GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED
L/ 880
16 October 1958
Limited Distribution

CONTRACTING PARTIES
Thirteenth Session

Original: English/French

REVIEW OF THE OPERATION OF THE PROVISIONS OF ARTICLE XVI PURSUANT TO PARAGRAPH 5 THEREOF

Notifications submitted under Article XVI

It will be recalled that at their last session the CONTRACTING PARTIES agreed that at the Thirteenth Session they would review the operation of the provisions of Article XVI in accordance with paragraph 5 of that Article (SR.12/22).

The provisions of paragraph 1 of Article XVI provide, inter alia, that if any contracting party grants or maintains any subsidy, including any form of income or price support, which operates directly or indirectly to increase exports of any product from, or to reduce imports of any product into, its territory, it shall notify the CONTRACTING PARTIES of the extent and nature of the subsidization, of its estimated effect on the quantity of the affected product or products imported into or exported from its territory, and of the circumstances making the subsidization necessary.

In accordance with the above, and the Decision of 2 March 1950[1], fifteen contracting parties have reported subsidies maintained by them which fall within the scope of Article XVI. Seventeen contracting parties have reported they maintain no such subsidies; four of the latter, nevertheless, have supplied explanatory statements in the belief that it might be of interest to the CONTRACTING PARTIES to have a description of the subsidies they maintained. Notifications received have been reproduced in several documents and in many instances have been supplemented and revised in others. It is considered, therefore, that it would be convenient for contracting parties in connexion with the above review to have these statements re-issued in a single document.

Accordingly the following sets out the situation as it appears from the most recent information for each contracting party thus far received by the secretariat. Contracting parties wishing to bring their statements further up-to-date or to supply additional information are requested to transmit such supplementary information to the secretariat for issue as addenda to this document.

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[1] See Basic Instruments and Selected Documents, Volume II, page 19.

A. The following governments have indicated that they do not grant or maintain subsidies falling within the scope of Article XVI:

Austria	*Italy
Burma	*Japan
Ceylon	Luxemburg
Czechoslovakia	*Netherlands
Dominican Republic	New Zealand
*France	Norway
Greece	Pakistan
Haiti	Rhodesia and Nyasaland

B. Statements have not been received from the following governments:

Ghana	Peru
Malaya	Uruguay
Nicaragua	

C. Notifications have been received from the following governments and the most recent of these is reproduced on the page indicated:

Government	Date of most recent notification	Page
Australia	8 July 1958	3
Belgium	11 August 1958	12
Brazil	4 August 1956	15
Canada[1]		
Cuba	30 August 1950	18
Denmark	11 July 1958	20
Finland	10 May 1958	22
*France	11 August 1956	23
Germany, Federal Republic of	26 August 1958	26
India	11 July 1958	27
Indonesia	21 September 1956	29
*Italy	13 October 1950	31
*Japan	8 September 1958	33
*Netherlands, Kingdom of	27 September 1956	36
Sweden	21 August 1956	38
Turkey	22 October 1957	41
Union of South Africa	16 July 1958	43
United Kingdom	11 June 1958	52
United States	17 September 1958	65

* These governments have indicated that the subsidies they grant do not fall within the categories referred to in Article XVI. Nevertheless they have submitted statements on subsidies maintained by them for the information of contracting parties. The more recent reports are reproduced in Section C of this document.

[1] The Canadian Government has advised that its most recent notification was forthcoming. When received by the secretariat the notification will be issued as an addendum to this document.

A U S T R A L I A

Notification of 8 July 1958

(Preceding notifications were reproduced in the following documents: GATT/CP/114 and Corr.1, G/4/Add.3, L/91/Add.1, L/223, L/351/Add.2, L/480/Add.5 and 7, L/660/Add.3)

I. AIR FREIGHT ON CERTAIN BEEF

1. Nature and Extent of the Subsidy

(a) Background and Authority: A subsidy has been paid since 1951 on beef which is slaughtered and transported by air from the Glenroy abattoir of Air Beef Pty. Ltd., in the remote and little developed Kimberley region of North Western Australia. The subsidy has been paid in order to test the economics of the transport of beef by air and to assist in the development of the beef cattle industry in North Western Australia.

(b) Incidence: The subsidy is paid to the company concerned on the quantity of beef air-freighted from the Glenroy abattoir.

(c) Amount of the Subsidy: Expenditure on the subsidy in the year 1957 was £11,000 on 800 tons of beef.

(d) Amount per Unit: The rate of subsidy for the 1957 season was 1½d. per pound.

2. Effect of the Subsidy

The effect of the subsidy on total Australian exports of beef (153,000 tons in 1956/57) is negligible. In the absence of the subsidy cattle would be driven overland to Wyndham Meat Works.

II. CELLULOSE ACETATE FLAKE

1. Nature and Extent of the Subsidy

(a) Background and Authority: The payment of a bounty on the production of cellulose acetate flake was introduced by the Cellulose Acetate Flake Bounty Act, 1956 following investigation by the Tariff Board. In the course of the enquiry it was found that the newly established industry had reached a stage where production was efficient and had sound economic prospects and that assistance was warranted, the most appropriate form being by way of bounty rather than customs duties. The bounty is payable up to 30 June 1958. The question of further assistance has been referred to the Tariff Board for enquiry and report.

Australia

(b) Incidence: A bounty of 10d. per pound is pakd to the producer of cellulose acetate flake sold and for use in the manufacture, in Australia, of cellulose acetate yarn.

(c) Amount of the Subsidy: Bounty is limited to not more than £142,000 on sales in a particular year. Expenditure on the bounty in 1956/57 amounted to £179,117 including a retrospective payment of almost £100,000 in respect of 1955/56. Expenditure during the nine months ended 31 March 1956, amounted to £93,938.

(d) Amount per Unit: 10d. per pound.

2. Effect of the Subsidy

Australian capacity for the production of cellulose acetate flake is regarded as being sufficient to satisfy Australian requirements for the next few years.

III. COPPER

1. Nature and Extent of the Subsidy

(a) Background and Authority: Following a report by the Tariff Board the Government decided to assist the copper-mining industry by means of a bounty and the Customs tariff. Customs duties operative from 15 May 1958, are designed to ensure a minimum Australian price of refined copper of about £285 per ton. Tariff protection will be supplemented by a bounty of not more than £45 per ton payable, subject to certain conditions, on copper sold for use on the Australian market. The bounty will operate from 19 May 1958 to 30 June 1960. Legislation providing for the copper bounty is expected to be introduced in the forthcoming session of the Commonwealth Parliament.

(b) Incidence: Bounty, up to a maximum rate of £45 per ton, is to be payable on the copper content of copper ore, or concentrates, mined in Australia and delivered to a copper smelter for use in Australia as refined copper. The rate of bounty is to be reduced by £1 per ton for each £1 per ton by which the average for a quarter of the published London Metal Exchange price for electrolytic copper wire bars exceeds £A275 per ton. (The difference of £10 between the minimum domestic price of about £285 per ton and the London Metal Exchange price equivalent of £A275, adopted as a basis for bounty calculations, allows for oversea freight and landing changes.)

Australia

(c) Amount of the Subsidy: During 1958-59 the bounty to be paid is estimated at £1 million.

(d) Amount per Unit: Maximum rate of bounty is to be £45 per ton subject to a reduction of £1 per ton for each £1 per ton by which the average quarterly London Metal Exchange price of electrolytic copper wire bars exceeds £A275 per ton. Bounty payments will be subject to a profit limitation test of 10 per cent on funds employed in the production of copper for home consumption.

2. Effect of the Subsidy

The bounty is to assist major Australian copper producers to remain in operation. Bounty will not be paid on exports.

IV. COTTON

1. Nature and Extent of the Subsidy

(a) Background and Authority: A bounty is paid under the Cotton Bounty Act 1951-1958 on the production of cotton in Australia in order to foster the development of the local cotton growing industry. The bounty is payable on seed cotton delivered by growers to processors before 31 December 1963.

(b) Incidence: Bounty is payable to the processor of the cotton who is required to distribute it under specified conditions to the producers of the cotton. The rate of bounty paid is the amount by which the average price to the growers is less than 1s.2d. per pound.

(c) Amount of the Subsidy: The cost of the bounty for the 1957 season was £76,324.

(d) Estimated Amount per Unit: During the 1957 season the average rate of the bounty was 5.4d. per pound of seed cotton.

2. Effect of the Subsidy

In 1957-58 bounty was paid on 3.41 million pounds of seed cotton from which approximately 1.34 million pounds of raw cotton was produced.

The proportion of locally produced to imported raw cotton is small and the assistance given to the local industry by the cotton bounty is unlikely to affect imports in the near future. Locally grown cotton represents less than 4 per cent of total cotton usage in Australia.

Australia

V. DAIRY PRODUCTS

1. Nature and Extent of the Subsidy

(a) Background and Authority: The Dairying Industry Act 1957 provides for the payment of a bounty on butter and cheese for a period of five years from 1 July 1957.

(b) Incidence: By means of local price fixation and payment of bounty, the objective is to give dairy farmers a return based on the ascertained cost of efficient production of butterfat in respect of butter and cheese consumed in Australia plus 20 per cent of those quantities. The addition of the margin of 20 per cent is intended to ensure that adequate supplies for local consumption will be available every year notwithstanding any adverse seasonal conditions that may occur.

(c) Amount of the Subsidy: The fixed amount determined for 1957/58 is £13.5 million.

(d) Estimated Amount per Unit: On sales for domestic consumption only, the amount per unit of subsidy is 7½d. per pound for butter and 3½d. per pound for cheese in 1957-58.

2. Effect of the Subsidy

The subsidy is one that is primarily directed to butter and cheese consumed locally. Its main effect is to reduce the price of butter and cheese to the Australian consumer and, at the same time, to provide an assured return to the producer to the extent mentioned in (b) above.

The system for the stabili ation of prices and returns to producers results at times in the sale of the commodity for export at a price either higher or lower than the price for the commodity to buyers in the domestic market.

VI. FLAX FIBRE

1. Nature and Extent of the Subsidy

(a) Background and Authority: The Flax Fibre Bounty Act 1954/57 authorizes payment of a bounty on flax fibre produced and sold in Australia up to 31 October 1960.

(b) Incidence: Bounty is payable to the producer of flax fibre manufactured for local delivery from flax grown in Australia. An instrumentality of the Commonwealth is the largest manufacturer, accounting for about 80 per cent of the total output of flax fibre. However, the Commonwealth Government has announced its intention of withdrawing from the field of flax fibre production at the earliest opportunity.

Australia

(c) Amount of the Subsidy: Expenditure on the bounty in 1956/57 was £49,823. In the nine months ended 31 March 1958, expenditure amounted to £56,454.

(d) Estimated Amount per Unit: The rate of bounty varies inversely with movements in the landed cost of imported fibre. The maximum rate of bounty payable is £75 per ton and is calculated, subject to limits, to give producers a return of £365 per ton. For the period 1 November 1958 to 31 October 1959 the maximum rate of bounty will become £70 per ton.

2. Effect of the Subsidy

The average Australian demand for flax fibre is estimated to be about 2,000 tons per annum of which the local industry has capacity to produce approximately 1,500 tons. In view of the smallness of Australian requirements for flax fibre, the effect of the bounty on international trade would be negligible.

VII. RAYON YARN

1. Nature and Extent of the Subsidy

(a) Background and Authority: The Rayon Yarn Bounty Act 1954/56 provides for payment of a bounty on continuous filament acetate rayon yarn produced and sold in Australia up to 30 June 1959.

(b) Incidence: The bounty is payable to the producer of rayon yarn sold for delivery in Australia.

(c) Amount of the Subsidy: The amount of bounty paid in 1956/57 was £59,928. Expenditure on bounty for the nine months ended 31 March 1958 amounted to £71,057.

(d) Amount per Unit: 6d. per pound of yarn.

2. Effect of the Subsidy

The capacity of the Australian industry is expected to be sufficient to fully satisfy local requirements for continuous filament acetate rayon yarn.

VIII. SHIPBUILDING

1. Nature and Extent of the Subsidy

(a) Background and Authority: Under a scheme for maintaining an efficient ship-building industry in Australia the Commonwealth Government meets a portion of the cost of approved merchant ships built in Australia for use in the Australian trade.

Australia

(b) Incidence: The portion of the cost met by the Government is an amount not exceeding 33-1/3 per cent of the cost of the ship.

(c) Amount of the Subsidy: In the eight years ended 30 June 1958, the Commonwealth has subsidized vessels built for private ship-owners and the Western Australian State Shipping Service to the extent of £2,858,000.

(d) Estimated Amount per Unit: This amount varies according to the type, dead weight and cost of each ship.

2. Effect of the Subsidy

It is difficult to assess the effects of the subsidy on imports of ships, but it is not considered to be large. The amount of ship construction undertaken in Australia and overseas on account of Australian private ship-owners in recent years has been small.

IX. SUGAR

1. Nature and Extent of the Subsidy

(a) Background and Authority: A scheme for regulating the production and marketing of cane sugar and certain products made from cane sugar, as a means of stabilizing returns to sugar growers, is provided in legislation enacted by the Commonwealth and Queensland Parliaments.

(b) Incidence: When the world parity price for sugar is less than the price of Australian sugar fixed under the scheme, price rebates equal to the difference between the two prices are granted to exporters on the sugar content of fruit products and other approved manufactured products exported from Australia.

(c) Amount of the Subsidy: The cost of the rebates, estimated at £481,000 in 1956/57, is borne by the Australian sugar producing industry.

(d) Amount per Unit: The average rate of export rebate per ton of sugar content in 1956/57 was approximately £2C..

2. Effect of the Subsidy

The export sugar rebate is not intended to increase exports or decrease imports in the manner described in Article XVI but is granted so that exporters of approved products containing sugar will not be at a disadvantage by reason of the Australian price of sugar being fixed at a level higher than the world price.

Australia

X. SULPHURIC ACID

1. Nature and Extent of the Subsidy

(a) Background and Authority: Provision is made in the Sulphuric Acid Bounty Act 1954-57 for the payment of bounty on the production of sulphuric acid from materials of Australian origin. The need for increasing the proportion of acid produced from local materials arose from the uncertainty of obtaining supplies of imported brimstone and the possible serious effects of any subsequent shortage of brimstone on the production of fertilizers and other commodities essential to the Australian economy. The bounty is payable up to 30 June 1959.

(b) Incidence: The bounty is payable to the producer of sulphuric acid manufactured from lead sinter gas and pyrites of Australian origin provided it is sold for delivery in Australia or for use by the producer for manufacturing purposes in Australia. The rate of bounty is to be determined according to landed duty-free cost of imported brimstone. The bounty is £2 per ton when landed cost of imported brimstone is £20.10.0d. per ton and rises or falls in inverse proportion to variations in the cost of brimstone. Bounty is not to exceed £4 per ton and ceases when the cost of brimstone rises to £25.10.0d. per ton.

(c) Amount of the Subsidy: In 1956/57 the total cost was £420,652 on 244,257 tons of acid produced. During the nine months ended 31 March 1958, expenditure amounted to £428,334.

(d) Estimated Amount per Unit: The rate per unit varies as described in sub-paragraph (b) above, but in 1956/57 the average rate was £1.72 per ton.

2. Effect of the Subsidy

The bounty is intended to foster the production of sulphuric acid from indigenous materials which is in addition to production from imported brimstone.

XI. TRACTORS

1. Nature and Extent of the Subsidy

(a) Background and Authority: The Tractor Bounty Act 1939/56 provides for the payment of bounty on wheel-type tractors of from 10 to 70 belt-pulley horsepower produced in Australia for use in Australia and its territories. The bounty is payable up to 23 October 1958. The question of future assistance has been referred to the Tariff Board for enquiry and report.

(b) Incidence: The bounty is paid to the producer and is an amount per unit determined according to the belt-pulley horsepower of the engine and the percentage of the cost of locally produced materials used to the total factory cost of the tractor. No bounty is payable on tractors exported to other than an Australian controlled territory or on crawler-type tractors.

(c) Amount of the Subsidy: The total cost of the bounty in 1956/57 was £158,303. During the nine months ended 31 March 1958, expenditure amounted to £398,109.

(d) Estimated Amount per Unit: If the percentage of the value of Australian labour and materials to total factory cost is 90 per cent or more the rate of bounty varies from £80 to £240 per tractor depending on the belt-pulley horsepower. No bounty is payable if the proportion of Australian content is less than 60 per cent whilst if the proportion is greater than 60 per cent but less than 90 per cent the rate of bounty payable varies in proportion to the percentage Australian content.

2. Effect of the Subsidy

During 1956/57, 15,657 wheel-type tractors were imported and bounty was paid on 575 tractors produced in Australia. For the six months ended 31 December 1957, 11,539 wheel-type tractors were imported and bounty was paid on 1,067 tractors produced in Australia.

The effect of the bounty upon the demand for imported tractors is small.

XII. WHEAT

1. Nature and Extent of the Subsidy

(a) Background and Authority: The Wheat Stabilization Scheme authorized under Commonwealth and State legislation (1954) includes provisions for a guaranteed price for export wheat from the five seasons 1953/1954 to 1957/1958 inclusive. Negotiations concerning an extension of the Scheme are proceeding.

(b) Incidence: The guarantee under the existing scheme covers exports of up to 100 million bushels from each of the five seasons. Operation of the stabilization arrangement involved the building up of a fund from a levy on exports when the average price exceeded the determined cost of production and payments from the fund to producers if the average price fell below the determined cost of production. If the fund were insufficient to meet the payments to producers the deficiency would be met by the Commonwealth.

A u s t r a l i a

(c) Amount of the Subsidy: Two stabilization payments have been made from the fund as follows:

	£	
	188,525	in respect of wheat of 1954/55 season
	1,035,833	" " " " " 1955/56 "
Total:	1,224,358	

It is not anticipated that any further stabilization payments will be made in respect of the present Scheme. The residual balance in the fund will be about £9 million. The Commonwealth has not been required to make any contribution to the fund.

(d) Estimated Amount per Unit:

(i) 0.476d. per bushel on 95,028,456 bushels exported from 1954/55 season's crop; and

(ii) 2.486d. per bushel on 100,000,000 bushels exported from 1955/56 season's wheat.

2. Effect of the Subsidy

The scheme is not affecting exports in the manner described in Article XVI.

B E L G I U M

Notification of 11 August 1958

(Preceding notifications were issued in the following documents: GATT/CP/114, G/4/Add.3, L/91/Add.1, L/223/Add.1, L/351/Add.2, L/480/Add.2 and L/660/Add.3)

I. SUBSIDIES GRANTED ON CERTAIN DAIRY PRODUCTS

By virtue of a Royal Decree of 2 May 1951 which appeared in the "Moniteur belge" of 7 and 8 May of the same year, subsidies are granted in the dairy industry to firms using Belgian milk in the production of certain cheeses, milk powder, concentrated milk and casein.

The amount of the subsidy is established monthly by a Decree of the Ministry of Agriculture so as to make possible the sale of the above-mentioned Belgian products having regard to the market conditions resulting from foreign competition.

The grant of the subsidy may be, and is in fact, limited to an established quota of the relevant products. The Minister for Agriculture establishes a global quota which is then allocated amongst the firms concerned by the Office national du Lait et de ses Dérivés" ("National Milk and Milk Products Office") in accordance with the instructions of the Minister.

The amount of the subsidy varies. It is determined monthly for each product by establishing the difference between the Belgian cost and the possible sales price on the local market, account being taken of the price of like imported products which have been liberalized within the OEEC programme.

An amount of 204,000,000 Belgian Frs. has been appropriated for that purpose under the 1958 budget.

For 1957 the total of subsidies granted to the production of dairy products amounted approximately to 112,000,000 Belgian Frs. on the following per kilogramme basis:

	Frs.
Hard cheese	13.70
Semi-hard cheese	3.21
Processed cheese	17.33
Herve cheese	4.63
Powdered whole milk - Hatmaker	12.56
Powdered whole milk - Spray	14.20
Powdered skimmed milk - Hatmaker	3.40
Powdered skimmed milk - Spray	2.79
Concentrated whole milk	3.07
Concentrated skimmed milk	1 08
Casein	7.33

II. SUBSIDIES TO FLOUR MILLS

1. Nature and extent of the subsidy

(a) Background and authority: The application of a subsidy proved indispensable, to avoid an increase in the present price of bread, in view of the fact that the leading price of home-grown wheat is about frs.100 per 100 kgs. higher than that of imported wheat of like quality.

The price of home-grown wheat (± frs.100 per 100 kgs.) is higher than that of imported wheat of the same quality and the quantity to be incorporated is very large (± 690,000 tons).

These subsidies are paid on the authority of the budgetary Act establishing the budget of the Ministry of Economic Affairs for 1958.

(b) Incidence: This subsidy is paid at the milling stage for each 100 kgs. of home-grown wheat delivered for milling. It is variable and is fixed every fortnight in proportion to the prices quoted for home-grown wheat on the five largest stock exchanges of the country and to the percentage incorporated.

(c) Amount of subsidy: The provisional credit earmarked in the budget is frs.510 million.

(d) Estimated amount per unit: From 9 September 1957 to 31 December 1957, the subsidy granted per 100 kgs. of home-grown wheat varied from frs.17.70 to frs.34.95. It increases according to the monthly increase in the leading price of home-grown wheat.

2. Effect of subsidy

The subsidy granted on home-grown wheat enables this product to be disposed of on the domestic market.

BELGIAN CONGO AND RUANDA-URUNDI

III. SUBSIDIES ON CERTAIN WOOD

The budget allotment for this subsidy was frs.12 million in 1950. It was reduced to frs.6 million in 1952, and the 1958 budget provides for an amount of frs.8,075,000.

The relevant regulations are laid down by Order No.52/289 of 29 August 1955 of the Governor-General, which superseded Order No.52/348 of 19 November 1949.

Belgium

The export subsidy on certain wood was established for the following reasons:

1. to encourage the lumber industry to retrieve, wherever possible, logs which are not exportable in their present state because of defects caused by felling, cracks, cup-shakes, etc.;
2. to encourage the installation of drying-houses and the chemical treatment of certain woods which are easily and often very quickly attacked by insects;
3. to encourage exports of wood which had previously not been exported or had been inexportable because of damage by insects, and thus to facilitate national exploitation of the Congo forests which is too often restricted to a small number of varieties, with a resultant waste of timber resources;
4. to supply timber of even quality which is not liable to be damaged by storage.

This subsidy, which has been granted for several years past, has undoubtedly stimulated the development of a wood industry in the Congo, with beneficial consequences on the standard of living of the people of that region. It has had the effect of stabilizing prices for certain exported wood, which in turn has brought a more stable situation on the Belgian market.

It is, however, not possible to determine the precise extent to which the subsidy has stimulated exports.

B R A Z I L

Notification of 4 August 1956[1]
(L/480/Add.2)

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,

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[1] Although the Brazilian Government has not notified the secretariat of any modifications since the above date it appears that the system as described has undergone some change.

Brazil

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.

B r a z i l

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):

[not here reproduced]

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:

[not here reproduced]

C U B A

Notification of 30 August 1950
(GATT/CP/114)

A. LEGAL BASIS

The existing subsidy to the textile industry at present in force in the Republic of Cuba was instituted by virtue of Presidential Decrees Nos. 1093 and 1005 of 1949, of which the former was subsequently amended by Presidential Decree No. 2461 of 1950. Under Decree No. 1093 of 1949 it became compulsory to affix to any material imported or domestically produced identification stamps of six centaves each on the basis of one stamp per peso or fraction thereof, depending on the value of the merchandise.

The general rule mentioned above applicable to all textile materials includes one exception relating to sacks imported or domestically produced for the sole purpose of containing national agricultural products.

B. METHOD OF ADMINISTRATION AND OF ALLOCATION

The monies levied by means of the identification stamps affixed to imported or domestically produced material as indicated above are paid through the Dirección General de Contabilidad and the Tesorería General de la República of the Ministry of Economic Affairs into a special fund called "FONDO TEXTIL DE ANTICIPOS REINTEGRABLES" (Textile Fund of Reimbursable Advances), the said monies being placed at the disposal of an independent equalization body set up under the Ministry of Labour whose task it is to allocate them to the national textile industry in conformity with the rules laid down in Presidential Decree No. 1005 of 1949 which governs the operation of the so-called "FONDO TEXTIL DE ANTICIPOS REINTEGRABLES"; the Governing Body (Consejo de Administración) of the Fund is composed of Government representatives, domestic textile manufacturers, textile importers and labour representatives.

The Governing Body is empowered to examine and determine cases in which a subsidy has to be granted to textile manufacturers and to determine the amount of equitable economic assistance to be given, taking into account the cost of labour and the resulting reduction thereof which is necessary to achieve competitive prices on the national market for the commodity in question.

Another purpose of this subsidy is to enable manufacturers to reduce production costs through the elimination of unnecessary labour, the fund in such a case granting the displaced workers reasonable benefits which, though they do not represent the total amount of their wages, enable them to maintain a decent standard of living until the economic situation of the industry enables them to be re-absorbed in their normal field of activities or to find employment in other branches of national production.

Finally, the subsidy also operates as a buffer economic measure in cases when, owing to the market being saturated, national textiles manufacturers have to reduce or to stop normal production during a reasonable period in order to dispose of accumulated stocks. In such cases, the workers concerned receive from the fund adequate grants to maintain a purchasing power in accordance with their standard of living.

C. RESULTS HITHERTO ACHIEVED

Though the textile subsidy, operated as indicated above, has not solved all the problems which the national textile industry is meeting, it has nevertheless enabled this industry to overcome the serious economic crisis which affected it during the first half of the year 1949 and which resulted in the closing down of nearly all the manufactories and in their workers being subsequently displaced. At present, this measure promulgated by the Government of Cuba as an emergency measure under the General Agreement on Tariffs and Trade has enabled the textile industry to carry on in spite of the low level of tariff protection which it enjoys, in the hope that once it has obtained adequate tariff protection it can achieve its natural development on a more firm and final basis.

D E N M A R K

Notification of 9 July 1955[1]
(L/351/Add.1)

(Preceding notifications were reproduced in the following documents: GATT/CP/114, G/4/Add.3, L/91/Add.1, L/223/Add.1)

Apart from the price equalization arrangement for sugar for industrial purposes the Danish Government does not maintain subsidies covered by Article XVI.

Under the Danish sugar scheme, which has been reported in detail pursuant to Article XVIII, paragraph 12, the Minister for Commerce, Industry and Shipping is empowered to fix the sales price charged by the Danish Sugar Factories.

The sugar scheme further provides that industries in whose production sugar enters as a component may buy sugar for their production at prices that will at times deviate from the quotations of the Danish Sugar Factories. In this case the prices are to be fixed with due regard to prices of sugar in international trade. In recent years, until the spring of 1954, the price has in fact been higher than the above mentioned Danish quotations.

Since the spring of 1954, however, the world market price of sugar has been somewhat lower than the price charged by the Danish Sugar Factories. In continuation of the price policy pursued until then, the firms using sugar in their production may continue to buy sugar at the price quoted in international trade, although the price fixed by the Danish Sugar Factories has fluctuated about a somewhat higher level.

The contribution that it has been necessary to pay in this connexion, and which has corresponded to the margin at any time existing between the world market prices and the Danish quotation, comes from a price equalization fund, which is administered by the Danish Sugar Factories. The means of the fund are obtained by appropriating a part of the surplus of the factories, i.e., from the period when the Danish price of production was lower than the world market price, to this price-stabilizing purpose.

Permission to buy sugar at the current world market price is given to industries using sugar with the reservation that, if the world market price should again rise above the current Danish quotation, the firms must be prepared to have to continue buying sugar at the world market prices and not at the lower Danish quotation.

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[1] In subsequent notifications (L/480/Add.1, L/660/Add.3 and notification dated 11 July 1958) the Danish Government has reported that there have been no modifications to the system as described above.

Denmark

The purpose of the scheme is, by means of the equalization fund, to create a buffer against the heavy fluctuations in the world market prices of sugar and to create a possibility of long-term planning of the Danish growing of sugar beets and production of sugar, in order thus to make the production cheaper.

In view of the information given above concerning the nature and aims of the scheme, the Danish Government find it doubtful whether it is necessary to report the scheme under Article XVI of the GATT, but it has nevertheless been considered most appropriate to make such a report.

FINLAND

Notification of 15 January 1958[1]
(L/660/Add.5)

(Preceding notifications were reproduced in the following documents: GATT/CP/114, G/4/Add.3, L/91/Add.1, L/223, L/351/Add.1, L/480/Add.2)

Subsidies paid are limited to certain agricultural products, mostly dairy products, and the price support in connexion with exports forms a part of the general agricultural price stabilization. The law concerning stabilization of farmers' income provides that this income shall follow the general income level of the population and this is achieved by fixing minimum prices for certain farm products. If the end prices paid by the consumers are lower than the fixed prices for the same commodities, the Government has undertaken to compensate the producers for the difference between those two prices.

As far as exports of certain agricultural products, mostly dairy products, are concerned, a similar procedure is followed, e.g., the Government pays to the exporter a support price equalling the possible difference between the domestic price and the price obtainable on foreign markets. The subsidies paid are considered to constitute a part of the total agricultural income.

As a result of the devaluation of the Finnish markka in September 1957, with stable domestic minimum prices for agricultural products, a reduction in the subsidies paid for exports has taken place.

Exports of the subsidized dairy products have been fairly unimportant.

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[1] In a subsequent notification, dated 10 May 1958 (L/809/Add.1), the Finnish Government reported that the system as described above was unchanged.

F R A N C E

Notification of 6 October 1950 as modified by notification of 4 August 1953[1] (GATT/CP/114 and L/91/Add.1)

Though the French Government is of the opinion that the subsidies it grants do not fall within the categories referred to in Article XVI, it wishes, however, to notify the CONTRACTING PARTIES of the measures concerned in order that they might be in a position to form an opinion in full cognizance of the case. Such is the object of the following note.

Besides subsidies granted on an individual basis and in occasional cases to agricultural producers whose crops have been destroyed by some calamity, and subsidies granted, as is the case in most countries, with a view to stimulating technical progress and research in the agricultural and industrial domains, the French Government grants directly or indirectly effective assistance to producers only in a number of limited cases listed and described below.[2]

Price guarantees apply to some products the procurement of which is deemed to be essential to meet internal needs, or the market in which was organized long before the war within the general framework of the economic policy of the country; with respect to other products which constitute generally an important if not unique source of prosperity for one particular region and which it has not appeared necessary to protect by means of customs duties, direct financial support, sometimes called "customs compensation bounty", is granted by the public authorities.

Those are the two forms of State assistance to French production which, for reasons explained further in this document, do not seem to fall within the category of subsidies mentioned in Article XVI of the General Agreement on Tariffs and Trade, but which the French Government, however, has deemed it necessary to bring to the attention of the CONTRACTING PARTIES.

I. PRODUCTS FOR WHICH A PRICE GUARANTEE IS GIVEN BY THE STATE

A. Principle of the Price Guarantee

A decree authorizing this measure determines, with respect to staple commodities (wheat, beetroot and milk), the basis on which prices will be fixed for four crop years (standard yield, cost factors and taxes).

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[1] In a subsequent notification, dated 11 August 1956 (L/480/Add.4), the French Government reported that no new measures had been taken and in fact some export aids had been reduced. The text of this notification is annexed hereto.

[2] The assistance granted with a view to lowering the price of some categories of imported coal should be mentioned separately and only ad memoriam as such assistance is being eliminated.

France

Every year a Departmental Order fixes the amount of the various cost factors and the price of the products concerned on the basis of cost and cost factors.

B. Products to which the Guaranteed Price System Applies

Wheat and Cereals

Authorization - Decree of 22 March 1947 guaranteeing the price of wheat for the years 1947/48 up to and including 1951/52.

Beetroot

Authorization - Decree of 30 April 1946 subsequently amended by Decrees of 23 February 1948 and 1 December 1949.

Alcohol

Authorization - Article XXVI of the Law of 1 August 1924 laying down the principle of sugar and alcohol price equalization.

Oilseeds

A floor price support is guaranteed in the case of peanuts and rapeseeds, in other words, the Government has committed itself to buy the crop surplus which has not been sold at the floor pride or above. Furthermore, the Government guarantees the financing of the crop on the basis of the floor price.

As regards peanuts, this guarantee is given by way of inter-departmental agreement. The Authorization for rapeseed is Decree No. 52.1283 of 1 December 1952.

Milk

Approximate price determination measures apply only to milk for direct consumption, the purpose being to avoid any increase in internal prices rather than to provide minimum price guarantees to producers.

Authorization - Decree of 22 April 1953.

For other dairy products, the Government takes regulating measures by determining a floor price for butter and, if need be, by storing products in excess.

II. PRODUCTS FOR WHICH DIRECT FINANCIAL ASSISTANCE IS GRANTED BY THE PUBLIC AUTHORITIES

Authorization - Law of 15 September 1943 instituting a Textile Fund.

Circumstances - The resources of the Fund make it possible to further the production of a number of commodities (flax, silk and hemp) for which this form of subsidy is granted. As regards flax and hemp, the subsidy was instituted with a view to furthering the use of national textile fibres which constitute an important source of prosperity for the producing areas.

France

As regards silk, the subsidy solely aims at ensuring the maintenance of this production which could not be carried on without protection, and which is highly essential for a region otherwise very poor.

Effect - The above-mentioned subsidies are of little importance and are aimed at maintaining the cultivation or production of flax, silk and hemp in regions which are either poor or dependent on such production for their prosperity. The area under cultivation is not important. The subsidies which are of a purely local scope do not seem of such nature as to be likely to have a notable influence on French imports or exports.

ANNEX

Notification of 11 August 1956
(L/480/Add.4)

Since the above notifications were transmitted to the CONTRACTING PARTIES, France has not instituted any new export incentives; on the contrary, export aids which had been granted in the form of a reimbursement of social and fiscal charges have been reduced.

In the first instance a general measure of reduction was imposed on 1 December 1955 in pursuance of the Departmental Order of 29 August 1955. The rate for the reimbursement of fiscal charges which had been fixed at 7.5 and 5.45 per cent since 1 December 1954 was brought down to 5 per cent and 2.5 per cent respectively.

Furthermore, specific measures have been instituted on various occasions.

Under an Order of 31 March 1956, export aids which had been granted to a number of products including wines, iron and steel products and certain qualities of coal have been reduced or discontinued. These last measures have been in force since 1 July 1956.

Furthermore, under three Orders dated 7 June 1956, export aids have been discontinued altogether in the case of iron and steel products and some qualities of coal; in the case of wool tops and yarns of wool and flax, the rate of the reimbursement of fiscal charges has been reduced or eliminated.

As regards coal, the measure entered into force immediately; in respect of iron and steel products the steps taken are to become effective 1 September next, and in the case of the wool and flax industries, on 1 October.

The texts of the measures concerned, as published in the "Journal Officiel de la République française"[1], are annexed hereto.

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[1] These texts are on file in the office of the secretariat.

FEDERAL REPUBLIC OF GERMANY

Notification of 29 August 1953, as modified by notification of 28 June 1954 [1]

(L/91/Add.1 and L/223)

The Federal Government, under the Spirits Monopoly Law of 8 April 1922 (RGBl.I, p.405) grants a subsidy, the purpose of which is to permit the export of spirits and products thereof. The subsidy pertains either to the delivery of the spirits by the Federal Monopoly Administration at a certain export price or to an export compensation granted to buyers of spirits who have actually paid the domestic price and then export such spirits. The export price or the export compensation is kept in line with the world market prices according to the type of products involved and the domestic selling prices, the maximum being DM 250,- per hundred litres of spirit. No subsidies are granted for the purpose of reducing the import of spirits.

In accordance with the Federal budget for the 1954 fiscal year the Federal Government grants a subsidy for the growing of hemp and flax as well as for the cultivation and increased production of fodder plant seeds and vegetable seeds. This measure is intended to maintain areas under hemp and flax cultivation for reasons of husbandry. This will not cause any reduction in the imports of hemp and flax compared with the years in which no subsidy was granted. In the case of the fodder plant seeds and vegetable seeds, the aim is to maintain and encourage cultivation efforts and the production of indigenous high-quality seeds approved under the law or on seeds successfully tested under the approval procedure.

A price countervailing fund has been set up by the German rubber industry under Regulation PR No. 42/52 by the Federal Minister for Economics, dated 17 May 1952, in order to equalize prices of natural and synthetic rubber. The objective is to reduce the cost of consumption of domestic synthetic rubber products by imposing a countervailing duty on the consumption of natural rubber (other than guttapercha and balata), caoutchouc milk and imported synthetic rubber of the types GR-S and Polyser S, and by making payments out of the fund so raised. Production in Germany of synthetic rubber could be resumed no sooner than in the spring of 1951 when the Allied Authorities gave the necessary permission. Owing to the preceding dismantling operations, production was limited to 500 tons a month, i.e. 5 per cent of the amount of natural rubber imported into Germany. The import of natural rubber is not impaired by the measure described above, but is steadily increasing.

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[1] In subsequent notifications (L/351/Add.1, L/480/Add.1, L/660/Add.4 and notification dated 26 August 1958) the German Government has reported that there have been no further modifications to the system as described above.

I N D I A

Notification of 2 May 1955[1]

(Preceding notifications were reproduced in GATT/CP/114 and Corr.2 and G/4/Add.3)

Rebate on sales of handloom cloth

The Indian handloom industry provides employment for about 1.5 million people mostly in Indian villages. Following the slump condition which prevailed during the early part of 1952, sales of handloom cloth in India declined sharply and led to the accumulation of large unsold stocks. As a result, quite a number of establishments closed down thus aggravating the already serious unemployment position in the countryside. It became a matter of great urgency economically and politically to relieve this distress.

One of the reasons which affected the sales of handloom cloth at that time was the relatively high price which the consumers had to pay for it as compared with similar cloth manufactured by power looms or textile mills. Unless, therefore, the cost of handloom cloth to consumers was substantially reduced there was no prospect of popularizing its use or rehabilitating this village industry on a sound basis. The question of introducing technological improvement in the methods of production, better salesmanship, etc., needed careful planning and suitable steps have been taken to effect long term improvement. But as immediate relief for handloom weavers was most important, the Government of India sanctioned in September 1953 a scheme of financial assistance for the grant of rebates on internal sales of handloom cloth with a view to reducing the cost of those fabrics to domestic consumers. The procedure for the grant of this rebate[1] is as follows:

(i) rebate at one anna per rupee on wholesale sales of handloom cloth by Weavers' Co-operative Societies, Fair-price shops or other wholesalers;

(ii) rebate at 9 pies to 1½ annas per rupee on retail sales of handloom cloth worth Rs.2/- or over from Weavers' Co-operative Societies or State-owned Depots.

(iii) rebate at one anna per rupee on retail sales worth Rs.2/- or over from consumers' Co-operative Societies or Fair-price shops of handloom cloth purchased from Weavers' Co-operative Societies, Primary Producers or middle-men.

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[1] In subsequent notifications (L/480/Add.5, L/660/Add.4 and a notification of 11 July 1958) the Indian Government has reported that the scheme as described above, remains unchanged. With the introduction of the new Indian Decimal Coinage, however, the rate of rebate, although unchanged, is now expressed as 6 Naya Paise in a rupee, instead of one anna.

Initially the scheme of rebates did not apply to sales of handloom cloth for export. At the same time, the export of cloth on which the rebate had already been allowed, could not be effectively prevented and some export of the subsidized cloth did take place. This gave rise to complaints from Co-operative Societies and State Trading Organizations that by not allowing the rebate directly on exports, they have been placed under a handicap vis-à-vis the other parties which had purchased cloth from them at concessional prices. In order to remove this anomaly, the scheme of rebate was extended, with effect from 24 September 1954, to handloom cloth exported directly by Co-operative Societies and State Trading Organizations. According to the latest instructions, a rebate at a rate not exceeding one anna in a rupee will be admissible to:

(i) Co-operative Societies or State Trading Organizations on sales for export of handloom cloth purchased from Weavers' Co-operative Societies;

(ii) Co-operative Societies exporting handloom cloth direct.

The quantum of the subsidy on export works to 6.25 per cent and, having regard to the fact that handloom fabrics are more costly, it can have little effect on exports. Further, the rebate allowed on internal sales can go up to 1½ annas per rupee while that on external sales cannot exceed 1 anna in the rupee. The grant of rebate by the Government of India on the external sales of handloom cloth does not result in export at prices lower than that charged to the domestic consumer. As exports of handloom cloth by Co-operative Societies and State Trading Organizationswhich alone are entitled to rebate under the Scheme, form a very small proportion of India's total exports of handloom fabrics, the effect of the rebate on exports of handloom cloth is not appreciable. This is borne out by the statistics of exports during the last quarter of 1954 when the scheme was in operation. Exports of handloom textiles by India during the last three years when the scheme was not in operation were:

1952	54.0	million yards
1953	63.0	" "
1954	57.3	" "

Latest available statistics of exports of handloom cloth are as follows:

1955	56.2	million yards
1956	59.8	" "
1957	38.0	" "

I N D O N E S I A

Notification of 19 July 1956 and supplementary notification of 21 September 1956 (L/480/Add.2 and 6)

Due to prevailing high prices on the domestic market exportation of Indonesian 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.

The following summarizes the measures taken by the Government of Indonesia, at the instigation of the Monetary Board:

Additional Export Duty

The so-called "strong products" have been temporarily exempted from the additional export duty as from 24 October 1955.

Note: The additional export duty was imposed on "strong products" from 4 February 1952 and lately only on copra (5 per cent ad valorem), pepper (5 per cent ad valorem) and coffee (5 per cent ad valorem).

General Export Duty

As from 1 February 1949 a General Export Duty at a rate of 8 per cent ad valorem (f.o.b. value) was levied on all products exported from Indonesia except rubber for which a special tariff was created on a "sliding scale" basis. However, the relative ordinance, inter alia, leaves room for lowering the tariff if the market position of a product makes such necessary. In the case of a so-called "weak product", the levying of duties can be suspended temporarily. The Government, in the course of years, has made use of this temporary suspension provision in several cases. As from 24 October 1955 the rate of duty was lowered for the following products:

Indonesia

Copra	from	8	per	cent	to	3	per	cent	ad val.
Coffee	"	8	"	"	"	3	"	"	"
Palm oil and Palm kernels...	"	8	"	"	"	free			
Tobacco.....	"	8	"	"	"	free			
Pepper	"	8	"	"	"	free			

Note: At present the General Export Duty is levied only on: tin (8 per cent ad valorem), oil-products (4 per cent ad valorem), copra (3 per cent ad valorem), coffee (3 per cent ad valorem) and rubber (sliding-scale).

Subsidies

As from 24 October 1955 an export premium is payable on the expertation of all products on which no export duty is levied ("weak products") except palm oil, palm kernels and tobacco.

The background for this assistance is that the cost price of these products is relatively high in comparison with the current low prices on the world market, so that a serious stagnation threatened Indonesian exports. The premium is payable to the exporter of these products on the basis of a fixed percentage of the f.o.b. value of the exported products in terms of rupiahs.

Pepper	premium 5 per cent
All other products	premium 10 per cent.

However, for some products this incentive appeared to be insufficient as a result of which the rate of the premium was raised in the following cases:

Vegetable fibres	from 10 per cent to 25 per cent as from 1 March 1956
Kapok	from 10 per cent to 15 per cent as from 10 March 1956
Tea	from 10 per cent to 20 per cent as from 5 May 1956.

In the meantime it appeared that the competitive position of a special kind of tobacco, namely "Vorstenlanden", which is grown mostly in the area of Jogjakarta and Surakarta on the isle of Java, had deteriorated seriously. In connexion herewith the premium of 10 per cent was also granted to the exportation of tobacco "Vorstenlanden" derived from the crop of the year 1956/57 and eventually from subsequent years.

This summary outlines the situation as it stood on 1 August 1956. As this stage, it is, as may be understood, too early to produce further information about the results of the measures recently taken to stimulate exports.

I T A L Y

Notification of 13 October 1950
(GATT/CP/114)

No export bounty or subsidy is granted in Italy. Customs duties represent the only form of protection granted to industrial or agricultural production.

Quantitative restrictions that Italy had to impose to safeguard her balance of payments are being eliminated within the general framework of trade liberation measures (Ministerial Decree of 15 July 1950). Further independent measures have been adopted as regards imports from the sterling area (Foreign Trade Ministry Circular of 31 August 1950).

Italy does not apply any price support measures. The task of the Inter-departmental Price Committee instituted under Law No. 347 of 19 October 1944 is rather to fix price limits for some raw materials and staple food or industrial products in great demand among consumers.

The only two industries to which State subsidies are granted are the coal industry in Sardinia and the sulphur industry in Sicily. These subsidies are based on the need for giving employment to part of the labour force in Sardinia and Sicily - that is, in two regions where demographic pressure is particularly acute in relation to economic development. The aim of the subsidies is therefore of a social, rather than of an economic nature, and these measures will remain in force until such time as the technical reorganization of these industries makes it possible to reduce the cost of production to international level.

As regards the effects of export and import subsidies, it will suffice to note that:

(a) the quantity of coal produced in Italy is very small as compared with internal consumption, and furthermore that Sulcis coal is suitable for a limited number of uses only;

(b) sulphur has never been imported into Italy, as the level of national production has always been adequate to meet internal demand and has even allowed the export of surpluses.

This picture would not be complete if no mention were made of State intervention with respect to the regulation of the wheat and beetroot markets. Such measures are directed towards ensuring the maintenance, on a remunerative

basis, of the production of these two commodities, which are essential to the Italian agricultural economy, while aiming at allowing bread and sugar prices to be fixed at the lowest possible level.

Though the measures concerned may have some consequences on imports, they are justified by the need for safeguarding the vital interests of the country, whereas economic protection is achieved by means of customs duties.

J A P A N

Notification of 7 July 1954 as modified by notifications of 10 August 1955 and 14 August 1956[1] (L/223, L/351/Add.1, and L/480/Add.4)

The Japanese Government does not at present grant or maintain any subsidies, which operate in such manner as to require a report under the provisions of Article XVI. The Japanese Government deems it appropriate, nevertheless, to report on certain measures in consideration of the general practices followed by other contracting parties. The purpose of this report is to describe such measures. Part I discusses State controls on staple foodstuffs, Part II deals with price support programmes for certain agricultural products and Part III describes financial assistance to agriculture, forestry and fisheries.

PART I

STATE CONTROLS ON STAPLE FOODSTUFFS

With a view to guaranteeing fair returns to growers constituting nearly one-half of the population and to ensuring an equitable distribution at a reasonable price, the Japanese Government maintains controls on rice. Under the provisions of the Food Control Law of 1942, as amended, the Food Agency, Ministry of Agriculture and Forestry, is designated as an exclusive agency to purchase rice, domestic as well as imported, and to re-sell it, under a rationing scheme, to the people at a fixed price. The purchase price for domestic rice of the said Agency, is set at a level calculated to secure fair returns to farmers and the selling price is set on the basis of the purchase price and related charges. For 1953/54 crop year, the standard purchase price was set at ¥9,041 per 150 kilogrammes (one koku) and the standard selling price was set at ¥10,041 for the same unit. Since the current prices of imported rice are higher than the price level set for the domestic produce, the Government sustains trading losses, which are compensated by an import subsidy.

Producers of wheat and barley may sell their crops through commercial channels since June 1952. However, the Food Agency of the Government is authorized to purchase unlimited quantities of domestic wheat and barley from producers at fixed prices designed to guarantee reasonable returns in comparison with the production of rice to farmers and re-sell them to consumers at prices set in consideration of the cost of producing and marketing, etc. With regard to imported wheat or barley, the Food Agency is the sole purchaser from importers. The prices prevailing for imported wheat or barley are higher than the level of prices fixed for the domestic produce, and the Food Agency sustains trading losses, which are to be compensated by an import subsidy.

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[1] In subsequent notification dated 8 November 1957 (L/660/Add.3) and 8 September 1958, the Japanese Government reported that there had been no substantial modification to the system as described above.

Japan

The import subsidies for rice, wheat and barley which are clearly outside the purview of Article XVI, amounted to approximately ¥25,082,866,000 in 1953/54 and were expected to be ¥11,540,000,000 in 1954/55.

PART II

PRICE SUPPORT PROGRAMME FOR CERTAIN AGRICULTURAL PRODUCTS

Rape-Seed, Starch and Dried Strips of Sweet Potatoes, Soya Beans

Under the provisions of the Agricultural Price Stabilization Law of 1953, the Government is authorized to purchase, within a budgetary limitation, rape-seed, starch and dried strips of sweet potatoes (material for starch), and soya beans. The purpose of the price support operation is to stabilize returns to farmers from these products which are only next to staple foodstuffs in economic importance. The guaranteed price was set at ¥2,800 per 60 kilogrammes for rape-seed, and at ¥1,770 and ¥1,020 per 37.5 kilogrammes respectively for starch and dried strips of sweet potatoes in 1953/54. Under this programme, the Government purchased 60,510,000 kilogrammes of starch and 25,533,750 kilogrammes of dried strips of sweet potatoes but no rape-seed was purchased due to high market prices during 1953/54. For 1954/55 an appropriation of ¥2,619,414,000 was expected for the purchase of these products.

Beet Sugar

Under the Beet Sugar Production Encouragement Provisional Measure Law of 1953, the Government is authorized to purchase beet sugar at a guaranteed price. The purpose of this measure is to rationalize farm management through the production of sugar beet in cold regions. In 1953/54, the purchase price was set at ¥5,325 per 60 kilogrammes and 37,000 tons amounting to approximately ¥3,000 million in value were purchased by the Government. An appropriation of ¥3,619,807,000 was expected for 1954/55.

This measure is not likely to operate to reduce imports substantially as the national production is limited as against import requirements.

Silk

In consideration of the economic importance of raw silk in Japan, the Government is taking special measures to stabilize its price. Under the Silk Yarn Price Stabilization Law of 1952, the Government is authorized to purchase raw silk when its market price falls below a prescribed floor price and to sell it when its market price exceeds a prescribed ceiling price. The floor price and the ceiling price were set at ¥180,000 and ¥230,000 per 132 pounds respectively in 1953/54 and at ¥190,000 and ¥230,000 respectively in 1954/55.

No purchase was actually made by the Government in 1953/54 as its market prices were higher than the floor price during the year. An amount of ¥3,200,000,000 was earmarked for 1954/55.

Japan

PART III

SUBSIDIES TO AGRICULTURE, FORESTRY AND FISHERIES

Land Improvement

As an encouragement to land improvement and reclamation, the Government grants, under the provisions of the Agricultural Land Improvement and Reclamation Law of 1952, subsidies for land improvement (including ditching, field draining and water supply installations) and reclamation of wild land including acid and volcanic soil. Approximately ¥26,265,588,000 was paid by the Government in 1953/54 and a total of ¥26,325,448,000 was earmarked for 1954/55 for this purpose.

Forestry

With a view to encouraging the expansion of private forestry and conserving water resources, a subsidy for forestation is paid under Agricultural and Forestry Ministry Orders equal to 30 per cent of the expenses for planting pine, cedar, cypress, etc., in privately owned woodland. Approximately ¥3,012,935,000 was defrayed for this purpose in 1953/54. An appropriation of ¥3,233,408,000 was expected for 1954/55.

Fisheries

(a) . Subsidy on scallop

For the purpose of improving livelihood of inshore fishermen and increasing production of albuminous food, the cultivation of scallop is subsidized under a programme for increased production of important shellfish. An appropriation of ¥11,330,000 was expected for 1954/55.

(b) Subsidy for improvement in oyster farming technique

A total of ¥3,300,000 was to be appropriated in 1954/55 for this purpose.

NETHERLANDS

Notification of 12 August 1953, as modified by notifications of 25 July 1955 and 27 September 1956 (L/91/Add.1, L/351/Add.1, L/480/Add.6)

(Preceding notifications were issued in GATT/CP/114 and G/4/Add.3)

The Netherlands, the overseas parts of the Realm included, do not at present grant or maintain any subsidy which, in the terms of Article XVI, operate directly either to increase exports or to reduce imports.

A. METROPOLITAN TERRITORY

In the metropolitan territory, however, certain subsidies are granted of which the indirect export-increasing effect cannot be denied theoretically, though in practice that effect is so small that the following survey of these subsidies is given for the sake of completeness only.

Subsidies on consumers' goods

In pursuance of the Government's wage and price policy subsidies are paid on certain foodstuffs of which the cost of production (or purchase price, in the case of imported goods) is too high to be fully met by the price the average consumer can afford to pay.

Subsidies paid in 1952 amount to 75 million guilders. This sum equals about 0.4 per cent of the national income so that its export-increasing effect, if any, is very small.

The table below shows the subsidies granted for the main articles:

Bread	800 gr.	1 cent
Milk for consumption	litre	3.5 cents.

In 1955 60 million guilders were paid as subsidy on milk at the rate of 3.3 cents per litre.

These subsidies are paid out of a special fund (Landbouwegalisatiefonds - Agricultural Equalization Fund). This Fund, however, has been established primarily for the purpose of price-equalization of agricultural products (see below).

Subsidies on fodder

The sum of 75 million guilders, mentioned above, comprises 31.5 million guilders for the subsidization of imported fodder cereals and albumen fodder (for 1953 this latter figure is expected to be 32.5 million guilders). During 1955, however, no amount was appropriated for the subsidization of imported fodder.

Netherlands

Price equalization for agricultural products

The domestic prices for agricultural products are sometimes lower, sometimes higher than the prices which can be obtained in the export trade. The extra profits which could be made in exporting the former are withheld and the amounts thus raised are used to subsidize the export of the latter.

All subsidies mentioned are based on the Agricultural Crisis Act 1933 (Landbouwcrisiswet) and the Food Order 1941 (Voedselvoorzieningsbesluit), under which the Minister of Agriculture, Fisheries and Food fixes the amounts to be paid.

Peat

The production of peat is subsidized for social considerations, viz. in order to avoid unemployment in an unfertile part of the country. The subsidy, which is paid out of the budget of the Ministry of Social Affairs, amounts to no more than 250,000 guilders for 1953 and applies to peat for industrial purposes only, not to peat used as a household fuel. The subsidy is necessary because otherwise the industries now using peat would shift to the cheaper coal. Moreover peat hardly ever enters into international trade on account of its low value, which cannot bear the comparatively high cost of transport. The subsidy consequently can hardly be considered to come under the terms of Article XVI.

B. OVERSEAS PARTS OF THE REALM

In Netherlands New Guinea, Surinam and the Netherlands Antilles no subsidies are granted of which the indirect effect would be to increase exports or reduce imports.

SWEDEN

Notification of 21 August 1956[1]

(L/480/Add.4)
(Preceding notifications were issued in GATT/CP/114, L/91Add.1, L/223 and L/351/Add.1)

Agricultural produce

Attention is drawn to the new rules adopted by the Government and the Riksdag for the application of the decision taken by them in 1947 regarding the price support scheme for Swedish agriculture. These rules came into force on 1 September 1956 for an initial period of three years. Although this will not lead to any change of principle in the system for equalizing possible export losses, it may be desirable on this occasion briefly to recapitulate the details of the system. The data supplied are presented, as far as possible, in the form recommended by a special working party of GATT and set out in the Third Supplement to the Basic Instruments and Selected Documents, page 225.

I. Nature and extent of the subsidy

(a) Background and authority. In connexion with the introduction of the new rules referred to above, certain important changes will be made in the system of import and export controls. Thus, in principle, quantitative restrictions will be removed provided the domestic prices of the products concerned are within certain predetermined price limits (a lower limit and an upper one). On the same presumption, the exclusive rights mentioned in earlier reports as being enjoyed by certain organizations as regards the importation or exportation of certain products (meat, eggs, sugar, bread grains) will no longer apply. The reintroduction of these exclusive rights, as also of quantitative restrictions, may be considered if the prices fall below the lower or rise above the upper price limit. Thus, in future, protection for domestic production will in principle not be effected through quantitative controls but through levies imposed on imported goods. At the same time as customs duties are abolished the products will be subject to import levies, the amounts of which have been determined for the initial three-year period. In the case of the more important products, certain so-called "middle" prices have also been determined. These have been calculated in such a way as to enable farmers to attain parity of income with other comparable groups of the population which is the principal object of agricultural policy in Sweden. These "middle" prices have served as a guide in determining the import levies and the price limits, but following the actual introduction of the system they will have no special function to fulfil. Thus they do not constitute any form of guaranteed prices. Instead, domestic prices will be allowed, under the influence of price movements abroad, to fluctuate between the fixed price limits, which as a rule are about 10 to 15 per cent above or below the "middle" price. However, in principle the lower price limit must always be protected, in the first place by raising the import levy and in the second place by reintroducing quantitative restrictions. On the other hand if the price should rise above the upper price limit the import levy will be reduced or removed or quantitative control of exports introduced.

[1] In subsequent notifications (L/660/Add.3 and L/809/Add.1) the Swedish Government has reported that the system of export subsidies, as described above, was unchanged.

So long as domestic production enjoys protection through import levies, the domestic price level for the products concerned will as a rule be higher than the so-called world market prices. Accordingly, when Swedish products covered by the system are exported the price difference must be levelled out. Here the principle will apply, as previously, that it is agriculture itself which must meet the export losses. The basic regulations for agricultural policy are set out in a Government Bill of 1947 (Kungl. Maj:ts prop. 1947:75). The new rules for their application are contained in a Bill of this year (Kungl. prop. 1956:165). The body primarily responsible for the application of the regulations in this field is the State Agricultural Marketing Board. (As shown below, the amount of the export grants is determined not by any governmental authority but by private organizations.)

(b)-(c)&(d) Incidence. Amount of subsidy. Estimated amount per unit

There is no provision in the State budget for funds to support exports. Instead, as regards the main agricultural products, producers have to pay certain fees in order to build up a fund which inter alia may be used in case of need by the appropriate agricultural organization for the purpose of equalizing export losses. Furthermore, it is these organizations themselves which have to decide whether export grants shall be given and if so to what extent.

As regards bread grains (wheat and rye) which are ground in Swedish mills there is, for example, a special fee, a so-called milling fee which was fixed at 5 kronor per hundred kilogrammes for the harvest year beginning 1 September 1956. With a normal harvest this would yield approximately 34 million kronor for the appropriate fund. How much support of exports may be needed will, of course, depend on the future trend of world market prices and the size of the Swedish export surplus. As an indication, it may be mentioned that with the prices now ruling a grant of 9 kronor per hundred kilogrammes of wheat is required. A considerably lower grant would be sufficient, in the present situation, for rye exports. As mentioned previously, the size of the grant is not decided by the Government but by a private organization, in this case the Association of Swedish Cereal Trade (Föreningen Svensk Spannmalshandel), an organization of producers, grain dealers and millers.

In the case of meat and pig meat a certain fee, known as the slaughter fee, is levied on the slaughter of certain livestock. At the present time the fee is 15 kronor for fully-grown cattle weighing over 150 kilogrammes and for horses, 8 kronor for fully-grown cattle weighing less than 150 kilogrammes and for large calves, 5 kronor for small calves and 8 kronor for pigs. In normal circumstances the money raised in this way - about 15 million kronor a year - is estimated to be sufficient to cover export losses in the field in question. If the export losses are lower than previously estimated the fees are reduced correspondingly. The export grants are fixed by the Association for Swedish Meat Trade (Föreningen Svensk Kötthandel), an association open to producers and wholesale meat dealers.

A system of internal fees is also applied in the case of dairy products. These are the so-called equalization fees which are levied on the production of milk, cream and cheese. The total amount collected, about 120 million kronor, can, in addition to the main object, i.e. price regulation on the home market, also be used for meeting export losses in the case of, for instance, butter and cheese. The association which dominates production in this field, the Swedish Dairy Association (Svenska Mejeriernas Riksförening), fixes the amount of the export grants in accordance with needs. In all, the grants amount to about 15 million kronor a year; the remainder of the proceeds from the equalization fees is repaid to the milk producers according to certain rules.

In addition to the funds obtained from the fees mentioned above, Swedish agriculture also receives funds derived from import levies. Sometimes, for instance in the case of import levies for feeding-stuffs, the method can be regarded as a restitution of special costs connected with production; this applies, for example, to the export of eggs. In general these funds will be used mainly for price measures of different kinds, e.g. to cover costs for storage and marketing. The amount of money coming in from this source will, of course, depend on the size of future imports. It may, however, be mentioned that for 1956/57 it is calculated that roughly 70 million kronor will accrue to agriculture in this way. This arrangement is essential to secure parity of income for farmers which, as mentioned above, is the aim of agricultural policy.

II. Effect of subsidy

No estimate of the effect of the measures on imports or exports as compared with an earlier representative period can be made. It may, however, be seen from the foregoing that no exports would take place if a levelling out of the disparity between the domestic and foreign price levels were not undertaken.

The prices of certain kinds of fish are controlled. The regulation means that fishermen receive a bonus for fish that cannot be sold at certain fixed minimum prices (surplus fish). The bonus is paid from funds established by a special fee which is made either at the first-hand sale and at, at least, the minimum price for Swedish fish or at importation of fish. For exports the bonus is only paid on small herring (from the Baltic sea) and, in certain cases, for salted herring.

Sweden does not maintain export subsidies on any other products than those mentioned above.

TURKEY

Notification of 14 October 1955[1]
(L/351/Add.2)

(Preceding notifications were issued in G/4/Add.2, L/91/Add.1 and L/223/Add.1)

I. Subsidies

Wine is the only export product benefiting from subsidies falling under Article XVI of the General Agreement.

1. Nature and extent of the subsidy

(a) Legislative basis and provisions

Article 16 of Act No. 4250 of 8 June 1942, modified by Act No. 6553 of 9 May 1955, on alcohol and spirits, authorizes the Turkish Government to grant subsidies on wine exports.

Wine production in Turkey is a recently established branch of economic activity and the cost of production is relatively high. The Turkish Government therefore grants subsidies on wine exports for the purpose of promoting production and exportation of this product.

(b) Incidence

The subsidy granted on wine exports is paid by the Turkish Monopolies Administration direct to exporters. This Administration may likewise receive premiums for quantities of wine which it itself exports abroad. The amount of the subsidy granted per litre of wine is not fixed by law. It is established each year by the Ministry of Customs and Monopolies, after consultation with the Ministries of Finance, Economy and Commerce.

(c) Amount of the subsidy

The total cost of the subsidy granted in 1954 on wine exports was ~~LT.~~144,290 for 1,442.900 litres of wine. Estimated amount per unit was ten piastres per litre of wine.

2. Effect of the subsidy

The amount of wine produced in Turkey being small, the effect of the subsidy on exports remains negligible.

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[1] In subsequent notifications (L/480/Add.6 and L/660/Add.3) the Turkish Government has reported that there have been no changes to the system as described above.

Turkey

II. Price Support Policy

Under Act No. 3491 of 13 July 1938 on Agricultural Products (of the Soil) the Agricultural Products Board (Products of the Soil) purchases wheat with a view to preventing its sale by producers at prices below normal and in order to support and regulate the wheat market. Purchases are made at prices which are fixed each year by the Council of Ministers before 15 June. These purchases, which are designed to protect producers and consumers alike, correspond only to a limited amount of wheat produced. Purchases by the Agricultural Products Board affect only one-sixth of the annual production. A great part of that quantity is sold on the domestic market and the surplus is intended for exportation. Exclusive of that measure, the purchase and sale of wheat are carried out freely in Turkey and are not subject to monopoly.

Regulating purchases which are carried out from time to time according to requirements on products such as tobacco are designed to protect producers by enabling them to sell their products at fair prices. Exports of these products do not benefit by any state subsidy.

UNION OF SOUTH AFRICA

Notification of 16 July 1958

(Preceding notifications were reproduced in the following documents: GATT/CP/114, L/91/Add.1, L/223/Add.2, L/480/Add.5, L/660/Add.3.)

A. STATE SUBSIDIES

I. BAGS

1. Nature and Extent of the Subsidy

(a) Background and Authority: A subsidy is paid on grain bags from funds which are set aside annually and which have to be approved by Parliament. The ultimate payments have to be accounted for to Parliament. The object is to reduce costs to producers.

(b) Incidence: The importation and distribution of bags is controlled by the Jute Controller who arranges for new grain bags to be sold to producers at the fixed price of 2s. per bag. The rate of the subsidy depends on the foreign purchase price of the bags, the amount per bag being the difference between the purchase price and the fixed domestic selling price.

(c) Amount of the Subsidy: The subsidy payments on bags amounted to £1,260,000 for the financial year which ended on 31 March 1957, and £1,188,000 (provisional) for the financial year 1957/58, while it is estimated that £1,273,000 will be necessary for 1958/59.

(d) Estimated Amount per Unit: For the financial year 1957/58 the subsidy per bag amounted to 9d., while for 1958/59 it is estimated at 8d. per bag.

2. Effect of the Subsidy

The subsidy has little or no effect on South Africa's foreign trade. Most bags and fibres for bagging materials are imported, and the subsidy is not paid on bags used for exporting grain or milled products.

II. FERTILIZERS

1. Nature and Extent of the Subsidy

(a) Background and Authority: A subsidy is paid on fertilizers from funds which are set aside annually and which have to be approved by Parliament. The ultimate payments have to be accounted for to Parliament. The subsidy on fertilizers is intended largely to encourage their use and thereby to protect the soil.

(b) Incidence: The price of fertilizers is reduced to agricultural producers by a subsidy of £1 per ton paid to distributors while a rebate of 75 per cent on the railage and/or motor bus charges on fertilizers is also allowed.

(c) Amount of the Subsidy: The rebates and subsidy payments have been, or are estimated to be, as follows:

Financial Year Ending 31 March	Amount of Rebate on Railage and Transport	Amount of Subsidy
	£'000	£'000
1956	963	934
1957	1,207	929
1958 (estimated)	1,150	950

(d) Estimated Amount per Unit: The amount of the price subsidy per ton is £1 while 75 per cent of the rail and/or motor bus charges is rebated.

2. Effect of the Subsidy

Up to the present the great bulk of raw phosphate rock, potash nitrates and some mixed fertilizers have been imported, and the increased consumption resulting from these subsidies in part benefits the countries supplying these fertilizing materials.

III. FOODSTUFFS

1. Nature and Extent of the Subsidy

(a) Background and Authority: Subsidies intended to reduce costs to consumers are being paid on butter, maize, wheaten bread flour, sifted and unsifted meal for bread and enriched bread. The maize subsidy is also intended to encourage consumption. Apart from the consumer subsidy on maize, 37½ per cent of the inland rail and/or motor bus charges on this commodity and its primary products are also rebated. This rebate is not applicable to maize exported. In addition to the subsidy on domestically produced wheat, the State also carried the amount of the difference between domestic prices and the landed price of imported wheat in those years during which wheat was imported. Since the 1956/57 season, however, no wheat has been imported.

All funds annually set aside for these subsidies have to be approved by Parliament and all ultimate payments have to be accounted for to Parliament.

Union of South Africa

(b) Incidence: The rates of these subsidies (except the subsidy on imported wheat) are determined from year to year by the Cabinet.

(c) Amount of the Subsidy: The amounts paid on wheat and meal for bread, maize and butter during the financial years 1955/56 and 1956/57 and the amounts budgeted for the year 1957/58 are given in the table below:

Financial Year Ending 31 March	Wheat/Meal/ Bread	Maize	Butter	Total
	£'000	£'000	£'000	£'000
1956	7,190	6,538	1,284	15,012
1957	7,540	6,062	1,333	14,935
1958	7,201	5,524*	1,282	14,007

* Including £1,462,000 subsidy in respect of transport charges.

(d) Estimated Amount per Unit:

Butter: The rate of subsidy for the current season remains the same as for the last season, viz. 3½d. per lb.

Maize: The rate of the subsidy for the current season remains the same as for the last season, viz. 4s.2d. per 200 lb.

These subsidies are not applicable to butter, maize or maize products exported or removed to adjoining territories.

Wheat in the grain: The rate of subsidy for 1956/57 was 7d. per 200 lb. No subsidy is being paid on wheat in the grain during the current season.

Breadflour: The rate of subsidy for the current season is 14s.6d. per 200 lb. compared with 13s.7d. during 1956/57.

Sifted meal: The rate of subsidy for the current season is 28s.8d. per 200 lb. compared with 27s.9d. during 1956/57.

Unsifted meal: The rate of subsidy for the current season is 25s.4d. per 200 lb. compared with 24s.7d. during 1956/57.

Enriched bread: The rate of subsidy remains ½d. per 2 lb. loaf.

2. Effect of the Subsidies

The subsidies reduce the cost of these essential foodstuffs to the consumers and have no effect on exports.

IV. FILMS

1. Nature and Extent of the Subsidy

(a) Background and Authority: Since July 1957, a subsidy is payable to South African producers of feature films from funds annually set aside for this purpose by Parliament. The subsidy is intended to improve the quality of such films.

(b) Incidence: The subsidy is paid to producers on the basis of the entertainment tax paid on the showing of each film, subject to a maximum per film of 50 per cent of the production costs or £10,000 whichever is the lower.

(c) Amount of the Subsidy: The total amount of the subsidy is not expected to exceed £50,000 in the financial year ending 31 March 1959.

(d) Estimated Amount per Unit: The amount per film is estimated at £10,000.

2. Effect of the Subsidy

As the subsidy is aimed at improving the quality rather than increasing the number of locally produced films, it has little or no effect on South Africa's foreign trade in films.

B. PRICE STABILIZATION MEASURES

1. Nature and Extent of Stabilization Measures

(a) Background and Authority: Under the Marketing Act (Act No. 26 of 1937, as amended) Marketing Boards may be established to control the marketing of agricultural products. The products for which such Boards are in existence, are as follows:

1. Wool (Under a special Act. No active participation by the Board in marketing clips.)
2. Maize
3. Wheat, oats, barley and rye
4. Fresh milk, milk for industrial purposes, butterfat, butter and cheese
5. Slaughter stock (cattle, sheep and pigs)
6. Citrus fruit
7. Deciduous fruit (certain varieties)
8. Potatoes
9. Oilseeds (groundnut and sunflower)

10. Dried fruit
11. Tobacco
12. Chicory
13. Eggs
14. Lucerne seed
15. Dried beans
16. "Rooibos" tea (an indigenous plant of the genus Cyclopia)
17. Bananas

The major aim of these Boards is to achieve a measure of price stability for the products concerned and to ensure the orderly marketing thereof. These Boards control the domestic distribution of the products and undertake the export of surpluses should these occur.

Recently losses have been incurred on the exportation of tobacco, maize, oats, dried fruit, eggs, dried beans, butter and meat (pork).

(b) Incidence: The losses on the export of tobacco are recovered from funds derived from a special levy on all tobacco grown in South Africa. It should be added that South Africa is on balance an importer of tobacco but that the Tobacco Board has for a number of years endeavoured to establish an export market for certain types of leaf tobacco in order to have an outlet when local crops are in excess of domestic consumption. It is, however, extremely difficult to persuade overseas manufacturers to use a particular type of leaf, and in order to facilitate exports the best price offered by such manufacturers is accepted and the difference between that price and the domestic price is paid as a bounty.

The losses on maize exports are defrayed from the Maize Board's stabilization fund. The State and also the producer make direct contributions towards this fund (by means of a special levy). The producers' contribution to this fund has been as follows: 6d. on every bag (200 lb.) of maize sold for 1956/57 marketing season, and 1s.3d. per bag for 1957/58 and 1958/59 seasons. For the 1956/57 season provision was also made in the local selling prices for a contribution of 6d. per bag to be paid into the stabilization fund. For the 1957/58 season this contribution of 6d. per bag applied only to white maize sold. The contribution for the 1958/59 season is 1s. per bag in respect of white and 6d. per bag in respect of yellow maize.

Union of South Africa

The State's contribution has been 4½d. per bag (200 lb.) for 1956/57, 1957/58 and 1958/59 on all maize sold for consumption. The rate of 4½d. per bag is included in the Government subsidy of 4s.2d. referred to in paragraph A.III.1.(d) above. The State's contributions amounted to £420,000 during 1956/57, £395,000 during 1957/58 and is estimated at £384,000 for the current season.

During the past ten years South Africa in some years imported oats. During the 1954/55 and 1955/56 seasons, however, there were exportable surpluses and losses were incurred on the export thereof, which were covered from an oats reserve fund which is maintained by levies imposed on oats delivered to and sold by the Wheat Board. During the 1956/57 season these levies were 5s.0d. per bag (150 lb.) for Class A oats, 3s.9d. for Class B grade 1, and 1s.0d. per bag for the lower grades. For the 1957/58 season the levy on Class A grades 1 and 2 was reduced to 4s.6d. per bag and that on Class B, grade 1 to 3s.3d., while the levy on the lower grades remained unchanged. During the 1956/57 and 1957/58 seasons there were no exports of oats.

The Dried Fruit Board acts, through firms handling dried fruit, as the sole buyer of prunes, currants, raisins and all types of sultanas, but does not control the sale of other kinds of dried fruits.

In respect of the varieties controlled by the Board, producers are paid an advance price on delivery. A levy is imposed to maintain a price stabilization fund from which export losses are met. For the 1957 season this levy amounted to 12 per cent on the Board's net selling price in the case of raisins, 1½d. per lb. on stalk, muscadel and loose raisins and 8 to 10 per cent in the case of the other varieties controlled by the Board. For the present season (1958), this levy amounts to 10 per cent on the Board's net selling price in the case of raisins, 1½d. per lb. on stalk, muscadel and loose raisins, and 6 to 15 per cent in the case of the other controlled varieties.

During 1955 the Board suffered considerable losses on the export of raisins. Subsequently, however, as a result of improved overseas prices and smaller local crops, no further losses have occurred.

Losses on surplus eggs exported in the 1956/57 and 1957/58 seasons were covered from a levy fund built up from levies on eggs sold by producers within a controlled area or introduced for sale in such areas by persons dealing with eggs in the course of trade. During the 1957/58 season the contribution to the fund varied from 1½d. to 2½d. per dozen eggs compared with a levy varying between 1d. and 2d. per dozen during the 1956/57 season.

Union of South Africa

During the 1957/58 season the loss on dried beans sold for export was covered from funds obtained from a special levy payable by producers on all dried beans sold by them. During the 1955/56, 1956/57 and 1957/58 marketing seasons, this special levy was fixed at 2s. per bag (200 lb.). For the current season the levy is 2s.6d. per bag.

During 1956/57 and 1957/58 losses on butter exports were covered from the Dairy Industry Control Board's stabilization fund, built up mainly by means of a special levy collected from producers. During 1956/57 and 1957/58 this levy was at the rate of ½d. per lb. of butterfat.

The loss on meat (pork) exported during 1957/58 was defrayed from a special stabilization levy fund built up from levies paid on each class of pig slaughtered either at private slaughter-poles or at abattoirs under the control of a local authority. The levy imposed for this purpose was:

Baconers and sausage pigs: 21s.3d. per pig (in main urban areas)
Porkers and larders: 13s.9d. per pig (in main urban areas)
Roughs: 4s.3d. per pig (in main urban areas)

In the rest of South Africa the levy was at a flat rate of 13s.9d. per pig.

(c) Amount of Export Losses: The following losses were covered in the manner described above for the eight products concerned:

Financial year Ending	Tobacco	Maize	Oats	Dried Fruit	Eggs	Dried Beans	Butter	Meat (Pork)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1956	73	2059	26	3	-	-	-	-
1957	40	677	-	-	479	-	257	-
1958	39	3110	-	-	42	28	245	230

(d) Estimated Amount per Unit: The losses per unit covered in 1957/58 in the manner described are as follows:

Tobacco:	10d. per lb.
Maize:	4s. 0d. per bag of 200 lb.
Eggs:	5s. 2d. per case of 30 dozen.
Dried beans:	14s. 0d. per bag of 200 lb.
Butter:	10d. per lb.
Meat (Pork):	3s. 4d. per lb.

2. Effect of the Stabilization Measures

Tobacco: The Union is on balance an importer of tobacco and the bounty has no material effect on domestic production as a whole.

Maize: The stabilization fund protects producers against the vagaries of world prices and ensures that sufficient maize, which is a very important foodstuff for a large part of the population, is produced in the country.

Oats: The levy funds were used to cover a sporadic loss on exports and had no effect on South Africa's foreign trade. In view of the surpluses, producers' prices were reduced, and as a result there were no exportable surpluses in 1956/57 and 1957/58.

Dried fruit: As a result of the losses incurred on the export of raisins and the then prevailing low world prices, producers' advance prices were lowered for the 1956 crop. Due to the smaller crop and improved world prices producers' prices were again slightly raised for the 1957 crop.

Eggs: The contribution to the levy fund in effect lowered the price paid to the producer. The covering of the export loss from levy funds has no effect on South Africa's foreign trade.

Dried beans: The contribution to the fund from which losses were covered during 1957/58 actually lowered the price to the producer. It is not considered that South Africa's export trade is affected by this procedure.

Butter: The remarks made above with regard to eggs and dried beans also apply to butter.

Meat (pork): The imposition of the levy lowered the price to the producer considerably and had an adverse effect on production, but it also helped to cover losses on exports. Through the curtailment of production, exports might be reduced with a resultant decrease in losses.

C. DIFFERENTIAL RAILWAY RATES

In South Africa, as in most other countries, railway rating policy is governed by three main considerations, namely, that

(a) certain classes of traffic can only afford to pay railway rates lower than the average cost per ton-mile of conveyance by rail;

(b) some classes of traffic can afford to pay railway rates considerably higher than the average cost per ton-mile;

(c) it is better for the South African Railway Administration to convey additional traffic at rates below the average cost per ton-mile than to lose such traffic by charging higher rates than the traffic can afford to pay.

In accordance with the rating principle that it is more economical for the South African Railways to convey additional traffic at rates below the average than to lose such traffic altogether, reduced rates have been quoted in favour of a number of South African commodities when conveyed to a port for export overseas. If the normal tariffs were charged, most, if not all, of the commodities affected could not be economically exported with a resultant loss in traffic and revenue to the Railway Administration.

U N I T E D K I N G D O M

Notification of 11 June 1958 (L/809/Add.1)

(Preceding notifications were issued in the following documents: GATT/CP/114, G/4/Add.3, L/91/Add.1, L/223, L/351/Add.2, L/660/Add.1)

Food and Agricultural Subsidies

1. As was indicated in the previous submission, the policy of providing support to home agriculture under specific schemes of assistance was continued in 1957/58. The cost of support in that year is estimated to have been £289.4 million. Price control is maintained only on milk.

2. Broadly similar arrangements will apply in 1958/59.

3. As Her Majesty's Government announced after the Annual Review 1958, the main objective of United Kingdom production policy continues to be that production should be more economic. In the words of the White Paper "Annual Review and Determination of Guarantees, 1958" (Cmnd. 390):

> "This means striving for a steady improvement in the competitive position of the industry. This will depend on securing decisive reductions in unit cost, including the elimination of some of the highest cost production, by the adoption of improved techniques and better farm management. Greater adaptation of what is being produced to the needs of the market, is also important. The industry will not secure those results merely by a general increase in production; markets are already amply supplied and the reduced outlets for further supplies have become more selective."

The Government's policy is that in present circumstances gross output, particularly of milk, pigs and eggs, should not be expanded any further unless this can be done at substantially lower cost of production and without prejudicing the aim of relieving the taxpayer of the increasingly heavy burden of subsidy cost. This development can only come about gradually. On present prospects no further expansion in gross output is required. Any further expansion of net output should depend on economies in the use of resources and the greater substitution of homegrown for imported feed, including more and better use of grass and grass products.

4. Details of the estimated costs of the subsidies to home agriculture are set out in the following table but no adjustment has yet been made in the current estimates for the determinations following the Annual Review held in February 1958 or for the reduction that has been made in the retail price of milk. As indicated in the note to the table, the net saving from these is expected to be about £9 million.

United Kingdom

Table showing Analyses of Estimated Agricultural Support Subsidies and Farming Grants

	Original and Supplementary Estimates 1957/58		Estimates 1958/59	
	£ million			
I. Implementation of Agricultural Price Guarantees				
(a) Cereals:				
Wheat and Rye	22.0		17.6	
Barley	17.1		16.1	
Oats and Mixed Corn	12.2		10.0	
(b) Home Produced Eggs	48.5		43.5	
(c) Fatstock:				
Cattle	36.4		37.2	
Sheep	10.4		11.9	
Pigs	38.9		56.2	
(d) Milk (excluding school and welfare milk)	12.8		9.3	
(e) Home Produced Wool	1.5		2.5	
(f) Potatoes	8.2		7.4	
Total:		208.0		211.7
II. Farming Grants and Subsidies				
(a) General Fertilizers Subsidy	23.6		26.7	
(b) Lime Subsidy	10.4		9.8	
(c) Grants for Ploughing up Grassland	9.4		9.4	
(d) Field Drainage and Water Supply Grants	2.9		2.8	
(e) Grants for Improvement of Livestock Rearing Land	1.4		1.7	
(f) Marginal Production Assistance Grants	2.4		2.2	

United Kingdom

II. Farming Grants and Subsidies (continued)

	Original and Supplementary Estimates 1957/58		Estimates 1958/59	
		£ million		
(g) Bonus Payments under the Tuberculosis (Attested Herds) Scheme 1950	8.2		8.8	
(h) Livestock Grants for Improvement of Breeding	0.1		0.1	
(i) Calf Subsidy	12.4		12.7	
(j) Hill Sheep and Hill Cattle	2.8		2.9	
(k) Silo Subsidies	2.1		1.4	
(l) Grants for Farm Improvements	0.2		5.0	
Total:		75.9		83.5
III. Administrative Overheads Applicable to I and II above		4.7		4.8
IV. Other Services				
Payment to Exchequer of Northern Ireland		0.8		1.0
Estimated Total Cost of Agriculture Support		289.4		301.0

Notes to foregoing table:

(i) The figures for 1958/59 do not take account of the changes announced in the White Paper "Annual Review and Determination of Guarantees, 1958" (Cmd. 390), saving £19.5 million, or of the reduction of the retail price of milk, adding £10.5 million.

(ii) The figures exclude certain small expenditure of the Ministry of Agriculture of Northern Ireland.

Price Guarantees

5. The payments included in Section I. of the above table are made in implementation of guarantees to producers in accordance with Parts I of the Agriculture Acts, 1947 and 1957. The object of these payments is broadly to meet any deficiency between the market prices obtained by farmers from the sale of their products and the guaranteed prices determined after an Annual Review. Various methods are employed to achieve this object.

United Kingdom

Cereals

6. Deficiency payments schemes are in operation. In essence these schemes provide that if the average price realized by producers in any year for a product of prescribed quality falls short of the guaranteed price, a deficiency payment equivalent to the difference between the average price and the guaranteed price is payable to the producers of that product.

7. The payments made for cereals in any financial year normally relate to two crop years. Unit rates of subsidy can accordingly be expressed more realistically in relation to the crop year. The rates estimated to be payable for the 1957 crops are:

Wheat	8s. 8d. per cwt.	(estimate)
Rye	2s. 10d. per cwt.	(estimate)
Barley	165s. 0d. per acre	(estimate)
Oats and mixed corn	105s. 0d. per acre	(estimate)

Fatstock

8. New procedures were instituted as from 25 March 1957 for the calculation of guarantee payments on fat cattle, fat sheep and fat pigs. The principal changes were that in the case of cattle and sheep the rates of guarantee payments were calculated for each week separately in relation to weekly instead of annual standard prices and that for cattle, sheep and pigs the average market prices used for comparison with the standard prices for the purpose of guarantee payments were calculated by reference to four weeks actual and four weeks estimated prices instead of actual prices over a fifty-two week period.

9. Under the 1957/58 Fatstock Guarantee Scheme the following unit rates of subsidy were paid on fatstock certified:

Cattle	29s. 11¾d.	per live cwt
Sheep	7d.	per lb. dressed carcase weight
Pigs	10s. 8¾d.	per score lbs. deadweight

These unit rates are the average rates paid on animals passing through the Scheme and do not relate to total sales of fatstock. If related to total sales of fatstock the unit rates would be lower, particularly in the case of cattle and sheep.

Home produced eggs

10. Since 30 June 1957 the price guarantees for hen and duck eggs have been made to the British Egg Marketing Board, a producer organization set up under the Agricultural Marketing Acts 1931-1949, and the Board are responsible for fixing the prices which they will pay producers for eggs. Flat rates of subsidy for eligible hen and duck eggs representing the difference between the

guaranteed prices to the Board (which include an allowance for the Board's administrative and marketing costs) and the estimated average market prices for the guarantee year in question are payable to the Board. These subsidy rates are subject to a profit and loss sharing arrangement when the actual average market prices exceed or fall short of the estimates by more than 2d. per dozen and to an adjustment in relation to feeding stuffs costs.

11. The unit rate of subsidy on hen eggs for 1957/58 is estimated at approximately 1s. 6d. per dozen, which is at the same level as in the previous year. Following the Annual Review, 1958, the guaranteed price for hen eggs to the Board was reduced by 1¾d. per dozen; the estimate of the average market price for 1958/59 was determined at a higher level than the estimate for 1957/58; accordingly the basic flat rate subsidy has been determined at 11.75d. per dozen for 1958/59, compared with 1s. 8.2d. per dozen for 1957/58. It is estimated, therefore, that the unit rate of subsidy on hen eggs will be materially reduced for 1958/59.

12. Imports of eggs in 1957/58 were further reduced; exports during the year were negligible, due to the higher level of domestic prices and the export restrictions which came into force on 1 September 1957 (see paragraph 38).

Milk

13. Payments are made to the five Milk Marketing Boards in the United Kingdom (each of which covers a different part of the country) to meet any deficit between their net commercial returns and their entitlement under the guarentee arrangements. The guaranteed price for the United Kingdom as a whole is broken down into separate guaranteed prices to the Boards in the five areas. In each area this guaranteed price applies to a limited quantity (the "standard quantity") of milk. For the remainder of the milk there is a "lower guaranteed price", which is no more than an estimate of the price that the Board will receive for milk sold for manufacture in the coming year. There is also a profit and loss sharing arrangement which applies to all milk in excess of a certain proportion of the standard quantity. In 1957/58 the unit rate of subsidy was approximately 1½d. per gallon of milk sold off farms.

Potatoes

14. The guarantee arrangements for potatoes provide for purchase, at the appropriate guaranteed support price, of potatoes of the necessary standard offered by producers to the Potato Marketing Board in Great Britain (acting on behalf of the Government) or to the Ministry of Agriculture in Northern Ireland. These potatoes are taken up when they cannot be sold to better advantage by producers in the open market. Under a financial agreement between the Government and the Board, the Board bears 5 per cent of any loss incurred in administering the guarantee. The subsidy represents the losses incurred in implementing those arrangements.

15. The 1957 United Kingdom potato crop amounted to about 5.7 million tons. It is not expected that any of this tonnage will be taken up by the Potato marketing Board or the Northern Ireland Ministry of Agriculture under the guarantee arrangements.

Wool

16. The guaranteed price may be regarded as the fixed gross return guaranteed to the Wool Marketing Board for wool collected each year. If the Board's receipts from the wool of a clip exceed the guaranteed price, then 90 per cent of the excess is paid into a Stabilization Fund and only 10 per cent is kept by the Board. If the Board's receipts are less than the guaranteed price, the difference may be withdrawn by the Board from the Fund. If there is no credit balance in the Fund or not enough, the deficiency is made good by the Government; and if the Fund thus becomes in debt to the Government, the whole of any subsequent surplus is payable to the Government until this debt has been discharged. These arrangements are embodied in a financial agreement between the Government and the Board.

17. As the balance available in the Fund was exhausted in 1956/57 the deficiency in 1957/58 was paid by the Exchequer to the Board. This amounted to £1½ million or 6.436d. per lb. on wool from the 1957 clip sold by the Board during the financial year 1957/58.

Production Grants and Subsidies

18. The production grants and subsidies under Section II of the table are designed to encourage the development of agricultural efficiency.

19. The nature and effect of the various grants are as follows:

(i) The fertilizer subsidy gives assistance towards expenditure by farmers on the purchase of fertilizers to improve the fertility of the soil. The legislative authority is provided by statutory schemes made under the Agriculture (Fertilizers) Act, 1952. The rates are determined in the light of annual reviews of the economic condition and prospects of the industry. These figures are approximations. No general figure for compounds can be given.

(ii) The Lime Subsidy gives assistance to farmers to purchase and spread lime to improve the fertility of the soil. The legislative authority for the subsidy is the Agricultural Lime Schemes 1947-1955 made under the Agriculture Acts 1937 and 1947. The current rate of contribution is 60 per cent with an additional 10 per cent payable in four summer months.

(iii) Ploughing grants are intended to encourage production of tillage crops and regular ploughing of leys. The authority is provided by statutory schemes made annually under the Ploughing Grants Act 1952. They are paid to occupiers of agricultrual land at the rate of £7 per acre for the ploughing and subsequent cultivation of land that has been under grass since before June 1955, and £12 per acre for ploughing up and bringing into cultivation difficult land which has been continuously under grass since before 1 June 1946.

(iv) Grants for ditching and field drainage are made to encourage good drainage in the interests of agricultural production. The statutory authority is the Agriculture (Miscellaneous War Provisions) Act 1940, as amended by later enactments. The grants are paid to owners and occupiers at the rate of 50 per cent of their expenditure. Costs, and therefore, grants, per unit of work vary widely.

(v) Water supplies grants are made to assist the provisions of water supplies to farms as a means of benefiting agricultural production. The statutory authority is the Agriculture (Miscellaneous Provisions) Act 1941, as amended by later enactments. Grants are paid to owners and occupiers of agricultural land at the rate of 25 per cent and 40 per cent of the cost of providing supplies from public and private sources respectively; and to statutory water undertakers of up to 75 per cent of the estimated value of agricultural benefits for the laying of water mains extensions to farms.

(vi) Grants are made to assist and encourage the improvement of holdings in upland areas producing store sheep and cattle. The grants are not intended to assist milk production, the fattening of sheep or cattle, or the growing of crops for sale. The authority for the grants is the Hill Farming and Livestock Rearing Acts 1946 to 1956. They are paid to owners and occupiers of eligible land at the rate of 50 per cent of the cost of improvement. Costs, and therefore grants, per unit of work vary widely.

(vii) Marginal production assistance enables an eligible farmer to obtain goods and services at reduced costs in order to carry out a definite programme of work which is unecomomic for the time being and the full cost of which could not reasonably be met out of income without detriment to other necessary works on the farm. The assistance may with other grants and subsidies amount up to 85 per cent of the cost of approved work; the variety of eligble work and of costs makes it impossible to give any figure for grant per unit. The authority for the grant derives from schemes made under the Agriculture Act 1947.

(viii) Bonus payments are made as a contribution towards the initial capital cost to farmers of eradicating bovine tuberculosis from their herds. The statutory authority is the Tuberculosis (Attested Herds) Scheme 1950 made under the Diseases of Animals Act 1950. Payment is made to owners of supervised or attested herds either on milk sales at the rate of 2d. per gallon for four years followed by a 1d. per gallon for two years or at the owner's option on numbers of cattle at the rate of £2 per head for four years followed by £1 per head for two years.

(ix) Grants are made for the improvement of livestock to owners of high class bulls and boars who are willing to make the animals' services available to other farmers. The amount of grant varies with the cost of the animal and the period which it remains in service. The authority for the grant is the Annual Appropriation Act.

(x) The Calf Subsidy is intended to encourage the rearing of suitable calves for beef or for breeding for beef. The legislative authority is the Agriculture (Calf Subsidies) Act 1952 and schemes made thereunder. Payments are made to owners of calves born in the United Kingdom and which are certified suitable for the purpose of the subsidy. The rate of subsidy for calves born since 1 April 1956 is £8. 10s. 0d. per head for steer calves and £7. 10s. 0d. per head for heifer calves.

(xi) The Hill Cow Subsidy is intended to encourage farmers in hill and upland areas to breed store cattle and to improve the land and is payable to the occupier of the land on which the cattle are grazed and maintained. The statutory authority is the Hill Farming and Livestock Rearing Act 1946 to 1956 and schemes made thereunder. The rate of subsidy is £10 per head for eligible cows and in-calf heifers.

(xii) The Hill Sheep Subsidy is intended to preserve the foundation breeding stocks of hill ewes and is payable to the person who is responsible for maintaining the flock. The statutory authority is the Hill Farming and Livestock Rearing Acts 1946 to 1956 and schemes made thereunder. Whether a subsidy should be paid, and if so at what rate, is determined by Ministers in the light of the economic position of hill farmers in the preceding year. In 1958 no subsidy was found to be justified.

(xiii) Grants are made for the construction or improvement of silos in accordance with a scheme made under the Agriculture (Silos Subsidies) Act 1956. The aim is to encourage the more efficient use of grass and other crops suitable for ensilage, and so save expenditure on imported feeds. The scheme sets out standard

rates of subsidy payable to owners and occupiers of agricultural land for specified works of construction or improvement. The maximum amount payable for works on any one farm is £250. Certain changes were made in the rates of subsidy under a Variation Scheme introduced on 20 February 1958, but these do not affect the general provisions of the Scheme.

(xiv) Under Part II of the Agriculture Act 1957 grants are made towards the cost of long-term improvements for the benefit of agricultural land. They are available to owners and tenants of agricultural land for a wide range of improvements specified in the Act. Grant is at the rate of one-third of either the actual cost incurred or, for a number of the more usual improvements, the appropriate standard cost as specified in regulations made under the Act. Where both methods of calculating grant are available, the applicant has the choice. The Act also provides for grants of one-third towards the cost of certain legal and other transactions necessary for securing the formation of economic units of land through the amalgamation of uneconomic units with other land.

Other Services

20. Under the Agriculture Act 1957 the Minister of Agriculture, Fisheries and Food may pay to the Exchequer of Northern Ireland sums not exceeding £1,000,000 in any one financial year, for five years commencing 1 April 1957 in respect of expenses incurred by the Ministry of Agriculture, Northern Ireland, in pursuance of arrangements approved by Ministers for the benefit of agricultural producers in Northern Ireland.

Effects of Food and Agricultural Subsidies

21. The payments set out above form the principal means of implementing the Government's policy on agriculture. The main objectives of this policy have already been outlined in paragraph 3. The effect of this policy on exports has been negligible and has not seriously prejudiced the interests of other traditional exporters. It follows from the call for the greater and better use of home grown animal feed that United Kingdom requirements of imported feed should be less, but owing to the many imponderable factors involved, no estimate of likely effect on such requirements can be made.

Flax

22. The Home Flax Production Scheme has ceased operations and no flax is now being grown in Great Britain.

23. Flax growing in Northern Ireland, governed by the terms of the Flax Act (Northern Ireland) 1954, has been on a decreasing scale for some years past and the small production does not significantly reduce imports nor, since it is sold at world prices, does it subsidize exports.

United Kingdom

Forestry

24. The Forestry Act 1919, empowers the Forestry Commissioners subject to Treasury approval, to "make advances by way of grant or by way of loan ... upon such terms as they think fit, to persons (including local authorities) in respect of the afforestation (including the replanting) on land belonging to those persons". Financial assistance to encourage the expansion of private commercial forestry in the United Kingdom is given to owners of woodlands on the following basis:

(a) Where the owner dedicates his woodland permanently to forestry a grant of up to 25 per cent of his operating losses until the woodland becomes self-supporting, or alternatively £17 per acre for planting plus an annual contribution of five shillings and sixpence per acre towards the cost of maintenance over the first fifteen years.

(b) A grant of £17 per acre for planting woodlands not suitable for dedication.

(c) A grant of £8. 10s. 0d. per acre, or alternatively, two shillings per tree where not less than one hundred trees are planted in avenues for planting on land devoted exclusively to poplars.

(d) Where woodlands are considered suitable for dedication and the owner has not dedicated but is working to a plan of operations approved by the Forestry Commissioners, half the planting grant referred to in (a) in respect of any planing carried out in the woodlands.

(e) A grant in respect of the clearance of unproductive scrub from land which the owner undertakes to re-stock with trees. The amount of the grant depends on the net cost of clearance, being £8. 10s. 0d. per acre where this is between £17 and £27 per acre, and £13. 10s. 0d. where it exceeds £27 per acre.

25. In addition, payments are made for the timely thinning of young conifer, hardwood, or mixed plantations at the rate of £3. 15s. 0d. per acre, subject to limits as to either (a) average total height, or (b) average girth at breast height. Not more than two such payments may be made in respect of the same stand.

26. The actual amounts paid in grants for the forest year ended 30 September 1957 was £630,000. The estimated expenditure for the year ending 30 September 1958 is £740,000.

Effect on Forestry Subsidies

27. Forestry is a long-term project and it is not thought that grants to woodland owners can have any effect on imports or exports for at least fifty years.

Fisheries

Direct Subsidies

28. Under the White Fish and Herring Industries Acts 1953 and 1957, subsidies are being paid to catchers of white fish (i.e. any fish found in the sea except herrings, salmon, migratory trout and shellfish) and herrings caught from British fishing vessels of not more than 140 ft. in length, in certain waters (between 43° and 63° N. and east of 17° W.).

White Fish

29. Subsidy is at present paid in two parts:

(i) in respect of vessels not exceeding 70 ft. in length, apart from those normally fishing with seine-nets and making voyages of eight days or more; at a flat rate of 8d. per stone on white fish landed and sold (other than by retail) for human consumption;

(ii) in respect of vessels between 70 ft. and 140 ft. in length and those under 70 ft. in length and normally fishing with seine-nets but making voyages of eight days or more, at a flat rate per day at sea varying between nil and £22 per day according to the length of the vessel and method of propulsion.

Payments of subsidy to vessels normally fishing with seine-nets and which make voyages of eight days or more whether over 70 ft. in length or not, is usually restricted to days spent at sea between 1 November and 30 April (both dates inclusive) in any one year. Expenditure in 1957/58 was £2.7 million and it is expected that for 1958/59 it will be at the same level.

Herring

30. This subsidy is also at present paid in two parts:

(i) for vessels not exceeding 40 ft. in length, at a flat rate of 3½d. per stone of herring landed;

(ii) in respect of vessels between 40 ft. and 140 ft. in length at a flat rate per day at sea, varying between £6. 10s. 0d. and £10. 0s. 0d. per day according to the length of the vessel and its method of propulsion.

31. The herring subsidy was introduced on 13 May 1957 and from that date the grant paid to the Herring Industry Board to cover their losses on the purchase of herrings for conversion to oil and meal ceased. Cost of the subsidies in 1957/58 was £.32 million whilst the estimated cost in 1958/59 is £.35 million.

32. Both subsidies are paid to the owner or charterer of the fishing vessel, but apart from vessels under 40 ft. in length, no vessel can receive both herring and white fish subsidy.

Grants for fishing vessels

33. Grants and loans are available towards the building of vessels, towards the conversion of coal-burning vessels to either diesel or oil steam propulsion and towards the cost of engine replacement for vessels belonging to working owners. Loans are also available for reconditioning of vessels. All forms of assistance are limited to vessels not exceeding 140 ft. in registered length and to work carried out in the United Kingdom. The grant towards the building of a new vessel is normally one-quarter of the total expenditure with a maximum of £30,000 per vessel. Where the owner is a working fisherman and the cost is £20,000 or less, the grant is at the rate of 30 per cent of the expenditure with a maximum of £5,000. Working fishermen can also obtain grants at the rate of 30 per cent, with a maximum of £1,250 towards the cost of new engines for existing vessels. The grants available for conversion of coal burning vessels are one quarter of the total expenditure with a limit of £7,500 for conversion of a vessel's engine boilers from coal firing to oil firing, or a limit of £10,000 where a complete new engine consuming oil is installed to replace one which was coal fired. The authorities are the White Fish and Herring Industry Acts of 1953 and 1957. Loans to fishermen for assistance in any of the above are normally limited to 60 per cent of the expenditure to be incurred. The cost of these forms of assistance in 1957/58 was £1.2 million for grants and £3.6 million for loans whilst it is estimated that the same expenditure will be incurred in the current financial year.

Effects of Fisheries Subsidies

34. The white fish subsidy is a temporary measure to help the industry through the period during which it is re-equipping with modern motor vessels. Its object is to prevent the diminishing steam fleet from going out of existence too quickly and to encourage the provision of a continuous and plentiful supply of white fish. The grants for new vessels and engines and conversions are designed to encourage and speed up the modernization of the fleet.

35. The distant water fleet, which catches over 50 per cent of the white fish landed by British vessels, received neither subsidy nor grants towards new building, and in these circumstances it is impossible to say what precise effect the assistance given to the near and middle water fleet has had on either imports or exports of fish.

United Kingdom

36. The main aim of the herring subsidy is to attract vessels back from white fishing and to prevent a further decline in the herring fleet. As with the white fish subsidy, it will of course be the aim of the herring subsidy to assist the industry to become self-supporting.

37. The statutory authority to pay herring and white fish subsidy expires in 1961, though there is the possibility of a further extension to 1963. Conversion grants are available only up to 1961, and building grants to 1963.

Discussions pursuant to Paragraph 1 of Article XVI

38. At various times, between November 1956 and June 1957, the relationship between the market prices for eggs in the United Kingdom and prices in Europe was such that exports of United Kingdom eggs became a commercial proposition. These exports of eggs which had benefited from the subsidy on British home production gave rise to protests by the Danish and Netherlands Governments. Accordingly, after negotiations with those Governments, the United Kingdom Government undertook to take early action to prevent serious damage to normal Danish and Dutch export markets by the export of eggs which had benefited from the subsidy. This action took the form of control by licence from 1 September 1957. The effect of this control is to prohibit the export of eggs to forty-five countries which have been agreed by the Danish and Netherlands Governments to constitute normal Danish and Dutch export markets for eggs. These countries include most of Europe, and the United States.

UNITED STATES

Notification of 17 September 1958

(Preceding notifications were reproduced in the following documents: GATT/CP/114, G/4/Add.1, L/91/Add.2-4, L/351 and Add.2, L/480/Add.3, L/480/Add.4 and 8 and L/660/Add.2)

This notification provides supplementary information to the data provided in previous notifications by the United States under Article XVI, furnishing the data with respect to the United States during ten months of the fiscal year, i.e., 1 July 1957 through 30 April 1958.

In 1957-58 the United States Government used two general types of export subsidy programs for agricultural commodities and products thereof. Last year three general types were used. The two types used this year were (1) payments on export sales under the International Wheat Agreement, and (2) sales of Government-owned price support stocks for export at less than the domestic market price. The second group includes the payments in kind made in connection with wheat exports from commercially owned supplies.

EXPORT PAYMENT PROGRAMS UNDER SECTION 32

There were no export payments or subsidy arrangements under Section 32 of the Act of 24 August 1935 during the fiscal year 1957/58.

PAYMENTS ON EXPORT SALES UNDER THE INTERNATIONAL WHEAT AGREEMENT

I. Nature and Extent of the Subsidy

(a) Background and authority - The United States made export subsidy payments on wheat and flour exported under the International Wheat Agreement consistent with the benefits and obligations under that agreement.

(b) Incidence - Payments were made to exporters. Rates of payment on both wheat and wheat flour were established on a daily basis to take account of the difference between domestic market prices and wheat agreement selling prices. Rates varied during the period covered by this report.

(c) Amount of subsidy - Total payments in 1957-58 through 30 April amounted to $54.2 million on the 71.5 million bushels of wheat, including the wheat equivalent of flour exported. This subsidy figure includes cash payments on flour as well as payment in kind on wheat under the revised wheat export subsidy program described in more detail in the section on export sales of CCC price-support stocks.

United States

(d) Estimated amount per unit - The average rate of subsidy in 1957-58 through 30 April amounted to about 75.8 cents per bushel.

II. Effect of Subsidy

The program was undertaken to implement participation of the United States in the International Wheat Agreement. The subsidy facilitated exports within the agreed range of maximum and minimum prices. The quantity of wheat and flour sold in 1957-58 through 30 April for export by the United States under the Agreement was less than the quantities allotted to the United States in the export guarantee portion of the Agreement.

EXPORT SALES OF CCC PRICE SUPPORT STOCKS AT LESS THAN DOMESTIC MARKET PRICE AND EQUALIZATION PAYMENTS ON COTTON CONTAINED IN COTTON PRODUCTS

I. Nature and Extent of the Subsidy

(a) Background and authority - During 1957-58 through 30 April, the United States Government continued to dispose of some of the stocks of commodities acquired under domestic price-support programs by sales to private firms for export at levels below the domestic market price. These sales were made under authority of Section 407 of the Agricultural Act of 1949, as amended, the Agricultural Act of 1956, and the Commodity Credit Corporation Charter Act. In conjunction with its export sales of cotton and under authority contained in the CCC Charter Act, as amended, equalization payments were made on the raw cotton content of exports of cotton textiles, cotton yarns, and spinnable cotton waste.

(b) Incidence - Except with respect to cotton products and wheat, the subsidy took the form of sales to exporters at prices below the domestic market price. In the case of wheat the subsidy took the form of payments in kind (i.e. wheat). In the case of cotton products, equalization payments were made to reflect the difference between the domestic and export price of cotton on the raw cotton equivalent contained in the products.

Sales generally were made pursuant to sales price lists issued monthly by the Commodity Credit Corporation of the US Department of Agriculture indicating the sales price or sales price basis for domestic and export sales. While a large part of the commodities offered for export sale pursuant to these sales price lists were priced below domestic sales, the United States continued to sell some commodities for export at the same price at which these commodities were being offered for domestic sale.

United States

The pricing method used on export sales varies between commodities. For most commodities sales were made on the basis of competitive bids. At the same time, a number of commodities such as dairy products were offered for sale at specified prices. Sales prices were established at levels competitive with those prevailing in world markets on the basis of the best information available.

With respect to cotton products, equalization payments are made to exporters at the rate per pound calculated to reflect the difference between the domestic and export price for the raw cotton equivalent contained in the cotton products. These rates are determined monthly.

(c) Amount of subsidy - Sales of cotton for export by CCC represented a substantial part of the total volume (dollar value) of sales of all commodities by CCC for export at less than the domestic market price.

The large volume of cotton was the result of the sales program for cotton inaugurated during the 1955-56 year and reported in the previous report under which CCC periodically has offered to sell any quality of upland cotton for export on a competitive bid basis with the condition that the cotton be exported within a specified period. As indicated in the table below, sales during 1957-58 through 30 April amounted to 5.1 million bales.

Wheat sales for export by CCC decreased in 1957-58. This resulted from a change in the wheat export program, effective 4 September 1956, under which CCC discontinued the sale of wheat for export except where existing legislation required dispositions to be made from CCC stocks. (By law, wheat needed for barter contracts and for relief purposes under Title II of P.L. 480 and other legislation must come from CCC stocks.)

Under this revised payment-in-kind program, exporters were required to obtain their supplies primarily from commercial channels. No change was made in the method of computing the rate of payment. The change in policy applied to sales under the IWA as well as to sales not under the IWA. Under the program, exporters were provided with certificates with a value based upon the total quantity of wheat exported times the subsidy rate. These certificates were then redeemed by CCC in wheat on the basis of the domestic market price of wheat. Under this program, 73 million bushels of wheat were distributed to exporters in return for certificates. The subsidies involved on this wheat are included in the subsidy figures shown in the sections relating to IWA and non-IWA operations.

The reduction in wheat sales also reflected a change in the method of making payments for flour exported in connection with the wheat flour program. Prior to the change, flour millers had the option of buying

United States

wheat from CCC at export prices or, in the case of sales under the IWA, of receiving a cash payment. Under the revised flour program effective 15 November, 1956 exports of wheat flour were encouraged only by means of cash payments and all sales of CCC wheat for export in the form of flour were discontinued. During the fiscal year 1957-58 through 30 April, cash payments under this flour export payment program amounted to $23.4 million.

The figures on sales of wheat shown in the table below primarily represent wheat payments in kind and sales of CCC stocks under Title I of P.L. 480. They include wheat in IWA transactions as well as wheat sold outside the IWA at prices equivalent to wheat agreement prices. The total subsidy on sales of wheat outside the IWA, including wheat delivered under certificates was $37.4 million in 1957-58.

As a result of export subsidies under the payment in kind program and cash subsidies on wheat flour, wheat exports amounted to about 300 million bushels in the ten-month period ending 30 April 1958. This figure includes exports under the IWA, as well as those not under IWA.

It is not possible to report the total subsidy on all commodities sold by CCC at less than the domestic market price. CCC records show only the total loss sustained by CCC on such sales. These CCC loss figures would be substantially larger than the subsidy, since they represent the difference between the sales price and CCC's total investment in the commodity; that is, acquisition cost plus any additional costs incurred in storage and handling. Furthermore, sales were made at many different prices and different locations and the domestic market prices for these commodities fluctuated during the sales period.

While precise figures of the total subsidy are not available, figures on the total quantities sold commercially for export (including payment in kind) at less than the domestic market price are available. These figures were as follows for 1 July 1957 through 30 April 1958, on the basis of fiscal records:

United States

Commodity	Unit	Quantity sold (in mil. units)
Cotton, upland	bale	5.1
Grains:		
Wheat	bu.	75.1
Corn	bu.	112.1
Oats	bu.	16.4
Rye	bu.	3.0
Barley	bu.	58.7
Grain sorghums	cwt.	11.9
Rice, milled	cwt.	4.4
Rice, rough	cwt.	0.2
Beans	cwt.	0.5
Flaxseed	bu.	12.9
Dairy Products:		
Milk, nonfat dry	lb.	126.3
Butter	lb.	21.3
Cheese	lb.	10.9
Fats and Oils:		
Peanuts	ton	1/
Rosin	drum	2/

1/ 5,626 Farmers Stock
10,950 tons shelled

2/ 77 drums

From 1 July 1957 through 30 April 1958, payments totalling $11,358,768 were made to exporters, under the cotton products equalization payment program.

(d) Estimated amount per unit - The average rate of subsidy on wheat and wheat equivalent of flour exported outside the IWA at prices equivalent to wheat agreement prices was about 75.8 cents per bushel.

The base rates of payment designed to reflect the difference between the export and domestic price of the cotton contained in cotton products, have, for the period 1 July 1957 through 30 April 1958 ranged from a monthly low of 5.75 cents to a monthly high of 6.45 cents per pound.

It is not possible to estimate the average amount per unit on other sales for the reasons given above.

United States

II. Effect of Subsidy

Sales of price support stocks were made at prices below the domestic level so that United States products might share equitably in world trade in these agricultural commodities.

The effect of these subsidies on patterns of world trade depended not only on sales prices established by the United States, but also on sales prices established in other exporting countries. Furthermore, while some of the commodities (mainly those where the subsidy rate was low) probably would have been exported in the absence of a subsidy, it is not possible to estimate precisely the quantity that would have been exported without the subsidy.