GENERAL AGREEMENT ON
TARIFFS AND TRADE

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EXPANSION OF TRADE-AGRICULTURAL POLICY

Report of Committee II on the Consultation with Belgium on Agricultural Policies

1. In accordance with the Decision adopted by the CONTRACTING PARTIES at their fourteenth session that consultations should be held with the individual contracting parties regarding their agricultural policies, the Committee carried out the consultation with Belgium. The Committee had before it:

(i) document COM.II/2(i), dated 6 March 1959, which contained a synopsis supplied by the Government of Belgium of non-tariff measures for the protection of agriculture or in support of incomes of agricultural producers;

(ii) document COM.II/2(i)/Add.1, dated 10 February 1960, which contained statistics on the cost of programmes and agricultural incomes and document COM.II/2(i)/Corr.2 dated 6 April 1960;

(iii) document COM.II/48, dated 23 February 1960, which contained detailed information also supplied by the Government of Belgium, on commodities entering importantly into international trade and document COM.II/48/Corr.1, dated 11 March 1960; and

(iv) document COM.II/48/Add.1, dated 18 March 1960, and document COM.II/48/Add.2, dated 6 April 1960, containing additional commodity information.

In conducting the consultation the Committee followed the plan for consultation contained in Annex A to COM.II/5, and adopted by the CONTRACTING PARTIES at their fourteenth session. The consultation was completed on 8 April 1960.

A. General Agricultural Policies

2. In his opening statement the representative of Belgium explained that in 1947 the active population in the agricultural sector amounted to 12 per cent of the total active population of Belgium. In 1954 the proportion was estimated at approximately 10 per cent. The decrease had been much less accentuated, however, during the last few years.

3. Only 10 per cent of the agricultural population were wage earners. The low ratio of wage earners in relation to the total active agricultural population emphasized the "family" character of Belgian farming. Like most family farms elsewhere, the main features which characterized these small Belgian farms were an over-supply of labour and under-employment. As long as sufficiently stable outlets were not available in other sectors of the economy it did not appear desirable to encourage the transfer of the surplus agricultural population to the industrial sector.

4. The majority of Belgian farms were small. Farms of less than 20 hectares made up 95 per cent of the total number and covered 72 per cent of the land available for agricultural purposes. As well as an over-supply of labour, the land of many farms was divided into many small parcels. From 1953 to 1958 the number of farms with an area of over 1 hectare dropped from 258,000 to 220,000. In 1958 farms with an area of less than 1 hectare numbered 739,000. The Government was making every effort to accelerate the regrouping of holdings.

5. The total area devoted to Belgian agriculture had decreased from 1,968,000 hectares prior to the war, to 1,876,000 hectares for the period 1953-1957.

6. There were no specific production targets, although an endeavour had been made to maintain a proper balance between vegetable and animal production. The principal objective was to increase productivity so as to make Belgian agriculture more competitive and to maintain at the same time the cost of living at as low a level as possible.

7. Another objective of Belgian agricultural policy was to secure for the agricultural population a standard of living comparable to that achieved by other sectors of the economy. "Indicative" or "target" prices were established, these being intended as guiding prices and not as guarantees. Such prices were established for wheat, milk, butter, meat and eggs. They were determined mainly on the basis of production costs arrived at by the Government in co-operation with the agricultural associations. Increases in yield were taken into consideration in establishing costs of production. It was the Belgian Government's opinion that the stability of the cost of living was in the interest of the whole economy, including the agricultural sector, so that in establishing target prices the effect on the cost of living was also taken into consideration. To exert pressure on domestic agricultural prices, the Belgian Government had frequently curtailed, or even prohibited, exports when there was a tendency for international prices to exceed Belgian target prices, for it had been the experience of Belgium that while a drop in prices did not necessarily increase consumption, a rise in prices curtailed it considerably.

8. The Belgian authorities used several measures to increase consumption of agricultural products, in particular the consumption of dairy products. Milk had been distributed to schools and factories; promotional campaigns, aimed at popularizing and furthering the consumption of milk products, had been undertaken. A Committee for the Promotion of Fish Consumption had also been established.

9. The representative of Belgium pointed out that despite the various measures undertaken by the Government and the results achieved, Belgian agriculture had not contributed to the increase of national income to the same extent as other sectors. Between 1948 and 1958 the share of income contributed by agriculture had dropped from 8.6 per cent to 5.8 per cent.

10. The representative of Belgium concluded his statement by stressing that Belgian agriculture was faced with responsibilities of a social and economic nature which he felt had justified the agricultural policy pursued by the Government of Belgium.

11. Members of the Committee observed that the general objective of agricultural policy in Belgium was to secure for the agricultural population a standard of living commensurate with that of other sectors of the community. They pointed out that such a policy involved considerable problems since productivity in other sectors had generally increased more rapidly than in the agricultural sector. It was felt that the only real solution was to decrease the agricultural population and asked what measures were being undertaken to find alternative employment. The representative of Belgium agreed that a reduction of manpower in agriculture would be a solution to Belgium's agricultural problems but that this raised in its turn the problem of re-employment. He pointed out that the question of alternative employment was of major concern to the Government and explained that at present an important study on the reconversion of certain regions and on the possibility of developing certain handicrafts was being carried out by the Government. He felt, however, that any satisfactory solution would be in the form of a long-term solution. The Committee members referred to another main objective of Belgian agricultural policy which was to prevent a rise in the cost of living. They enquired how the Belgian Government reconciled this policy with a policy which had the effect, through various protective measures, of keeping commodity prices higher than world prices. The representative of Belgium pointed out that the Government attempted to keep a balance between the two main objectives. He reminded the Committee that a "commensurate" living standard did not mean an "equal" living standard; the Government was attempting to achieve a reasonable balance between the interests of the agricultural producer and those of the consumer.

12. Other members of the Committee referred to a further aim of Belgian agricultural policy which was to maintain a certain balance between vegetable and animal production. They enquired whether consumer demand and other market factors were taken into consideration or whether it was the intention of the Government to perpetuate the present balance. The representative of Belgium explained that the balance pursued was not a mathematical balance. He explained that in Belgium, mixed farming was the general rule; both vegetable and animal production took place on most farms. The Government was attempting to achieve a balance between farms on which either vegetable or animal production predominated.

13. The view was expressed by a member of the Committee that while the basic problem of Belgian agriculture was structural, the main efforts of the Government appeared to have been diverted to income support rather than to changing the structure. In fixing target prices, he felt it would be interesting to know what weight was actually given to making agriculture

competitive, to maintaining the level of income and to the cost of production on the one hand and to the level of food prices in Belgium on the other hand. The representative of Belgium explained that when establishing target prices the authorities took the average cost price throughout the country. Excluded from the calculation were the marginal farms which as a consequence would eventually cease to operate. This in turn created the serious problem of what to do with the unemployed farm population. The member of the Committee enquired whether the average cost of production in Belgium was in fact the main criterion and if so whether periodic adjustments were made to take into account the changing pattern of demand. He enquired how often the costs were computed and to what extent increases in efficiency were taken into consideration. The Belgian representative stated that estimated costs were compiled each year before the harvest and that the pattern of demand was not taken into consideration. For products for which target prices were established, selling prices to the consumer were also fixed. He explained that there was a problem in Belgium of a great number of middlemen and that by fixing prices it was possible to reduce their margins of profit and to give a fairer price to the producer while at the same time maintaining a reasonable price to the consumer.

14. In response to a question on the calculation of the cost of production for target prices, the representative of Belgium informed the Committee that the methods varied with the product. For example, while the target prices for milk were based on production on farms with a specified number of cows, costs for other products were not based on such a unit, but were established by taking the average costs of manpower, fertilizers, etc. throughout the country. Due account was taken of the average output so that marginal farms were placed in a less favoured position. The Committee member pointed out that the same amount of labour did not enter into a given product on a small farm as on a large farm, and enquired whether this was taken into account. He stressed that increased efficiency should also be taken into consideration. The representative of Belgium stated that consideration was given to the degree of mechanization. He added that various departments of the Government examined the costs to ensure that the interests of the consumer as well as of the producer were taken into account.

15. A member of the Committee felt that price levels in agriculture should not be entirely linked to the cost of production, but should take into consideration world market prices. The representative of Belgium confirmed that world market prices were in fact studied when target prices were established in order to take into account the incidence of agricultural prices on the cost of living which the Government wished to maintain at a low level.

16. A member of the Committee enquired about measures such as land reform, credit facilities, etc. which had been introduced by the Government to increase productivity. He expressed the view that great emphasis was being placed on measures which had the effect of preventing labour from leaving the agricultural sector. The representative of Belgium informed the Committee that actions by the Government in the field of productivity were very wide.

To mention a few, the Government-provided agricultural research facilities and extension courses, and the promotion of co-operatives. Recent legislation had also been introduced to reduce fragmentation of holdings, but it was as yet too early to report any great results. He explained that the legislation was not mandatory. The question of regrouping was under study in some 200 centres. If there was a request by a certain number of farmers in any one of these centres, the authorities ascertained whether a majority favoured regrouping, and if so, a study was undertaken to facilitate an exchange. He pointed out that procedures were consequently rather slow.

17. It was noted by a member of the Committee that the population engaged in agriculture in Belgium was declining less rapidly than in other European countries. He considered that this situation was a result of a support system which was in fact giving too much support. Since agriculture was being supported from the State budget, he doubted whether there was enough pressure in the system to bring about increased efficiency. The Belgian representative stated that budgetary support had no influence on preventing people from moving out of agriculture. In 1959 budgetary expenditure on agricultural support was less than 1 per cent of net agricultural income. He felt that the strong attachment of the people to agriculture was the main factor in holding the people on the land. The view was expressed by one member that the real economic cost of supporting agriculture could not be measured in terms of budgetary cost but in terms of the loss of production from retaining the factors of production in low productivity sectors.

18. Members of the Committee noted that for certain products minimum import price systems existed, based on variable import levies and pointed out that here was another instance of the use of import levies which so adversely affected international trade. He asked the representative of Belgium for information about the position in Belgium of imports from countries outside the Benelux Union. The Belgian representative informed the Committee that for products for which minimum prices had been established within the Benelux Agreement, imports were not permitted from outside the Benelux Union unless the other partners in the Benelux Union were unable to supply the Belgian market. The treatment accorded imports from outside the Union differed depending on the commodity.

19. A member of the Committee noted that prices could vary from the target price without imposing any legal obligation on the Government to intervene. He asked whether there was any general rule on what determined Government intervention. In the systems of certain other countries intervention took place if prices fluctuated outside established limits. The Belgian representative confirmed that for certain products there was a floor and ceiling price in Belgium, fluctuations beyond which would call for intervention. He added that in certain cases there was also an encouragement of stockpiling to avoid over-supply in the home market.

20. It was the impression of a member of the Committee that the Belgian agricultural system was a very rigid one; the Belgian market was reserved for Belgian producers and very high hurdles were set for other countries which wished to participate in the market. Not only were there import levies, quantitative restrictions and a number of other restrictive devices, but these were applied on a very rigid basis. He also felt that the use of target prices based on costs of production was the narrowest approach to a means of supporting agriculture, since it held back structural changes which, in the long run, appeared to offer the solution to Belgium's agricultural problems. He added that when pursuing such a restricted agricultural policy, it was difficult not to introduce more and more restrictive measures. The Belgian representative emphasized that 90 per cent of agricultural products were free of restrictions in Belgium and that there was State intervention on the remaining 10 per cent only when abnormal conditions required it. He stressed that such a system could not be described as being rigid and added that State intervention did not necessarily mean that imports were restricted; imports of coarse grains had actually increased since the import tax had been established. The intervention of the Agricultural Fund in grouping export subsidies affected only 0.13 per cent of new agricultural income and 0.645 per cent of the value of agricultural exports. No export subsidies were provided for by the State budget. He explained that if measures had to be taken to bolster the price of coarse grains, it was because of action in other markets which caused a fall in the price in Belgium. It was feared that without State intervention the lower price for coarse grains might result in an increase in production of livestock products which would possibly lead to subsidized exports.

21. Considerable interest was expressed by the Committee in the "Office Commercial du Ravitaillement" (OCRA), a Government institution which, through buying and selling operations, had great influence on the Belgian market for agricultural products. In response to a question on the composition and financing of OCRA, the Belgian representative explained that the status of OCRA was presently being reviewed by his Government. OCRA had been established to meet problems of supply arising as a result of the war. It would normally finance activities from its own budget, but the Government would finance any losses incurred since it was a public body.

22. In response to a question on Government participation in stockpiling, the Belgian representative stated that until recently butter had been stockpiled by private persons, since the gap between summer and winter target prices permitted stocking without State intervention. The gap, however, had been reduced to the point where it was no longer possible to have stockpiling without State intervention, through OCRA. He added that there were also stocks of meat and wheat to guard the internal market against any emergency arising from the international situation.

23. In answer to a question on whether OCRA was free to export butter, the representative of Belgium stated that normally Belgium was not an exporter but an importer of butter, and that every effort was made to prevent exports. He reminded the Committee that the exports in 1958 were made by OCRA under abnormal circumstances. Private traders were permitted to export but in fact Belgian prices were high, which made it impossible to compete on world markets.

24. In response to a further question, the representative of Belgium stated that for exports of sugar, losses incurred because of difference in internal and external prices were borne partly by the sugar refiners but for the greater part by the sugar beet growers.

25. A member of the Committee noted that export subsidies had been granted in certain cases through OCRA on exports of cattle, beef and butter since the high level of domestic prices did not permit exports of these products on a commercial basis. He enquired whether there were always subsidies in such cases and whether such exports were undertaken directly by OCRA. The representative of Belgium reminded the Committee once again that exports of butter took place during the exceptional year 1958. During 1958, prior to exporting, the Government had first attempted to market the surpluses domestically. Butter had been melted and sold at half price on the domestic market, sold in place of margarine to the armed forces, etc., but despite these efforts surpluses remained. Exports did not take place until May 1958 when butter prices had already been extremely depressed so it could not be said that Belgian butter exports had been a cause of the depressed situation. With depressed prices on the international market it had been impossible to export without subsidies; the loss had been borne by the Agricultural Fund. During 1958, small subsidized exports amounting to the equivalent of 500 tons of beef cattle and 3,500 tons of meat out of a total production of 200,000 tons had also been made. All exports had been carried out by private traders. It was the procedure that when a situation arose where exports were considered necessary, OCRA called for tenders; the exporters asking for the smallest intervention from OCRA participated. Payment for any loss was then paid through OCRA from the Agricultural Fund. He informed the Committee that the surplus of meat during 1958 was the consequence of a number of factors important among which was speculation by importers and domestic producers for the requirements of the Brussels International Fair. Exports of meat started in October 1958 after the close of the Fair.

26. One member pointed out that while he realized that the quantities of subsidized products exported by Belgium were small, Belgium had never been a traditional supplier of these products. The representative of Belgium stressed that not until 1958 had the Government been compelled to resort to subsidization of exports and even during the abnormal international situation which prevailed at that time only extremely small quantities had been exported. He added that for 1958, in view of the situation in the Belgian market, butter imports declined; meat imports also declined slightly. Butter imports increased again in 1959. It was pointed out by a member of the Committee that although quantities of subsidized exports were small they could have a disproportionate effect on trade, particularly when released on the international market at a time when other countries were taking similar measures.

27. Noting that subsidies to producers were paid both by direct budgetary appropriations and by an Agricultural Fund which could take action in the form of credits and guarantees, members of the Committee enquired how financing and subsidizing were carried out. They also enquired about the "credits and guarantees", asking how they were paid and under what terms they were applied. The Belgian representative explained the distinction between budgetary appropriations and subsidies from the Agricultural Fund. Budgetary appropriations for certain subsidies on dairy products were paid directly from the budget. The Agricultural Fund whose income and expenditure was part of the State budget had financed the subsidies for meat and butter exports during 1958. The representative of Belgium explained that the Agricultural Fund was instituted by a Law of 29 July 1955, which read as follows:

"Article 1 - There is hereby instituted with the Ministry of Agriculture an 'Agricultural Fund' for the benefit of agriculture and horticulture.

This Fund may grant subsidies, either on a reimbursable or non-reimbursable basis, may grant credits, or issue guarantees, or apply any other means of financing as regards, in particular:

1. Agricultural and horticultural production for the purpose of securing, in particular, minimum prices for producers;
2. The supplies of raw materials to agricultural and horticultural undertakings;
3. The stock-piling, distribution and processing of agricultural and horticultural products;
4. The marketing of agricultural and horticultural products;
5. The orderly organization and expansion of markets for agricultural or horticultural products.

Article 2 - Notwithstanding the rules applicable to government accounting, the income and expenditure of the Fund shall appear ad memoriam in the budget.

Article 3 - The Fund is financed from:

1. Special duties levied on the occasion of the issuance of import and export licences for agricultural and horticultural products, and the Belgian share in such duties when levied by the joint Belgium-Luxemburg administrative committee;
2. The monies accruing to the Belgian Treasury as from 1 January 1955, either directly, or through action taken by the joint Belgium-Luxemburg administrative committee and originating from the amounts levied by the Netherlands authorities on Netherlands exports of agricultural and horticultural products to the Belgium-Luxemburg Economic Union, or on Netherlands imports of such items from the Union;

3. The monies accruing to the Belgian Treasury as from 1 January 1955, either directly or through action taken by the joint Belgium-Luxemburg administrative committee, and originating from amounts levied by the Luxemburg authorities, on Luxemburg exports of agricultural and horticultural products to Belgium or on Luxemburg imports of such items from Belgium;

4. Allowances levied under Royal Decree on appropriations under the budget for the Ministry of Agriculture for the purpose of granting economic subsidies, while conforming to the use of such appropriations as prescribed under the budget;

5. One-fourth of the yield of the fixed tax levied on slaughter of animals;

6. Reimbursements, amortization, interests and profits referred to under Article 4.

. . . . . ".

The full text of the Law was contained in GATT document L/357/Add.5 dated 19 September 1955.

28. In response to a question, the representative of Belgium informed the Committee that, expressed as a percentage of agricultural income, the total expenditure of the Agricultural Fund was 5.1 per cent in 1958. This amount was made up of direct subsidies, i.e. payments to the producers (1.66 per cent); indirect subsidies, i.e. subsidies not granted directly to the producers (2.73 per cent); and miscellaneous subsidies (0.72 per cent). He informed the Committee that during 1959, interventions by the Agricultural Fund totalled B.Frs.970 million. Publicity costs amounted to B.Frs.11,910 thousand and budgetary interventions were provisionally estimated at B.Frs.195 million. The total national budget during 1959 was B.Frs.140,000 million.

29. A member of the Committee noted that the OCRA sometimes imported certain commodities when domestic prices were high (e.g. meat and butter). He understood that under the Benelux Agreement imports of such products were generally confined to Benelux countries. He asked what principles were applied by OCRA for products not subject to the Benelux Agreement. The representative of Belgium explained that a distinction should be drawn between the products which could be imported freely into the Benelux Union and those on which the minimum price system applied. For those latter products, as long as Belgium's Benelux partners could supply the market on the basis of minimum prices, a preference was granted. When prices were in excess, imports were made on a non-discriminatory basis. Imports could be made by private traders. Occasionally OCRA would intervene in order to avoid too important a gap between the import price and the target price.

30. Noting that OCRA had its own budget which was maintained by budgetary credits, a member of the Committee enquired whether OCRA derived income from imports when made by private traders. The representative of Belgium confirmed that in theory this possibility existed, but he was unable to quote any specific example. He emphasized that there were no firm rules for the intervention of OCRA in the market. He also confirmed that in its interventions on behalf of the Agricultural Fund, OCRA's budget was derived from the Fund, but added that there were cases where OCRA acted on the initiative of the Ministry of Agricultural Affairs or the Ministry of Economic Affairs. He explained that administratively OCRA came under the Ministry of Economic Affairs. Under a new Bill before Parliament, the Ministry of Agricultural Affairs would be responsible for OCRA as far as matters pertaining to the Ministry of Agricultural Affairs were concerned.

31. Some members of the Committee remarked that if the market support operations described previously were not found sufficient, import restrictions were available to give additional protection to the Belgian agricultural system. They enquired whether there were any prospects of Belgium being able to remove these restrictions or whether they were, in fact, essential for the present agricultural system. They felt that radical changes were required in the system if quantitative restrictions were to be removed. The Belgian representative stressed that the problem was now being examined by the Belgian Government who hoped to be able to remove these restrictions. He explained that he was not in any position to make any formal statement regarding restrictions and stated that his Government had been compelled to apply such restrictions due to the adverse effect on world price levels of subsidized exports by certain countries.

32. In response to a question the Belgian representative informed the Committee that Belgium was bound by agreement to liberalize certain products to OEEC countries, but in such cases the liberalization measures had been extended to all contracting parties to the General Agreement.

33. A member of the Committee, noting that quantitative restrictions were still applied against a very wide range of imports, enquired whether the Benelux Agreement was such that other members of the Agreement maintained restrictions to protect Belgian agriculture. The Belgian representative explained that in the Benelux Union minimum prices existed for products which had not been liberalized between the three countries and one member country must respect the minimum prices of other partners in the Union.

34. In response to a question the Belgian representative stated that Belgium did not have bilateral or long-term agreements involving agricultural products. He explained that when the minimum price system established in the Benelux Union was no longer applicable, imports were made on a global quota basis. In cases where a Benelux partner might be temporarily unable to supply a traditional export, the Belgian Government opened the Belgian market for certain quantities from other sources for short periods of time.

B. Commodities

Meat

35. A member of the Committee noted that mutton and lamb were free of quantitative restrictions in Belgium and asked how the target prices were protected from the lower world prices. The Belgian representative confirmed that the only charge on these products when imported from outside the Benelux Union was the normal customs tariff, and stated that the only method of protecting the domestic market was the purchase and stocking of mutton for the Belgian armed forces.

36. In response to a question, the representative of Belgium stated that during 1958 exports of fresh and frozen beef amounted to 5,840 tons, valued at B.Frs.155 million; exports of other than fresh and frozen beef amounted to 2,400 tons, valued at B.Frs.73 million; exports of fresh pork totalled 300 tons, valued at B.Frs.10,340,000; and exports of frozen pork amounted to 1,023,000 tons, valued at B.Frs.36,578,000; exports of live pigs amounted to 4,146 tons, valued at B.Frs.93 million; fresh bacon exports totalled 6,391 tons valued at B.Frs.106,435,000; dried and smoked bacon exports amounted to 141 tons, valued at B.Frs.4,572,000 and exports of ham amounted to 90 tons valued at B.Frs.17,776,000. He stressed that no subsidies existed on exports of pork during 1958.

37. In response to a question on subsidies on beef, the Belgian representative stated that of the total amount of beef appropriations amounting to B.Frs.30 million during 1959, only B.Frs.6.7 million were actually used. He explained that this intervention took place during the first half of 1959 following the unusual situation in 1958. Since July 1959 there had been no intervention. He stressed again that the main method of action for meat was purchase and stockpiling for the armed forces. In this connexion he reminded the Committee that it was possible to maintain beef stocks up to one year, but that it was not possible to stockpile pig meat for such a long period.

38. A member of the Committee noted that there was a licensing tax on imports of live oxen and yearling steers. He enquired about the amount of the tax, how it was computed and whether it was fixed. The Belgian representative stated that the rates applied were B.Frs.5 per kg. on the hoof. It was essentially a variable tax and had actually been suppressed during the period May 1956 to October 1957. From October 1957 until June 1958 the tax had amounted to B.Frs.3 per kg.

Dairy Products

39. A member of the Committee noted that consumption of butter in Belgium had decreased considerably during recent years. Domestic consumption had amounted to 99,000 tons in 1954, 100,000 tons in 1955 and 1956, 95,000 in 1957 and 85,000 tons in 1958. He expressed the view that this decrease in consumption was the result of high butter prices in Belgium; the 1959 price

was somewhat more than 75 per cent above the price on the international market. He stated that with Belgian butter facing increasing internal competition from margarine, this high price would explain the recent drop in consumption. The representative of Belgium disagreed with the member of the Committee and said that Belgium was among the few countries to maintain butter consumption at a very high level despite an increase in the consumption of margarine. He explained that prior to 1938 the per capita annual consumption of butter amounted to 8.6 kgs. compared to a per capita consumption of 6.6 kgs. of margarine. Since 1938 the annual consumption of butter had increased to 10 kgs. per capita compared to the consumption of margarine of 10.8 kgs. per annum. Unlike Belgium, in most countries butter consumption had fallen compared with pre-war years. The member of the Committee agreed that consumption of butter was not low in Belgium, which he felt was mainly due to dietary habits, but he expressed the view that a price which was 75 per cent above the international level must have a considerable influence on consumption. He stressed the view that butter was not a product which had a low price elasticity and that in any event a high internal price was a substantial incentive to increasing production. He felt that if Belgium did not maintain a price support system there would be a substantial opportunity for traditional exporting countries to have an important market in Belgium. The representative of Belgium emphasized that if other countries had as high a consumption of butter as Belgium, there would be no butter problem facing international trade.

40. A member of the Committee noted that the mark-up on butter imported from the Netherlands represented approximately the gap between the price of domestic and imported butter and that for the years 1956 and 1957 for which figures were available, the mark-up was equivalent to a 50 per cent levy on imports. He referred to the substantial volume of fraudulent imports which entered the Belgian market and remarked that such a development could be expected where the domestic price was so divorced from the international price. The Belgian representative stated that the Belgian price for butter was related to the price of milk in Belgium which was comparable to that of other countries. He explained that the consequence of the Benelux Treaty was to give preference to partners in the Benelux Union.

41. A member of the Committee, observing that subsidies were paid to manufacturers on certain quantities of sweetened condensed milk, milk powder and cheese, enquired whether there was any provision for the recovery of the subsidy if and when the products were exported. The representative of Belgium informed the Committee that subsidies amounting to B.Frs.223 million were spent during 1958 but that this amount had affected only 2 per cent of the total production of milk. He pointed out that during the poirod of high milk production in the summer months it was considered necessary to stockpile to meet the shortage of dairy products during the winter months. He added that there were practically no exports of this subsidized production, except for powdered skimmed milk, since the price levels on world markets were so low as not to cover the cost of production in Belgium. The subsidy was not recouped on export.

42. It was noted by a member of the Committee that in actual practice the target prices established by the Government were reached generally within 1 per cent on the average over the year. In the opinion of the Committee member, these prices were virtually guaranteed prices. He enquired whether there had been any change in the support price for butter as compared with the prices of other milk products. The Belgian representative explained that the policy was to avoid an over-production of butter by increasing the consumption of milk through deliveries to schools, hospitals, etc. One third of the domestic cheese market was now supplied from domestic production and the fat content in milk had been increased from 3 per cent to 3.2 per cent which had the effect of reducing the production of butter by some 800 to 900 tons annually.

Cereals

43. A member of the Committee noted that the average percentage of domestic wheat incorporated with imported wheat approximated 55 per cent. He noted that in recent years there had been a steady increase in wheat production and a steady decline in imports. He asked if the new programme of discouraging wheat production had yet had any effects. The Belgian representative explained that the 1959 figures were not yet available since the findings of the 1959 census on agriculture were not yet released. First evaluations, however, indicated that the acreage under wheat production was no longer increasing and pointed to a possible fall of as much as 10 per cent during 1959.

44. A member of the Committee noted that while the price of imported wheat was B.Frs.350 per 100 kgs. (Antwerp) the price at the warehouse was B.Frs.505 which represented a mark-up of over 40 per cent. The Belgian representative explained that the price of B.Frs.505 was for a mixture of imported and higher cost domestic wheat.

45. In response to a question, the Belgian representative stated that prior to 1959 the entire wheat crop received the target price, but that subsequent to 1959, 700,000 tons of the crop had been reserved for human consumption and the remainder marketed as feedingstuffs at the fodder price. The loss on the latter was reimbursed from the Agricultural Fund. The Government was considering granting the target price for only the 700,000 tons reserved for human consumption which would have the desired effect of further reducing production.

46. It was stated by a member of the Committee that it was the policy of OCRA, to purchase wheat stocks when the target prices were threatened. He asked what stocks were at present held by OCRA and enquired how exports took place. The Belgian representative stated that normally there was no intervention by OCRA in the stockpiling of wheat but that millers were required to maintain an emergency stock for which they received an allowance from OCRA to cover expenses. In 1959 in view of the large wheat crop, measures were introduced to encourage stockpiling over and above the required amount. For the extra quantities stocked by millers an allowance of B.Frs.6.60 per 100 kgs. per month was paid. The Belgian representative pointed out that wheat normally

was not exported from Belgium but that there were occasions when millers had been in the position to export small amounts of domestic wheat in return for which they were permitted to import quantities of foreign wheat.

47. A member of the Committee expressed the view that imported wheat was purchased at a price considerably lower than the price of domestic wheat and that this difference in price was used to subsidize Belgian production. Imported wheat was marked up by over 40 per cent whereas the Belgian-Luxemburg charge corresponding to the Netherlands monopoly duty on wheat, bound in the GATT in 1947, should not exceed an amount equivalent to 20 per cent ad valorem approximately. The Belgian representative explained that the target price was based on the cost of production which he felt was not exceptionally high compared to costs in other European countries. He added that the provisions relating to the wheat mark-up had never been implemented. In response to a question, the Belgian representative stated that until a year ago there had been fixed prices for bread in Belgium. At present, the normal price system applied. The price of flour was a weighted average based on the average price of B.Frs.470 per 100 kgs. for domestic wheat and the price of imported wheat.

48. Referring to the policy of the Belgian Government to limit domestic wheat production for human consumption purposes to 700,000 tons, a member of the Committee enquired whether this figure was in the Government's view, the optimum production for Belgium. He enquired by what means this level was determined. The Belgian representative stated that the object was to have home production of wheat sufficient to cover domestic demands. There was no set production determined by the Government; a production of 700,000 tons was not felt by the Government to be necessarily the ideal figure. It was felt that from 600-650,000 tons would possibly be even more desirable. If the Government succeeded therefore in reducing the amount of domestic wheat to be used for human consumption below 700,000 tons then the percentage of imported wheat used in the mixture would have to be greater than in the past. Target prices for wheat were established so as to avoid an over-supply immediately following the harvest.

49. In response to further questions, the Belgian representative said that the mixing regulations on cereals had been established by the Government prior to the war. While there were no quantitative restrictions on imports of foreign wheat, millers were required to respect the mixing percentages.

50. The Belgian representative in response to a question, stated that his Government considered that mixing regulations implemented in Belgium were justified under Article III:6 of the General Agreement. Replying to a question concerning the 1947 GATT tariff negotiations, he said that the Benelux Union had obtained release, during the 1951 Torquay negotiations, of the undertaking not to include more than 35 per cent of domestic wheat in the grist.

51. In response to a further question, the Belgian representative informed the Committee that the levy on coarse grains was in principle a variable levy which had the effect of increasing the price of imports to the level of

internal prices. He also confirmed that the milling subsidy had been abolished. However, it had been recently decided to make a payment to millers of B.Frs.10 per 100 kgs. for domestic wheat in the grist on the understanding that the percentage of domestic wheat in the grist was 70 per cent and that the target price had been paid. This payment was financed from the Agricultural Fund. The Government had placed a limitation on milling capacity by prohibiting the development of new and the expansion of existing mills because of a surplus capacity in the milling industry.

Fish

52. A member of the Committee noting that minimum guaranteed prices were established for fish sold at seaside auctions, enquired how these prices were determined. The Belgian representative stated that the minimum prices were extremely low prices. Fish thus sold was generally used by fish flour manufacturers or for dried fish production; small quantities of dried fish were exported to the Belgian Congo.

53. A member of the Committee noting that fish originating in the Netherlands were permitted to be imported free of import restrictions, observed that in the case of other countries imports were authorised within bilateral quotas specified in trade agreements. The Belgian representative stated that these quotas were in fact global quotas and countries without trade agreements with Belgium were not excluded from the quotas.

Sugar

54. A member of the Committee observed that the sugar policy of Belgium was stated to be such as to encourage production only to the extent necessary to supply the domestic market. He noted, however, that production had increased steadily while consumption had remained constant, with the result that exports had taken place. He noted that in 1958 production had amounted to 455,000 tons while consumption had amounted to 277,000 tons. Exports during 1958 totalled 100,000 tons. He felt that Belgium was pursuing a policy which encouraged exports of sugar. The Belgian representative disagreed that the policy of the Government was to produce sugar beet for the export of sugar and informed the Committee that a quota had been established for the production of 300,000 tons of beet sugar and any surplus production would be exported at the world price. He explained that 1958 had been an exceptional year and it was partly due to the increased production during that year that measures had been taken by the Government to discourage production. The member of the Committee drew the attention of the Belgian representative to the large difference between the international and the internal price of sugar in Belgium and stated, that bearing this difference in mind, Belgian exporters would appear to have suffered a loss of B.Frs.200 million in 1958. The representative of Belgium explained that the loss was not borne by the exporters. When production was greater than domestic consumption the internal price of sugar beet fell. The loss had been borne by the beetroot growers and by the sugar producers. The Committee member stressed that it was not possible for sugar obtained from beets to compete with sugar obtained from cane on a completely free market.

The representative of Belgium agreed, but stressed that a number of factors did play a role in the maintenance of sugar production in Belgium. He stated that there was a need for cultivation from the point of view of crop rotation and for the production of fodder. He also stated that in the event of any emergency it was the policy of the Government to have at least a minimum supply.

55. In response to a question, the representative of Belgium stated that when the import price of sugar fell below the equivalent of 3.25 cents per lb. cubed basis, all imports for final internal consumption were prohibited. He pointed out, however, that a temporary shortage of sugar in the Belgian market would be met by the authorized use of imported stocks under the temporary admission procedure under which imports were completely free of restrictions, subject to an undertaking that similar quantities of domestically produced sugar would be exported at a later date. He confirmed that all these arrangements applied equally to refined and raw sugar.

Vegetable Oils

56. Members of the Committee noted that crude castor oil was subject to a Benelux quota of 200 tons per annum and was available to certain specified countries. Noting that the duty on castor oil was bound, they enquired whether restrictions had existed before the binding was given. The representative of Belgium could not recall when the consolidation of tariff rates had taken place but he indicated that before the establishment of a common quota for the Benelux Union, Belgium had not applied quantitative restrictions on imports of this oil. In view of the free circulation of goods within the Customs Union and in view of the fact that one of the partners maintained restrictions on imports of castor oil, it had been necessary to establish a common quota. It was understood that this quota would include the quantities necessary to cover the basic requirements of Belgium.

Apples and Pears

57. In response to a question the representative of Belgium drew the attention of the Committee to the Government's objective to safeguard adequate returns to apple and pear producers. He confirmed that there were periods when imports of these products were prohibited, but that there were also long periods during which imports were freely admitted. He explained that the duty was not high and there were no other restrictive measures. He stressed that the stated period during which imports of apples and pears were admitted freely was, in fact, the minimum period. It was hoped that by fixing a minimum period exporters would have some degree of certainty in the Belgian market. It was not unusual, however, for imports to be authorized for much longer periods.

58. A member of the Committee asked on what basis the Government decided to vary the periods when imports of apples and pears were freely admitted. The Belgian representative stated that there was no established rule, but that when the question arose, the market situation, etc., was examined and imports were liberalized if it was considered that they would not hamper the price of domestic production.

59. A member of the Committee enquired whether it would be possible to announce the opening date for imports of apples and pears a little further in advance, since otherwise it had the effect of "discriminating" against suppliers who were farther from the Belgian market. The representative of Belgium explained the difficulties of altering the periods in advance but stated that for suppliers situated far from the Belgian market the Belgian importer could receive an assurance of a licence well in advance of the actual importation.

60. Another member stressed that tariffs were not relied upon as methods of restriction in the case of apples and pears, and noted that there was a minimum price arrangement with the Netherlands. He enquired whether the minimum price criteria applied to imports from other countries during the periods when imports were permitted. It was understood that a limited quota for apples had been opened during the present licensing period, whereas imports of pears were admitted without quota limitation. He enquired why the Belgian Government differentiated in their treatment of apples and pears. The representative of Belgium confirmed that for trade with Benelux partners minimum prices applied. Outside of the prohibited period imports from third countries were entirely free and not subject to the minimum pricing arrangement. He pointed out that apples may be imported freely as from 16 March and that pears had been admitted without limitation as from 16 February. During the present year all imports of apples had been freed before the opening date.