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INFORMATION ON STATE TRADING, SUBSIDIES AND TAXES IN INDUSTRIALIZED COUNTRIES

Corrigendum

Since the issue of COM.TD/W/34 in November 1966, a number of new notifications of changes in subsidies and State-trading measures have been received by the CONTRACTING PARTIES. Some of these modifications have already been noted in Corr.1 and Corr.2 to that document. The present document records all such changes notified up to date, including those contained in the two previous corrigenda.

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Add the following references to those under AUSTRIA - A. State Trading:

"L/2741/Add.2, 29 March 1967, L/2593/Add.10 and 13, 1966"

Pages 6-8

Replace the whole text under BELGIUM by the following:

A. State Trading

(Ref. L/2593/Add.14, 26 January 1967)

The Food Supply Office (OCRA) acts as an official regulator for internal agricultural markets, within the context of the specific provisions of the various European Economic Community regulations.

In practice, the OCRA has also retained the task originally entrusted to it, that is to say:

- (i) to import foodstuffs if international circumstances were to make this necessary;
- (ii) to ensure stocks of certain essential foodstuffs, when necessary;
- (iii) to regulate prices of imported foodstuffs in the event of any abnormal increase in the price of staple foodstuffs.

These latter activities, which were based on the provisions of the Decree Law of 22 February 1945, have been reduced in recent years.

The products imported or exported through the CCRA are as follows:

- grains (exports only under a system of tenders);
- milk and cream, fresh, not concentrated or sweetened (tariff item 04.01) have been imported through the CCRA since 1 November 1965.

Before that date, in addition to these products, milk, cream, yoghurt, koffiemelk, evaporated milk and butter had also been imported through the CCRA, exports remaining free. Trade of these products now takes place in accordance with the provisions of the EEC regulations.

Action may be taken to establish a sound situation in the internal market in respect of the following products:

(a) Grains

In particular, the CCRA has been made responsible for supervising the export and denaturing of domestic wheat. With respect to wheat exports, the CCRA organizes the tenders procedure and submits the results to the Ministry of Agriculture.

Belgium is normally an importer of coarse grains, but at the beginning of the 1963/1964 crop year the CCRA organized a tenders procedure for the export of 5,000 tons of barley.

(b) Dairy products

Within the context of the general provisions of Regulation 13/64 adopted by the EEC in 1964, providing for the progressive establishment of a common organization of the market for milk and dairy products, the CCRA acts as the intervention agency and accordingly purchases at the "intervention price", holds surplus butter in stock, allocates premiums on stocks and supervises surplus summer butter held in cold storage by the private sector. The CCRA is also responsible for carrying out any special measures for disposal of surplus butter, for example, sales of butter that has been transformed into melted butter.

(c) Meat

(i) Purchases of beef, pork, horse meat and mutton for consumption by the Army

These purchases are made in the domestic market through a system of public tenders. If the internal market situation is such that sufficient supplies are not available for the Army, the CCRA invites tenders from Belgian firms specialized in meat import trade. In considering these tenders it takes account solely of commercial criteria (quality, price).

(ii) Cattle imports for the Ministry of Agriculture, for the preparation of foot-and-mouth disease vaccine

Foot-and-mouth disease vaccine is produced in laboratories of the Ministry of Agriculture which therefore need to have cattle available from countries in which there have been no outbreaks of the disease. The animals imported are loaned to the laboratories in return for payment of a premium, and after slaughter the meat is transferred to the suppliers.

(iii) Imports by the private sector with OCRA intervention

There was a sharp increase in meat prices in 1964 because of a supply shortage resulting from a reduction in the total herd following slaughterings and exports in the preceding year. In order to remedy the situation, partial refunds were granted on imports of live cattle and beef.

B. Subsidies

(Ref. L/2601/Add.15, 26 January 1967)¹

1. Flax

A subsidy is granted on flax cultivation. The principal reason for the subsidy is to maintain a certain area of flax cultivation both for agricultural reasons and in order to ensure adequate supplies for the linen industry.

The subsidy is financed out of the ordinary budget up to an amount of BF 30 million, the balance being charged to the Agricultural Fund. The subsidy amounts to BF 2,000 per hectare of flax declared in the annual census of 15 May and in the special census made later. The flax must have actually been harvested for the subsidy to be paid. Total amount of the subsidy for 1964 (BF 78,380,000) corresponds to about BF 0.34 per kg. of raw flax.

2. Tobacco

The quality premium has been maintained on Belgian tobacco in recent years. Its main purpose is to improve the cultivation, handling and marketing of Belgian tobacco. The premium is paid out of the Agricultural Fund. Appreciable progress has already been made in this field. As soon as the objective has been reached, the premium can be eliminated.

¹For the information on products covered by the Common Agricultural Policy of the European Economic Community, see information given under the heading of the European Economic Community.

The premium varies according to quality appraisal and is paid directly to the producers. Its rate may be not more than BF 5 per kg. for certain special tobaccos, and BF 4 per kg. for mixing tobacco. This amounted to an average of about BF 3 per kg.

3. Seed potatoes

A quality premium is granted to producers of good quality seed potatoes produced in the areas specified in the Royal Decree of 25 March 1952. The premium is paid out of the Agricultural Fund. Belgium's production of seed potatoes covers only 3 to 5 per cent of domestic requirements.

The amount of the premium varies according to the grading of seed potatoes and may range between BF 0 and BF 1.10 per kg. The premium is paid directly to the producers.

4. Hops

For the 1964 crop a quality premium was granted to Belgian producers of hops for the varieties included in the hop register, meeting the quality standards specified in the Royal Decree of 19 July 1963 on the origin and presentation of hops. The premium is paid directly to the producers out of the Agricultural Fund.

Producers apply on a voluntary basis for their hops to be graded; an official agency carries out field inspections and sampling. Hops meeting the quality standards are eligible for a subsidy, the amount of which varies according to the variety cultivated. In 1964, the maximum premium was BF 7.50 per kg. for the Saaz and Tettnang varieties, BF 3 per kg. for the Hallertau and North Brewer varieties, but not more than BF 2.25 per kg. for any other varieties presented. The premium corresponds to approximately 5 per cent of the value of the product.

5. Coal industry

Coal industry subsidies are designed to permit structural adjustments in the light of the overall energy policy and the national policy for the area.

In 1964 certain measures were taken, solely under the provisions of the Budgetary Act.

These measures were as follows:

- assumption by the State, under certain conditions, of a small part of the interest payable by collieries on re-equipment loans granted by public credit institutions;
- assumption by the State of the interest on recoverable advances also granted in the past by these same institutions with the consent of the European Coal and Steel Community;

Additional measures have been introduced since 1 January 1965, pursuant to a decision by the European Coal and Steel Community establishing a Community régime for aid to the coal industry for each member State. Account has been taken of the decision in the Belgian Budgetary Act.

The subsidies are granted to producers in order to offset working losses, and vary from one undertaking to another. As they are not granted on the basis of output, they have no direct incidence on the latter. Nor do they have any incidence on prices, these being determined according to European Coal and Steel Community price scales. In 1964 the overall amount of aids was BF 210 million. For 1965 the figure was in the region of BF 984 million.

6. Film industry

With a view to improving the standard of Belgian film production, a premium is granted to any producer of a film considered to be Belgian.

The premium is granted within the limits of budgetary credits on the basis of the entertainment tax payable to municipalities at the time the films are shown in local cinemas.

The total amount of the subsidy earmarked in the budgets for 1964 and 1965 was BF 15 million. The amount granted for each film varies depending on several factors such as: length of film, its cost, the length of time during which it is shown, its box-office returns, the rate of local entertainment tax (which varies according to municipalities).

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Replace the references under DENMARK - A. State Trading, by the following:

"(Ref. L/2593/Add.15, 18 January 1967 and L/2741/Add.3, 4 April 1967)".

Add the following reference to that under B. Subsidies:

"L/2742/Add.4, 4 April 1967".

Pages 17-21

Replace Section B on Subsidies under FRANCE by the following:

B. Subsidies¹

(Ref. L/2742/Add.3, 14 April 1967)

1. Fruit and vegetables

Since the Community regulation of 25 October 1966 came into force on 1 January 1967, the system of subsidies granted for fruit and vegetables has been profoundly modified. The previous aids have been replaced by Community refunds made to the member States by the European Agricultural Orientation and Guarantee Fund (FEOGA).

As from 1 January 1967 there only remain two aids of a national character of a limited amount:

- (a) an aid to encourage standardization, amounting to F 1,380,000 paid by the services responsible for the supervision of standardization, which has been made obligatory by the Community regulations; and
- (b) an aid intended for publicity and propaganda amounting to F 5,348,000 and derived from quasi-fiscal taxes on production.

2. Textile raw materials

The Fund for the Orientation and Regulation of Agricultural Markets (FORMA) continues to provide aid to producers of textile raw materials (flax, hemp, silk, wool).

(a) Flax

The production of flax enjoys the benefit of the following aids:

- a bonus for the encouragement of cultivation of F 110 per hectare, for which a sum of F 4,950,000 has been allocated;
- a bonus of F 0.45 per kg. for the encouragement of the production of selected seeds for which a sum of F 450,000 corresponding to 1,000 tons of seeds has been allocated. The bonuses are paid to producers' co-operatives and associations which collect the seed supplied by their members;
- a scutching bonus of 7 per cent on the price of sale of scutched flax, for which a sum of F 7,600,000 has been allocated;
- a stock-piling aid consisting of a payment to scutchers by the Tow Board of a partial down payment representing 85 per cent of the value of tow lots. The total sums allocated up to date amount to F 5,050,000;

¹For the information on products covered by the Common Agricultural Policy of the European Economic Community, see information given under the heading of the European Economic Community. As regards the Community refunds system introduced on fruit and vegetables, the relevant notification is yet to be received from the Commission of the EEC.

- payment to the National Interprofessional Flax Association of the following subsidies:
 - (a) F 850,000 for operating expenses
 - (b) F 100,000 to balance its working account
 - (c) F 50,000 for cost of supervising areas under cultivation;
- subsidy of F 640,000 to the Technical Association for the Production and Utilization of Flax for the modernization of flax production.

(b) Hemp

The production of hemp enjoys the benefit of the following aids:

- a grading bonus of F 25 per quintal paid to producers of retted tow;
- a bonus of F 2 per quintal paid to producers of semi-retted hemp straw;
- a stock-piling bonus for water-retted tow of F 30 per quintal for a maximum quantity of 200 tons;
- a stock-piling bonus of F 40 per quintal for seeds of monoecious hemp, also for a maximum quantity of 200 tons.

(c) Silk

Silkworm breeding enjoys the benefit of the following aids:

- a bonus of F 5.70 per kg. of cocoons paid to silk growers who deliver their cocoons by 1 September to the French Interprofessional Association for the Production of Cocoons, Silkworm Seeds and Raw Silk for a maximum quantity of 18,000 kgs.;
- a subsidy of F 45,000 to the Interprofessional Association for the purchase and incubation of selected seeds;
- a subsidy of F 75,000 to the Interprofessional Association to cover its operating expenses.

(d) Wool

A sum of F 1,450,000 has been allocated by FORMA to promote the collection of greasy wool, provided it is adequately presented.

This credit makes it possible to grant three kinds of bonuses:

- (a) a grouping bonus of F 0.14 per kg. of greasy wool. An additional bonus of F 0.02 per kg. is granted in mountainous departments in compensation for special difficulties of collection in those areas;
- (b) an exploring bonus of F 0.05 per kg. paid to grouping entities which have been set up since 1963, or have been exploring new territories since that date.

All these bonuses are paid to eight regional co-operatives which collect wool in their respective areas. The National Interprofessional Wool Committee is responsible for applying the system, for which it receives a fee at a flat rate of F 45 per ton of wool.

(e) Angora hair

FORMA has allocated an amount of F 500,000 for regulation of the angora hair market through the French Angora Board which is responsible for stock-piling and partly marketing this product, and which stocks a maximum of 20 tons of angora hair. The purpose of this aid is to ensure the stability of prices.

In addition, the national association "Angora-Qualité" has received from the Ministry of Agriculture a subsidy of F 330,000.

Page 21

Add the following reference to those under GERMANY, THE FEDERAL REPUBLIC OF - A. State Trading

"L/2741/Add.5, 27 April 1967"

Page 22

Replace sub-paragraphs (c) and (d) by the following:

- "(c) Grain law
- (i) Grains, milling products, residual products of flour and hulling mills.
 - (ii) Secondary and residual products obtained in the production of sugar, beer, malt, and starch as well as potato flakes.
 - (iii) Solid residues obtained in the production of fixed oils (oilcakes, whether or not ground, and extraction whole meals) as far as they are not destined for the production of oil.

- (iv) Fish meal, animal body meal and other fodder products of animal origin.
 - (v) Other fodder products containing predominantly organic matter.
- "(d) Meat law
- (i) Livestock (bovine cattle, calves, pigs and sheep).
 - (ii) Meat and offals of such animals (for human consumption).
 - (iii) Meat products (treated or processed meat - including preserves - with or without addition of other foodstuffs as well as slaughtering fats).
 - (iv) Meat extract and meat juice as well as preparations for soup or broth, soup and broth (from the above-mentioned animals)."

Page 23

Replace the first paragraph by the following:

"The following description applies to those of the above-mentioned products not covered by the Common Agricultural Policy of the European Economic Community.

"The four marketing laws although they are not fully uniform serve the same purpose and regulate and secure the sale of products on the domestic market as well as the supply of the population. This is to achieve constant market conditions and above all stable prices compatible with production costs on the one hand, and purchasing power on the other hand - and also to keep the market prices of products with legally fixed prices within the set limits. This will also have effects on the production. Sales and supply schemes also necessitate that imports be influenced; exports are on the other hand subject to approval. Moreover, storage may be effected of the products subject to the marketing laws including both imported as well as domestically produced products.

"The stocks of sugar are the property of the sugar factories. There is hardly any need to keep stocks except in the case of sugar."

Add the following reference to those under B. Subsidies:

"L/2742/Add.5, 27 April 1967"

- Add the following to the last paragraph under the heading
2. Potatoes with high-starch content:

"according to Regulation Nos. 55/62 and 56/62 of the European Economic Community."

Page 24

The following changes should be made in the first paragraph:

In line 8, "DM 0.50" should read "DM 0.55".

In line 9, "DM 0.10" should read "DM 0.15".

In the last line, "60-70 per cent" should read "about 40 per cent".

The following sentence should be added at the end of the paragraph:

"No potato-starch flour is exported from the Federal Republic."

Delete the second paragraph under the heading "3. Gas (diesel) oil for fisheries".

Pages 24-25

Replace the paragraphs under the headings "4. Landing premiums paid to deep-sea fisheries" and "5. Milk" by the following texts with the addition of the new paragraph "6. Reimbursements in the event of the exportation of breeding stock".

"4. Landing premiums, paid to deep-sea fisheries

"Subsidies are paid to deep-sea fisheries for the necessary economic consolidation of deep-sea fisheries, e.g. for new buildings or rebuilding as well as repairs of ships, for the purchase of installations and equipment which are required for the regular operation of fishing vessels, and which are promoting modernization and rationalization, for the repayment of debts and/or funding as far as the debts involved are Federal loans, loans from credit institutions or other private investors. The Budget Law is the legal basis.

"The assessment basis is the landings from the catch of domestic fishing vessels in the Federal Republic. Subsidies are only granted for landings of deep-sea fisheries, for which evidence is produced showing that their landings have been either sold for immediate human consumption to buyers from trade or the processing industry, or salted aboard. For large-scale deep-sea fisheries, large-scale herring fisheries, small-scale deep-sea fisheries and coastal fisheries,

the subsidies amount to 2.75 per cent of gross receipts from sales plus 1.5 per cent of the gross receipts from sales for the landings of the large-scale herring fisheries, and 4 per cent of gross receipts from sales for the landings of the small-scale deep-sea fisheries and coastal fisheries.

"5. Milk

"A bonus is granted to dairies from Federal budget funds in order to continue to improve the quality and hygienic standards of milk. The bonus should offer the dairy farmer a certain compensation for higher performance which cannot be achieved through the market price. The farming law of 5 September 1955 is the legal basis. The payment of the bonus will be reduced with the application of the EEC milk market organization, milk and dairy products (Council Regulation No. 13/64 of 5 February 1964).

"The bonus is paid to the dairy farmer. A fixed amount will be paid for every kilogramme of delivered milk on the condition that the milk meets the standards prescribed in the quality regulations of the Laender and that these regulations provide for payment at different rates according to the quality of the milk. As from 1 July 1966, the difference between the price paid to the producer of milk of quality Grades I and III has been changed from a minimum of 2 pfennige to a minimum of 4 pfennige per kilogramme of delivered milk.

"6. Reimbursements in the event of the exportation of breeding stock

"The maintenance of the very high quality level of breeding cattle in the Federal Republic involves considerable production costs, which cannot be covered without Government intervention in view of foreign competitors working with subsidies. Reimbursements are made in the event of the exportation of breeding cattle, breeding pigs, breeding ewes and breeding goats meeting certain minimum standards in order to avoid the decline of the breeding quality. There is a maximum limit for the amount of reimbursements, which varies according to the species of animals."

Pages 25-27

Replace Section A on State Trading under ITALY by the following:

A. State Trading

(Ref. L/2593/Add.16, 27 February 1967)

The products listed below are under the responsibilities of the Autonomous Administration of State Monopolies.

1. Tobacco, unmanufactured and manufactured

The reason and purpose for the introduction and maintenance of the monopoly are of a fiscal nature.

The monopoly is concerned with the following:

(a) Tobacco growing: Tobacco is grown by private concessionaires.

(b) Manufacture: This is handled directly by the Autonomous Administration of State Monopolies.

(c) Sales: wholesale transactions are carried out directly by the Administration or by private concessionaires. Retail sales are carried out by private dealers who are licensed and supervised by the Administration (resale of monopoly goods).

(d) Imports and exports: Unmanufactured tobacco is imported exclusively by the Administration. Manufactured tobacco is imported by the Administration which holds it for subsequent distribution. Even tobacco sales are restricted to monopoly retailers.

Exports are handled by the Administration or by private concessionaires. Manufactured tobacco is exported exclusively by the Administration.

In order to avoid discrimination against the domestic product, the selling price of imported manufactured tobacco is computed, pursuant to Act No. 825 of 13 July 1965, by adding together four elements: one part for the supplier, one for the Monopolies Administration, to cover distribution and sales costs, one for the retailer and one for the State as a revenue tax. The foreign supplier can calculate in advance the resale prices of his product.

The foreign (manufactured) product is also subject to customs duty.

The Monopolies Administration does not negotiate long-term contracts for the import or export of unmanufactured or manufactured tobacco.

The volume of imports and exports is determined by requirements on the consumer market and by production capacity.

2. Salt

The reason and purpose for introducing and maintaining the monopoly are of a fiscal and social nature: to guarantee the quality of the product and to ensure uniformity of prices in the territory of the State in spite of the disparity in transport costs. For historical, economic and social reasons, Sicily, Sardinia, Livigno and Campione d'Italia are not included in the monopoly.

(a) Production is carried out directly by the Autonomous Administration of State Monopolies or by private producers in exceptional cases where special salts or salts intended for industrial uses are involved.

(b) Wholesale transactions are carried out directly by the Monopolies Administration or by private concessionaires. Retail sales are carried out by private dealers under the supervision of the Monopoly.

(c) The import and export trade in salt for human consumption is carried on by the Monopolies Administration. Private dealers licensed by the Administration may import common salt for industrial needs from Sicily and Sardinia. In that case monopoly dues are charged. Licensed private dealers may export, subject to the payment of an annual charge.

Consumer prices are fixed on the same basis as in the cases of manufactured tobacco.

3. Cigarette paper

The cigarette paper monopoly is of a fiscal nature. The paper is manufactured by a company of licensed manufacturers and sales are handled by the Monopolies Administration.

Imports and exports of cigarette paper come under the Monopolies Administration. Private persons coming from abroad may not import more than 2,000 units of cigarette paper.

Consumer prices are fixed on the same basis as in the case of manufactured tobacco.

4. Lighter flints

The lighter flint monopoly comes under the Autonomous Administration of State Monopolies. The monopoly is concerned solely with the commercial aspect and is fiscal in character.

Lighter flints are sold exclusively through retailers of monopoly goods. Imports of lighter flints come under the Monopolies Administration.

5. Matches

The match monopoly is a delegated monopoly of a fiscal character. It is administered by the Consortium of the Match Industry.

The manufacture and sale of matches throughout the national territory are carried out by the above-mentioned Consortium.

Import trade is reserved to the Monopolies Administration. Export trade is in the hands of the Consortium of the Match Industry.

Page 27

Replace the reference under Section B on Subsidies under ITALY by the following:

"(Ref. L/2601/Add.17, 27 February 1967)"

Replace paragraph 1(a) under JAPAN by the following:

"(a) Tobacco and salt

The production, trade, retail sale, etc. of tobacco and salt are under a State monopoly and are controlled by the Japan Monopoly Corporation. The tobacco monopoly is maintained for fiscal purposes and that of salt for the purpose of ensuring a steady supply for consumers."

Pages 30-35

Replace Section B on Subsidies under NETHERLANDS by the following:

B. Subsidies¹

(Ref. L/2601/Add.16, 1 February 1967 and
L/2742/Add.1, 1 February 1967

1. Sugar and sugar beets

In order to guarantee the Netherlands farmers a certain income from sugar beets, a guaranteed price has been fixed for sugar beets corresponding to a quantity of sugar equal to domestic demand for sugar for direct human consumption. A factory price has been established for sugar which enables the sugar industry to pay on the average the guaranteed price to the sugar-beet grower. As the domestic consumer price is derived from this factory price (by adding the excise tax and the normal trade margins) the guaranteed price is paid for by the Netherlands consumer. Consequently, no treasury funds are involved in the support system.

Quantities of sugar produced in excess of domestic demand are to be disposed of on the export market or sold to processing industries for export. In both cases the sugar will fetch only the world market price. The guaranteed producer price for sugar ex factory amounted to f. 75.30, f. 75.55 and f. 78.95 per 100 kgs. of white sugar for the 1964/65, 1965/66, and 1966/67 crops respectively. These prices all correspond to a single sugar-beet price of f. 65 per 1,000 kgs. As

¹ National regulations concerning dairy products and pigmeat (bacon etc.) have been replaced by regulations in the context of the Common Agricultural Policy of the European Economic Community. See information given under the heading the European Economic Community.

indicated above this price guarantee is limited to the quantity consumed on the domestic market. In order to make the price guarantee effective, a levy is imposed on imports of raw and refined sugar. This levy which amounted to f. 40 per 100 kgs. raw and refined sugar in 1965 has been increased to BF 50 per 100 kgs. since 1966. The levy is reimbursed if the sugar is exported, either in the form in which it has been imported, or in the form of products containing sugar.

No support purchases whatsoever have been effected.

2. Flax fibre

As the price for fibre flax or long fibres on the international market is low mainly due to the competition from other fibres, a subsidy is paid to the Netherlands processing industry. At present the flax industry is supported in most countries, so that the industry may be able to pay the desired price for the domestically produced raw material, the straw flax. To the Netherlands industry, which exclusively processes domestic straw flax, a subsidy has been granted as from 1962. The unit amount of subsidy granted has remained the same from the institution of the subsidy until 1964, f. 20 per 1,000 kgs. processed domestic straw flax; for the 1965 and 1966 crops this amount has been increased to f. 25 per 1,000 kgs. The total subsidy amounted to:

1962	f. 1.3 million
1963	f. 1.4 million
1964	f. 1.5 million
1965	f. 1.6 million (estimate)

The principal effect of the subsidy is to contribute to the processing costs, as these would otherwise not be covered by the proceeds of domestic fibre flax, and thus to maintain a competitive position for this industry.

Page 55

Add the following reference to that under UNITED KINGDOM -
A. State Trading:

"L/2741/Add.4, 6 April 1967".

Page 79

Change the date in the third line from "1 October 1965" to "1 October 1966".

Page 80

Replace the references under SOUTH AFRICA by the following:

- "A L/2741/Add.1, 30 March 1967.
- B L/2742/Add.2, 29 March 1967".