

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUBSIDIES

Notifications submitted under Article XVI

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BELGIUM

Notification of 27 July 1956

"I. Subsidies on certain dairy products

Cheese, powdered milk and sweetened concentrated milk benefit by direct subsidies to the processor. The amount of these subsidies, granted per kilogramme, on limited quantities, is fixed each month. Payment of subsidies is reserved to undertakings which are able to pay the milk producer a minimum valid for the period.

"II. Subsidies on pork preparations

With a view to granting certain marketing facilities for pork products, the internal slaughter tax is temporarily refunded upon exportation of products prepared from pork.

"III. Subsidies to the film industry

No change has occurred with regard to aid granted to the Belgian film industry, in application of the Royal Decree of 14 November 1952.

The total amount of the subsidy provided for under the budget for 1956 is 10 million francs.

"IV. Subsidies to the coal industry

Certain modifications have taken place since July 1954 in the subsidization régime for Belgian coalfields.

Contractual subsidies for certain mines and the 'A' equalization system have no impact on foreign trade; only the equalization measure, as stipulated under Section 26, paragraph 2, sub-paragraph (c) of the Convention relative to Transitional Provisions of the Treaty constituting the European Coal and Steel Community, may be liable to affect the export coal trade. It was applied throughout the whole year in 1954, but dating from the second quarter of 1955, it was no longer claimed by Belgian producers.

The background for the subsidy has been mentioned above; corresponding legislative provisions are adopted each quarter by ministerial decree in accordance with a decision by the High Authority transmitted to the Belgian Government.

Equalization is granted individually to each coalfield in the proportion of 50 per cent by the Belgian Government and 50 per cent by the High Authority.

The share of the Belgian Government in 1954 was 155,175,000 francs, that of the first quarter in 1955 was 64,000,000 francs. No other contribution is scheduled for 1955.

This measure has enabled 2,667,000 tons of coal to be exported in the course of 1954.

"V. Subsidies to flour-mills

These amount to indirect protection of the cultivation of home-grown wheat.

Subsidies have been granted since September 1955, and are paid at the milling stage, since in view of the relatively small number of millers, inspection is more practicable at that stage.

But this form of protection of home-grown wheat is not a novel one. Subsidies were granted only from September 1955, because the exceptional crop of 1955 could not be valorized by maintaining the price of bread at 7.50 francs per kilogramme. If that price were increased to 8 francs per kilogramme, the subsidies would be eliminated, but the form of protection gained by artificial valorization of home-grown wheat through its compulsory incorporation at a fixed price would be maintained.

Nature and extent of the subsidy

Background and Authority

The application of a subsidy proved indispensable, to avoid an increase in the present price of bread (7.50 francs per kg.).

The price of home-grown wheat (₣ 120 francs the 100 kgs.) is actually higher than imported wheat of the same quality, and the quantity to be incorporated is very large (₣ 600,000 tons).

These subsidies are paid on the authority of the budgetary Act of 19 April 1956 (Moniteur belge of 5.5.1956) establishing the budget of the Ministry of Economic Affairs.

Incidence

This subsidy is paid at the milling stage on the basis of 100 kilogrammes of home-grown wheat delivered for milling. It is variable and fixed every fortnight in proportion to the prices quoted for home-grown wheat on the five largest stock-exchanges of the country.

Amount of subsidy

The provisional credit earmarked in the budget is 232 million francs.

Estimated amount per unit

From 5 September 1955 to 15 April 1956, the subsidy granted per 100 kilogrammes of home-grown wheat varied from 29.50 francs to 74.95 francs. It increases according to the monthly increase in the leading price for home-grown wheat.

Since 16 April 1956, the subsidy has been shrinking, the department having reduced it, as a result of existing competition in the flour-mill industry.

Effect of subsidy

The vigorous protection given to home-grown wheat has resulted in increasing the quantity incorporated from ₣ 345,000 tons in 1952 (a quantity which was considered reasonable) to ₣ 624,000 tons in 1956, and to reduce imports by ₣ 279,000 tons.

"VI. Subsidy to the wool-combing industry

Nature and extent of the subsidy

In the 1956 budget an item of 40 million francs is provided for to reimburse the Office of Economic Recovery for the advances made by it to finance imports of raw wool for combing in Belgium. This measure has been taken to compensate for the competition resulting from the French export premium system for tops.

This refund of charges for financing raw wool destined to be combed in Belgium is effected at the contractual rate of 1.74 francs per kilogramme of tops and noils produced by Belgian combers as from 1 January 1956. This refund is granted to the owner of the wool.

Effect of subsidy

This subsidy has no effect on the quantities imported and exported.

BELGIAN CONGO AND RUANDA URUNDI

"Subsidies to the wood industry

A subsidy of 9,400,000 francs is designed to facilitate exports of sawn wood of second and third grades, which have to undergo several processings before being ready for use."

BRAZIL

Notification of 4 August 1956

The following statement describing the foreign exchange system has been submitted by the Government of Brazil in response to the request for information concerning subsidies which should be notified under Article XVI:

"The bonus system in force in Brazil does not represent the allocation of subsidies for the purpose of competing in world markets. The Brazilian economy has been experiencing in recent years serious maladjustments of internal origin produced by monetary inflation and by structural distortions of local prices. These maladjustments have a strong influence upon production costs, affecting both the domestic and export sectors. For this reason it has been of vital necessity for Brazil to offset the increase in costs due to inflation by adjusting the prices in local currency paid to producers of export products, the prices of which in terms of foreign exchange have varied very little. Therefore, the bonuses paid to exporters should be considered as domestic monetary devices necessary to adjust domestic costs to prices prevailing in the world markets. However, as a consequence, the weighted average of bonuses paid to exporters brings the cost of exchange to approximately 45.00 cruzeiros per US\$1 on a dollar basis as compared with the official parity of 18.50 cruzeiros.

"There are products which are imported at rates below exchange cost, such as newsprint, some petroleum products, government imports, including wheat, imports of certain publications, coal, and highly essential machinery when imported for development purposes covered by loans registered with the Superintendency of Money and Credit (SUMOC). So, the effective exchange rates for those payments may be said to correspond to a subsidization of imports, as is shown in the 'Table of Exchange Rates', given at the end of this statement. On the other hand, the present specific customs tariff became completely ineffective on account of inflation and the monetary authorities had to resort to exchange measures to restore its protective incidence to adequate levels. Consequently, the effective rates of exchange for imports appearing in this statement involve to a large extent a substitute for customs duties.

"As it will appear in the forthcoming Annual Report on Exchange Restrictions of the International Monetary Fund, the exchange rate system of Brazil may be described as set out below.

Background and authority

"Exchange control was introduced in Brazil in 1931 and has been amended at various times. In October 1949 practically all imports and exports were made subject to official authorization. On 7 January 1953,

Law No. 1.807 was enacted, establishing a free market for invisible and capital items, as well as for exchange transactions connected with imports and minor exports. On 9 October Instruction No. 70 of the Council of the Superintendency of Money and Credit abolished the free market arrangements for exports and established the auction system for private imports, as well as bonuses for exports. On 5 January 1954 Decree No. 34.893 was issued, containing the regulations pursuant to Law No. 2.145 of 29 December 1953. The law abolished the Export and Import Department of the Bank of Brazil and created a Foreign Trade Department in the Bank. The Foreign Trade Department was to handle the issue of export and import licences, enforce import, exchange and price controls, to which reference is made later, classify imports of merchandise in accordance with their nature and degree of essentiality for the purpose of the exchange auctions and in special cases to finance the importation of highly essential products and of consumption goods.

Exchange Rate System

"The par value is 18.50 cruzeiros = US\$1. The official rates are 18.36 cruzeiros (buying) and 18.82 cruzeiros (selling) per US\$1. A 10 per cent exchange tax applied to nearly all payments made through the official market results in an effective selling rate of 20.70 cruzeiros per US\$1. However, the effective rates for most private import transactions are obtained by adding to this rate the prices of the corresponding exchange certificates bought at auction. These prices, and consequently, the effective rates, fluctuate. The effective rates for the proceeds of exports are obtained by adding the established fixed bonuses to the 18.36 cruzeiros rate. There are now in force four different levels of fixed bonuses, and for each level, two different bonuses are established: the one for proceeds in convertible currencies and pounds sterling, deutsche marks, Netherlands guilders, Belgian francs and Italian lire, referred to hereafter as the 'multilateral currencies', and the other for proceeds in all other currencies.

Exports and Export Proceeds

"All exports are subject to export licence, with the exception of coffee exports, which are subject to authorization by the Brazilian Coffee Institute. Export licences are granted without limitation except when (1) the exportation is contrary to national security interests or to obligations arising from international agreements, (2) payment is to be made in an inconvertible currency the acceptance of which is considered by the Exchange Department to be inconvenient, or (3) an accumulation of stocks to guarantee domestic supplies is advisable. All exports are subject to shipping permits issued by the Exchange Department of the Bank of Brazil.

"Export proceeds must be surrendered through an authorized bank. Exports are classified into four categories, each of which receives one of two bonuses, according to the currency in which the proceeds are received, as follows (the bonuses are expressed in cruzeiros per US\$1):

Category I - (Coffee beans): 18.70 cruzeiros for proceeds in convertible currencies and 'multilateral currencies', and 17.19 cruzeiros for proceeds in other currencies.

- Category II - (Raw cotton, cocoa beans, cake and paste and raw hides): 24.70 cruzeiros for proceeds in convertible currencies and 'multilateral currencies', and 22.95 cruzeiros for proceeds in other currencies.
- Category III - (Cotton linters and 'residuals of processed cotton', peanuts, balata gum, bananas and other fresh fruits, Brazil nuts, cedar and other woods either in trunks or planks, carnaúba and licuri wax, tea, maté, manioc powder, beans, soya beans, tobacco, raw wool, maçaranduba, natural magnesite (magnesium carbonate), castor seeds, cocoa butter, menthol and its oil, maize, iron ores, manganese ores, rosewood oil, oiticica oil, sassafras oil, raw skins, piassava, sawn pine wood, rock crystal, and sorva): 36.64 cruzeiros for proceeds in convertible currencies and 'multilateral currencies' and 34.41 cruzeiros for proceeds in other currencies.
- Category IV - (All other exports): 48.64 cruzeiros for proceeds in convertible currencies and 'multilateral currencies', and 45.92 cruzeiros for proceeds in other currencies.

Imports and Import Payments

"Except for a few specified items, all private imports into Brazil are subject to the purchase of exchange certificates at auction and to subsequent import licensing. For the purpose of allocating exchange in accordance with essentiality, these imports are classified into five categories according to the following general criteria:

- Category I - Essential commodities necessary to promote employment and agricultural production, as well as certain pharmaceutical products, etc.
- Category II - Essential raw materials and codfish.
- Category III - Other raw materials and highly essential spare parts and equipment.
- Category IV - Fresh fruits, less essential spare parts and equipment, office machinery, and certain consumer goods.
- Category V - All other products.

Exchange for petroleum products is allocated on a half-yearly basis, and purchases of exchange are effected through special auctions. The auction premia for the first half of 1956 are as follows (in cruzeiros per US\$1): liquified petroleum, gas, fuel and diesel oil, 15 cruzeiros; aviation gasoline, 25 cruzeiros; crude oil, kerosene, signal oil and lubricating oil, 35 cruzeiros; gasoline, 70 cruzeiros.

"The following effective exchange rates are now in force for trade transactions:

TABLE OF EFFECTIVE EXCHANGE RATES

(cruzeiros per U.S. dollar)

<u>Buying rates</u>	<u>Selling rates</u>
18.36 (Official Rate)	18.82 (Official Rate) Imports of newsprint
35.55 (Cr\$18.36 plus Cr\$17.19 Bonus) Category I - Exports against inconvertible currencies other than 'multilateral currencies'	33.82-88.82 (Cr\$18.82 plus Cr\$15.70 Surcharge) Petroleum products
37.06 (Cr\$18.36 plus Cr\$18.70 Bonus) Category I - Exports against convertible currencies and 'multilateral currencies'	
41.31 (Cr\$18.36 plus Cr\$22.95 Bonus) Category II - Exports against inconvertible currencies other than 'multilateral currencies'	
43.06 (Cr\$18.36 plus Cr\$24.70 Bonus) Category II - Exports against convertible currencies and 'multilateral currencies'	43.82 (Cr\$18.82 plus Cr\$25 Surcharge) Government imports, including wheat. Imports of certain publications, coal and highly essential machinery
52.77 (Cr\$18.36 plus Cr\$34.41 Bonus) Category III - Exports against inconvertible currencies other than 'multilateral currencies'	
55.09 (Cr\$18.36 plus Cr\$36.64 Bonus) Category III - Exports against convertible currencies and 'multilateral currencies'	
64.28 (Cr\$18.36 plus Cr\$45.92 Bonus) Category IV - Exports against inconvertible currencies other than 'multilateral currencies'	
67.00 (Cr\$18.36 plus Cr\$48.64 Bonus) Category IV - Exports against convertible currencies and 'multilateral currencies'	
	95.31 (Cr\$18.82 plus 10% Remittance Tax plus Cr\$74.61 Auction Premium) Category I - Imports

Buying rates

Selling rates

99.09	(Cr\$18.82 plus 10% Remittance Tax plus Cr\$78.39 Auction Premium) Category II - Imports
123.39	(Cr\$18.82 plus 10% Remittance Tax plus Cr\$102.69 Auction Premium) Category III - Imports
132.22	(Cr\$18.82 plus 10% Remittance Tax plus Cr\$111.52 Auction Premium) Category IV - Imports
233.20	(Cr\$18.82 plus 10% Remittance Tax plus Cr\$212.50 Auction Premium) Category V - Imports

Note: The auction premia on which the selling rates are based are the weighted average bids for all currencies sold in the stock exchanges of Brazil during the month of April 1956."

FINLAND

Notification of 3 August 1956

"There have been no essential changes in the Finnish system of subsidizing or in its application since the last report dated 27 June 1955."

INDONESIA

Notification of 19 July 1956

"Due to the prevailing high prices in the domestic market export of our products has become rather difficult. In an effort to render it more competitive, the Monetary Board on 21 October 1955 decided to give aid to exporters and in this way to stimulate exports. This aid is given as:

- (1) a reduction or exemption in export duties for certain commodities;
- (2) an export premium in Rupiah for certain commodities.

"The so-called 'weak' products are given reductions or exemptions in export duties and export premiums as well, while the so-called 'strong' products are only given export premiums.

"As regards price support, which operates directly or indirectly to reduce imports of any product in Indonesia, no regulations to that effect exist."

FEDERATION OF RHODESIA AND NYASALANDNotification of 1 August 1956

"The Government of the Federation of Rhodesia and Nyasaland has, in the course of the year since the Tenth Session of the CONTRACTING PARTIES, granted a subsidy to the jute grain bag industry situated in the Federation:

I. Nature and extent of the subsidy:

- (a) Background and authority: This subsidy was authorized by the Federal Parliament, in an ordinary Motion of the House, on 21 March, 1956. This essential industry required assistance and Parliament decided that the most appropriate form of assistance was a subsidy rather than an increase in customs duties.
- (b) Incidence: A subsidy of $8\frac{1}{2}$ d per $2\frac{1}{2}$ lb Liverpool A Twill grain bag is paid to the producer in respect of each bag sold for delivery within the Federation, subject to proportionate reduction when the price of raw jute, landed in the Federation, falls below £60 per ton.
- (c) Amount of subsidy: It is estimated that the total amount of subsidy payable in the first full year will be £119,000. The subsidy has been authorized for a limited period of two years.

II. Effect of subsidy:

The subsidy will not alter the Federation's normal demand for jute importations but will result in a larger proportion of local manufacture from imported raw materials. This will mean a return to the conditions obtaining at the time the industry was established when finished grain bags were in short supply and raw jute was available for importation."

