

GENERAL AGREEMENT ON TARIFFS AND TRADE

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MEASURES FOR ASSISTING ADJUSTMENTS IN THE STRUCTURE AND PATTERN OF PRODUCTION AND TRADE

Addendum

The Delegation of Belgium has provided the following information concerning adjustment assistance measures applied by Belgium.

BELGIUM

Paragraph 1. - Evolution of policies and application of governmental measures

Since the beginning of the 1950's, the Belgian Government's policy has been constantly aimed at promoting and encouraging industrial development and the efforts being made to adjust the structure of the Belgian economy. This fundamental action was further intensified during the periods of economic recession of 1954-55 and 1958-59.

It should however be made clear that industrial policy in Belgium has not, as a rule, had individual sectors in view, the measures taken being essentially aimed at general objectives (expansion of the economy and of employment), and the methods applied have been confined to economic stimuli without direct intervention in the management of undertakings.

Since 1953 a series of Acts have been aimed at encouraging productive industrial investments. From 1959 onwards legislation was further directed towards bringing about a better geographical distribution of these investments with a view to coping with the problems of certain regions which were less favoured or undergoing industrial reconversion.

The measures taken were not aimed at favouring a particular industrial sector (except in the special case of the coal mines) but at giving a general impulse to the economy as a whole. One of the main objectives was also to absorb the large scale unemployment which for many years had prevailed in different parts of the country.

The forms which Government aid can take are varied and include interest rebates, Government guarantees, capital subsidies, exemption from land tax, etc.

Since 1953, the following laws have been enacted with this end in view:

- The Act of 7 August 1953 for the creation, expansion, re-equipment and rationalization of industrial undertakings and handicrafts. In virtue of this Act, loans were granted by credit agencies and if they were clearly in the general economic interest, they were accompanied by a reduction in rate of interest or a Government guarantee.
- The Act of 31 May 1955 concerning financial aid for the construction or purchase of industrial and handicraft buildings. This Act authorized subsidies of up to 30 per cent of the value of the building (with a maximum of 2.5 million francs) and a reduction in the rate of interest to 1 per cent.
- The Act of 12 July 1955 for the benefit of the coal industry, under which a Government guarantee could be given for the repayment of capital, interest and incidental charges on loans granted by public credit institutions or by the ECSC for the financing of the programme of re-equipment of the coal mines or for the construction or enlargement of electric power stations.
- The Act of 10 July 1957 which extended the validity of that of 31 May 1955 except as regards subsidies, which were abolished, and the reduction of interest, which could not be less than 2 per cent.

The Acts of 7 August 1953 and 10 July 1957 were themselves replaced in 1959 by two fresh Economic Expansion Acts:

1. The Act of 17 July 1959 (Royal Executive Decree of 17 August 1959) introducing and co-ordinating measures to promote economic expansion and the creation of new industries.
2. The Act of 18 July 1959 (Royal Decree of 18 August 1959) introducing special measures to combat the economic and social difficulties of certain regions.

The Act of 17 July 1959, also known as the General Act because it is applicable to the whole of Belgian territory, has four distinct aims:

1. To revive the economy and in the longer term to combat structural unemployment.
2. To pursue the rationalization of undertakings and the increase of production.

3. To adapt production to the new prospects of the Common Market.
4. To stimulate fresh action in order to replace undertakings likely to disappear.

A Royal Decree of 19 September 1962 extends the sphere of application of the Act of 17 July 1959 to certain commercial undertakings. In practice, there have been very few beneficiaries of this instrument.

The Act of 18 July 1959, known as the Regional Act, aims at ensuring a more balanced distribution of activity and prosperity between the different parts of the country, and at combatting specific economic and social difficulties of certain among them known as "development regions". These are confronted with at least one of the following serious economic and social difficulties:

- a) The existence of large-scale permanent unemployment in absolute and percentage figures among the gainfully-employed population, or the permanent absence of possibilities of employment.
- b) The permanent emigration of a considerable proportion of the population, having the effect of reducing the number of inhabitants below the minimum essential to the economic maintenance of the public and social services necessary for progress.
- c) Seasonal, weekly or daily displacement of a considerable portion (in number and percentage) of the labour force in conditions unfavourable from the economic and social point of view.
- d) An actual or imminent decline in important economic activities likely to involve the loss of a material fraction of the regional income or of considerable social investments, and to have an unfavourable effect on other regional activities such as public services and commercial undertakings.

The development region should also constitute a coherent unit, the inhabitants of which are faced with common problems of economic growth capable of being solved by durable expansion based on an adequate infrastructure. Fifteen development regions were thus delimited at the end of 1959 for a period of three years, with the possibility of renewal.

In 1959 a special Act was passed on small undertakings, namely the Act of 24 May 1959 to increase the facilities of access of the middle classes to professional and handicraft credit (creation, extension, reconversion, re-equipment and rationalization of handicrafts, small and medium trades and minor industry).

As regards the rules of intervention contained in the previous Expansion Acts, they could be summed up in the idea of general economic interest. In order to be encouraged, investments had to be essentially productive i.e., to be spent on buildings, productive machinery and the essential laboratories and general services.

As regards the implementation of the recent Acts, the examination of applications has become more and more selective, particularly as regards the products to be manufactured and the geographical location.

The Economic Expansion, Social Progress and Financial Reconstruction Act of 14 February 1961 amended certain of the provisions of the Acts of 17 and 18 July 1959 increasing in particular the ceiling up to which a government guarantee could be granted and adjusting assistance policy to the objectives of the government programme. The above-mentioned measures of assistance were reinforced by fiscal provisions aimed at modifying the system of taxing capital gains, encouraging mergers and take-over bids, and permitting accelerated or declining allowances for depreciation.

The bodies responsible for the application of the Expansion Acts are the Ministries of Economic Affairs, of the Middle Classes and of Finance. The public and private credit institutions participate in the application of the laws of economic revival by supplying the investment credits necessary for the undertakings concerned. The government may guarantee these credits and grant interest rebates for a limited period.

Lastly, an Act of 2 April 1962 provided for the establishment of one national and several regional investment companies authorized to take participation in the capital of industrial and commercial undertakings. The only one of these companies so far set up is the National Investment Company which was established in 1962 and is in active operation.

In addition, the Planning Bureau dealt with the aspect of particular sectors in its first expansion programme for 1962-65, prepared in co-operation with public and private circles. This may be regarded as the initiation of an industrial policy with sectorial characteristics. The qualitative characteristics of the different sectors were, however, defined too vaguely and the sectors covered were too wide, so that it proved difficult to put them into practice.

This is a deficiency which the 1966-70 programme will endeavour to correct. The 1962-65 programme laid special stress on the utility of certain types of investment, particularly those concerning types of production for which there is a rapidly growing demand and which call for complex techniques utilizing skilled personnel; those which appear to offer Belgian industry special opportunities within the framework of the Common Market; and those which by their dimensions or nature have a dynamic effect on the development of other undertakings or other sectors.

There is no nationalized industry in Belgium, but by their influence on the electricity sector, the public authorities have endeavoured to secure the greatest possible reduction in the price of electric power, particularly with a view to contributing to a lowering of the cost of energy in Belgium.

The policy of stimulating investments has also aimed at facilitating the establishment in Belgium of foreign undertakings. Not only do the financial aids described above apply to them but they are given facilities and guarantees as regards capital transfers in particular.

The application of the policy of aid to industrial investments has necessitated the reinforcement of different administrative services both at the central and at the regional level, as well as creation of different bodies for research, promotion or action.

Paragraph 2. - Difficulties encountered

One of the principal difficulties has been and remains to make the maximum stimulus afforded by the Expansion Acts coincide with periods of recession. Apart from the unknown factor constituted by the extent or duration of an incipient recession, there are delays which are difficult to shorten (preparation and discussion of bills in Parliament, examination of documentary material). Furthermore, at certain periods the credit agencies are likely to retard or encourage investments according to the volume of funds at their disposal rather than according to the evolution of the economic situation. Except in 1957, however, the capital market has always been sufficiently provided with funds.

Moreover, industrial sectors sometimes display a certain distrust of Government interference accompanied, however, by growing demands for financial assistance; readiness to assume risks is tending to decline; and industrial and regional rivalries complicate or obstruct any attempt to apply a policy of geographical or sectorial selectivity.

Paragraph 3. - Effectiveness of measures taken

It may be estimated that the various Expansion Acts have on an average taken one year to make their effects felt.

The exact effects of the Acts, i.e., their impact on the volume and trends of investment, is difficult to determine owing to the concomitant influence of other factors such as the persistence of prosperity in Europe, the enlargement of overseas markets and scientific progress, but there can be no doubt that the laws have had positive results, industrial investments having risen from 28,800 million in 1959 to 51,600 million in 1963.

Figures on subsidized credits are given in the following table:

Period 1959-65 - Allocation by Sectors of
Subsidized Credits and Corresponding
Investments

	<u>Credits</u>	<u>Investments (in millions of francs)</u>
Mines and quarries	492	1,229
Energy	151	292
Metallurgy	10,380	31,545
Metal manufacture	10,508	18,574
Chemical industry	7,114	14,764
Textile goods	2,542	4,519
Food industries	2,759	4,658
Timber industry	567	1,111
Construction	2,217	3,732
Miscellaneous	969	1,797
	<u>37,698</u>	<u>81,930</u>

ANNEXED NOTE ON A CASE OF REGIONAL RECONVERSION

BORINAGE - CENTRE

The region of Borinage and of the Centre is an example of a region which has suffered from a decline in certain sectors (coal mines, construction of rolling stock, etc.) and for which regional reconversion necessarily involves sectorial reconversion, since the maintenance of a region's economic activity cannot in the long run be ensured by supporting declining branches of industry.

1. Economic situation of Borinage and the Centre in 1961

Since the war the Centre and Borinage had undergone a considerable deterioration in the economic and social situation.

The following table gives an idea of the economic decline of the regions in question:

	Index of economic development (Belgium = 100) - Net income per head (1961)	Annual rate of growth Net income per head (1957-61)
Borinage	77	- 2.1%
Centre	80	- 2.3%
Belgium	100	+ 1.6%

The causes of this decline were the following:

- reduction in coal production,
- absence of undertakings capable of making up for the coal decline by rapid and large-scale expansion.

A fresh loss of employment of about 11 per cent in each of the two regions was to be anticipated in the absence of a resolute policy of reconversion.

2. Objectives of the plan for the reconversion of the Centre and Borinage

The two main objectives aimed at by the plan for the reconversion of Borinage and the Centre adopted on 24 November 1961 for application in 1965 were as follows:

a) Renewal of the economic and social structures of the two regions:

- modernization of communications,
- equipment of industrial zones,
- improvement in housing,
- redirection of and increase in industrial activity.

b) Maintenance of employment at the 1961 level: this involves the creation of something like 7,500 jobs in Borinage and 9,000 jobs in the Centre.

This effort will take place in three principal directions:

- creation of new undertakings,
- intensification of programmes for the expansion of existing undertakings,
- intensification of the public programme for the construction of cheap housing.

3. Methods employed

a) At the administrative level:

- collaboration of all the competent departments with private bodies.

b) At the financial level:

- intensified application of the Acts of 17 and 18 July 1959 especially for the benefit of projects creating employment;
- various activities at the expense of the budgets of the competent departments (Public Works, Economic Affairs, etc.) to encourage large-scale projects and the improvement of the infrastructure;
- various activities on the part of the ECSC;
- financial assistance by the National Investment Company and the competent Regional Investment Company.

4. Results achieved up to 30 June 1964

- a) In the first place it should be mentioned that the application of the programme in connexion with communications is pursuing its normal course;
- b) As regards the equipment of industrial zones, the results are satisfactory.

In Borinage

- Very important equipment work has been undertaken in the Government zone of Ghlin-Baudour and the number of industrial plants already established is so great that new sectors of the zone will have to be developed.
- The adjoining zone of Hautrage has been reserved for a possible large-scale construction project requiring a large piece of land on a waterway.
- The Frameries zone is being equipped; two factories are already under construction.
- Expropriations are in progress as regards the Dour zone.

In the Centre

- In the Government zone of Seneffe-Manage, some hundred hectares have been purchased and partial infrastructure work has been undertaken to prepare for the construction of a motor car assembly plant.
- Preliminary studies are in progress with a view to the equipment of the Péronnes-Lez-Binche zone.
- The equipment of the Strépy-Bracquagnies zone is in preparation.

5. Investments

Numerous programmes of investment (creation, extension, modernization and rationalization of undertakings) have received advantages in application of the Acts of July 1959 (interest rebate, Government guarantee, interest subsidy).

6. Jobs created

The jobs created as a result of these investments have during the same period numbered about 3,000 in Borinage and about 2,500 in the Centre, which represents 9 per cent of the jobs created in Belgium as a whole.

In addition, the implementation of the programmes initiated and in course of execution will in 1965 and 1966 involve the recruitment of 3,500 persons in Borinage and some 2,000 persons in the Centre.

