question of the provisions of the Belgian law of August 1930, Chapter XIV, which provided that the charge relating to Family Allowances should be imposed on tenders from foreign firms. Since this question had already been brought to the attention of the Belgian Government by diplomatic means and did not form part of the present negotiations, the Delegation of the Belgium-Luxembourg Economic Union promised to submit the matter to the attention of the competent authorities."

Dr. Treu said that his Government had then provided the Belgian Government with the text of analagous Austrian legislation in order to demonstrate that the Austrian situation corresponded to the requirements of the Belgian law. In fact, Austrian legislation enacted since the War (in 1949-1950 and 1951) provided that 6 per cent of salaries must be put into a fund for the purpose of family allowances. Thus the Austrian laws corresponded exactly to the Belgian laws and his Government regretted the hesitation of the Belgian Government in recognising this fact. Dr. Treu did not consider that the provisions of Article III:8(a) to which the Belgian representative had referred, were applicable in this case. If it should be decided that they did apply, it would have very broad implications for the many countries which had nationalised or partly-nationalised industries.

Mr. HAGEMANN (Germany) stated that although his Government had not formerly protested against the family allowance taxes of Belgium, it nevertheless found itself in the same situation as countries which had. Although the legal basis in Germany was different, the social charges imposed there were higher than in Belgium and it could not be said that the Belgian economy was injured by lower export prices from Germany. This situation should satisfy the purposes of the Belgian law, particularly since within the framework of the social charges in general, the family allowances as such in Germany were higher than in Belgium. The German Delegation therefore joined with the other delegations in the hope that the necessary modifications to this law would soon be introduced and in requesting that the item be retained on the agenda of the CONTRACTING PARTIES.

M. LE GHAIT (Belgium) explained that the situation for Norway and Denmark differed from the situation for Germany, Austria and Finland. In the case of the first two countries, the Commission of the "Allocations Familiales" had decided that their legislation did not conform to the criteria laid down in the Belgian law. Accordingly the Belgian Government had decided that it could not exempt them, under its present legislation, from the tax. On the

other hand, the Commission had not yet pronounced on the corresponding legislation in Austria, Finland or Germany. A decision was expected in the near future and it was possible that their products might be exempted from the tax within the framework of the law as it now stood. Concerning the suggestion that the matter be referred to the Panel, he said that his delegation would be happy to take part in discussions.

As to Article III:8(a) it seemed to him quite clear that this provision did not apply to nationalized industries but only to goods purchased for governmental purposes.

The CHAIRMAN noted that it was agreed to refer the matter to the Panel and requested the Panel to investigate the legal implications of the Belgian legislation and make recommendations.

The meeting adjourned at 1.20 p.m.