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CONTRACTING PARTIES

S U B S I D I E S

NOTIFICATIONS REQUIRED BY ARTICLE XVI AND BY

THE DECISION OF THE CONTRACTING PARTIES

OF 2 MARCH 1950

Notification by Belgium

This report has been prepared pursuant to the obligation under Article XVI of the General Agreement on Tariffs and Trade to notify the CONTRACTING PARTIES of any subsidies, including any form of income or price support, leading directly or indirectly to increased exports or to reduced imports.

The report is presented in three parts. Part I discusses the legislation now in force concerning subsidies for certain farm products, Part II deals with the price support programme for certain industrial products and Part III with the system of State aid for Congolese timber exports.

I. Subsidies for certain farm products

Pursuant to the Regent's Decree of 17 May 1950, industries producing certain types of cheese, milk powders and milk concentrates made with Belgian milk are granted temporary subsidies from 15 May to 30 September 1950.

Under a Ministerial Decree of 22 May 1950, the amounts of the subsidies were fixed as follows:

	superfine quality per kg.	1st quality per kg.	2nd quality per kg.
Hard cheeses - 45% ⁽¹⁾	12 F. ⁽²⁾	11 F.	9 F.
" " - 40% ⁽¹⁾	10 F.	9 F.	7 F.
Matured Herve	6 F.	5 F.	3 F.
Whole milk powders	7.5 F.	6.5 F.	4.5 F.

Skim milk powders: 4 F. per kg. for a quota of 3,000 tons

Condensed whole milk
concentrates: 2.5 F. per kg.

Evaporated whole milk
concentrates: 2.25 F. "

The aim of the subsidies is not to promote exports of the subsidized products, but to facilitate the utilization of excess milk supplies during the summer peak over-production period. Since these supplies cannot be consumed, they must be processed, and this can only be done by reducing the prices of home-manufactured products to the level of import prices by means of subsidies.

As regards the effect of these measures on total imports, it would be premature to attempt any estimate. Although Belgium will continue to import the products in question, despite the granting of subsidies, her imports might, in theory, be reduced by an amount equal to the additional quantities produced as a result of these subsidies.

In practice, however, account must also be taken of possible changes in consumption. In the case of cheese, for example, the introduction of the

(1) Minimum percentage of fats

(2) F. = Belgian francs.

subsidy has been accompanied by the abolition of an import duty, and the selling price of cheese has dropped appreciably on the home market. Since this reduction in price is calculated to increase consumption, it is not unlikely that the effect of the subsidies on total imports will be mitigated, or even entirely offset, by an increase in consumption.

II. Subsidies for certain industrial products

Legislation now in force provides for a subsidy for the coal and gas industries. The subsidies granted are not, however, intended to increase exports or to reduce imports of the products of those industries, but merely to compensate for the loss sustained by the producers as a result of governmental price policy in these fields.

It should be pointed out that the coal industry was one of the Government's main concerns after the Liberation.

Coal production stood at less than 50% of its pre-war level since the mining industry was suffering from a complete lack of modernization and, in particular, an acute shortage of skilled labour. Production had to be raised at all costs in order to enable the various industries to function and the country to recover.

The employment of prisoners of war, their later replacement by foreign labour and active propaganda on behalf of the mines and the miners resulted in a rapid increase of the volume of production; but this was achieved at the expense of efficiency and, therefore, of production costs. The consequent increase in selling prices was bound to entail a general rise in prices and the cost of living.

It was for these reasons that the authorities fixed the selling price of coal at a level that was tolerable for the consumer industries, balancing this by a system of subsidies and compensation designed to allow the collieries as a whole to continue production without loss.

The methods of putting this policy into effect have varied from time to

time. At present, no subsidies remain except those for certain mines with high production costs. For instance, collieries with a loss of more than 10 francs per ton during the period under consideration are paid a subsidy equal to the loss per ton less 10 francs. The ceiling for this subsidy is fixed at 165 francs and reduced by 5% every month as from 1 October 1949 so as to reach zero after 20 months.

The policy of subsidising the collieries is justified by the fact that it has no other raison d'être than a production cost which is too high, and the need, from a strictly domestic viewpoint, of maintaining a selling price that is tolerable for Belgian industry.

It is no exaggeration to say that the system has had no influence on the volume of exports or imports, since the current price level remains very considerably higher than that in other coal producing countries and since in order to export, Belgian producers must accept substantial reductions in their prices.

With regard to gas, the purpose of the subsidy is to compensate the loss suffered by producers on the sale of a specific quantity of gas at a low price, and to avoid the unfavourable effect of the increase in coal prices on the cost of living for low income families.

III. Subsidies on certain Congo woods

Order No. 52/348 of 19 November 1949 established an export bounty on second and third class sawn woods. This bounty came into operation on 1 September 1949 and amounts to 400 francs per cubic metre of sawn wood exported outside the countries adjacent to the Belgian Congo.

Wood produced in the form of railway sleepers is classed as sawn wood.

To qualify for the bounty, timber must:

1. Conform to certain provisions on timber exports (Order No. 41/131 of 14 April 1948, supplemented by Order No. 41/182 of 29 May 1948);

2. be dried by heat treatment; ⁽¹⁾
3. be chemically treated for protection against xylophagous insects, rot and fungi; ⁽¹⁾

This measure was taken for the following reasons:

- a. to encourage timber producers to make the maximum use of logs unexportable as a result of faults in felling; splits, cup-shake, halo, etc.
- b. to encourage the installation of drying plants and the chemical treatment of woods easily, and often quickly, attacked by insects;
- c. to increase the volume of exports of woods that are not generally exported or are unexportable as a result of damage by insects and thus to encourage the rational exploitation of the Congo forests, which is too often limited to an unduly small range of species;
- d. to place on the market woods which are of a uniform saleable quality and which do not deteriorate in storage.

Amount of the Subsidy

For the third quarter of 1949 a sum of 1,200,000 francs was allocated in the ordinary budget.

For 1950, a sum of 12,000,000 francs has been appropriated in the ordinary budget.

(1) Woods produced in the form of railway sleepers need not be given the treatment described in sub-paragraphs 2 and 3 if they are hard woods considered immune from attack by xylophagous insects.

