

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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SUBSIDIES

Notifications Pursuant to Article XVI:1

BELGIUM

Preliminary remarks

The products coming under the common agricultural policy are now subject to a system of measures applied within the framework of Community obligations. The Commission of the EEC will transmit to GATT a communication with regard to them.

I. DAIRY PRODUCTS

Butter

1. Nature and extent of the export subsidy

(a) Whilst there is no surplus production of Belgian butter as such, there is some over-supply compared to consumption requirements as a result of certain imports not included in official statistics.

As a consequence, most of these imports must be offset by exports of Belgian butter at world market prices. The subsidy granted on butter exports represents the difference between domestic and world market prices.

The financing of this export subsidy is provided by the Agricultural Fund. The Minister of Agriculture is also authorized by legislative provisions to allocate funds to regulate prices of agricultural products.

(b) The subsidy is paid out to exporters. It is variable depending on the fluctuations of domestic and world market prices for butter and is based on the difference between those prices.

In 1961, the subsidies amounted to 459 million francs, i.e. 47 francs per kilogram exported.

2. Effect of the subsidy

The subsidy enabled butter prices in 1961 on the Belgian market to be maintained at a level close to the target price which guarantees that milk producers can cover their production costs.

Approximately 60 per cent of milk continues to be used for butter production. Without this subsidy the entire dairy market would have collapsed.

3. Statistics: (in metric tons)

	<u>1960</u>	<u>1961</u>
Production	89,245	88,335
Ordinary imports	1,694	1,412
Special imports (approximate figures)	10,000	12,000
Exports	6,329	9,079
Additions to stocks	327	293
Consumption	94,283	92,375
Per capita consumption (kg.)	10.2	9.9

Other dairy products1. Nature and extent of the export subsidy

- (i) Processing premiums are granted to manufacturers using Belgian milk for the production of certain dairy products. The funds for payment of these premiums are provided partly out of the budget and the remainder from the Agricultural Fund.
- (ii) The premiums are paid to dairies producing subsidized products. They are established on a monthly basis and vary in amount according to the price levels for imported competitive products which are freely admitted to the Belgian market.
- (iii) Amount of premiums paid:

In 1960: 295 million

In 1961: 475 million

2. Effect of subsidy

The subsidy enabled 7 per cent of total milk production to be used in 1960, and 8.5 per cent in 1961.

In the absence of a subsidy it would be impracticable to manufacture milk products, which are subsidized, because the price of similar imported products is lower than the cost price of Belgian products.

3. Statistics

	<u>1960</u>		<u>1961</u>	
	<u>Quantity</u> (tons)	<u>Premiums</u> ('000 Frs.)	<u>Quantity</u> (tons)	<u>Premiums</u> ('000 Frs.)
Cheese	8,788	111,615	11,878	158,626
Whole milk powder	8,604	118,452	14,037	205,806
Skimmed milk powder	25,987	59,539	31,679	105,368
Condensed milk	1,315	3,247	1,655	4,912
Casein	<u>327</u>	<u>2,131</u>	<u>329</u>	<u>2,086</u>
Total:		294,984		476,798

Attention should be drawn, however, to the increased expenditure authorized in order to avoid so far as possible the accumulation of butter surpluses which have to be exported under subsidy.

Statistics of Production, Imports, Exports
and Consumption of Dairy Products

Cheese (in tons)

	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
Production	15,536	15,569	17,119	19,525	23,297
Imports	35,854	36,413	34,171	34,407	34,776
Exports	475	850	416	775	2,060
Consumption	50,915	51,132	51,574	53,157	56,013

Milk powder (in tons)

	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
<u>Production</u>					
Whole milk powder	881	4,220	5,009	8,641	13,836
Skimmed milk powder	24,580	25,923	23,313	32,345	35,372
Imports	11,644	13,709	20,752	15,496	13,330
Exports	9,692	16,375	12,167	14,232	16,001
Consumption	27,413	27,477	36,907	42,250	36,537

Condensed milk (in tons)

(a) Evaporated whole milk

	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
Production	22,917	15,031	21,807	21,663	19,967
Imports	4,772	3,841	3,045	491	999
Exports	114	592		103	199
	27,575	18,280	24,852	22,051	20,767

(b) <u>Concentrated whole milk</u>	799	579	582	792	889
Concentrated skimmed milk	554	634	584	631	841
Imports	443	630	552	1,588	1,663
Exports	3	1	0.3	6	73
Consumption	1,793	1,832	1,718	3,005	3,320

II. HOT-HOUSE GRAPES

(Heating Allowance)

1. Nature and extent of subsidy

(a) The allowance is granted with a view to improving the quality of grapes for export.

The rate of allowance is determined each year for the period 1 May to 30 April by ministerial decision (Minister of Agriculture).

(b) The allowance is paid to exporters on the basis of the volume exported to countries other than Luxemburg and the Netherlands. It takes the form of a standard allowance per kg. of grapes exported. It should be pointed out that grapes intended for export are subject to a quality control.

(c) The total amount of the subsidy is not fixed but may be estimated at \pm 12,000,000 Belgian francs. In 1961, the amount granted totalled approximately 11,500,000 Belgian francs. It is expected that the allowance will be progressively eliminated.

(d) The allowance for 1961 amounts to 8 Belgian francs per kg.

2. Effect of subsidy

(a) The subsidy had a very favourable effect on the quality of grapes exported.

(b) Statistics of production, consumption, imports and exports for the last ten years are shown hereunder (in tons).

Year	Production	Consumption	Imports	Exports
1936-38	9,500	\pm 7,800	\pm 300	2,000
1951	12,000	11,607	237	630
1952	12,000	11,976	288	312
1953	12,000	11,983	320	403
1954	13,000	12,885	415	530
1955	13,000	12,778	384	546
1956	11,500	10,946	278	832
1957	12,000	11,082	284	1,202
1958	13,000	11,871	599	1,382
1959	13,000	11,955	420	1,465
1960	13,000	\pm 12,000	\pm 450	\pm 1,450
1961	13,000	12,174	860	1,686
1962	13,000	21,700	9,400	1,700

III. FLAX

A subsidy is granted on flax cultivation.

(a) Background and authority

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

The amount of the subsidy on flax cultivation is fixed annually by royal order. Implementing rules are laid down by ministerial order. Half of the subsidy is financed out of the Agricultural Fund and the other half out of the ordinary budget.

(b) Incidence

The subsidy amounts to 2,000 francs per hectare of flax declared in the annual census of 15 May and in the special census made later. In addition, the flax must have actually been harvested for the subsidy to be paid.

(c) Amount of subsidy

The total amount of the subsidy is approximately 66 million francs.

(d) Estimated amount per unit

The total amount indicated above corresponds to about 0.33 francs per kg. of raw flax.

(e) Effect of subsidy

To maintain the total area under flax at a maximum of 30,000 hectares (see targets set by the Naples Agreement drawn up by the International Confederation for Flax and Hemp).

Statistics (flax)

	Production (straw)	<u>Stripped flax</u> Exports	<u>Raw flax</u> Imports
1936-38	165,000 T.	± 38,000 T.	± 150,000 T.
1955	249,378 T.	50,733 T.	180,766 T.
1956	214,030 T.	55,630 T.	187,777 T.
1957	165,539 T.	51,135 T.	189,695 T.
1958	156,373 T.	40,588 T.	109,320 T.
1959	112,807 T.	43,111 T.	112,670 T.
1960	195,260 T.	46,175 T.	116,741 T.
1961	178,300 T.	50,405 T.	191,409 T.

IV. TOBACCO

(a) Background and authority

Purpose: improvement of quality. Contributed by the Agricultural Fund (no executory decree).

The quality premium on Belgian tobacco has also been maintained in recent years. Its main purpose is to improve the cultivation, handling and merchandizing of Belgian tobacco.

Appreciable progress has already been made in this field. As soon as the objective has been reached, the premium can be eliminated.

(b) Incidence

The premium varies according to quality appraisal and is paid directly to the producers.

Its rate may be as high as 6 francs per kg.

(c) Amount of subsidy

Whilst the final figures are not definitely known as yet, it is estimated that the total amount of the subsidy might be in the neighbourhood of 12 million francs.

(d) Estimated amount per unit

The total amount estimated above is equivalent to an average of about 3.5 francs per kg.

Note: The decision to participate in this scheme is left to the tobacco growers.

Effect of subsidy: improvement in the merchandizing of Belgian tobacco at the producing stage.

Statistics: Unmanufactured tobacco

	Production (in tons)	Imports ¹ (in tons)	Exports ¹ (in tons)	Consumption (in tons)
1936-38	5,522	17,912	128	23,306
1955	2,995	21,936	241	24,690
1956	2,481	22,691	331	24,841
1957	2,975	25,354	469	27,680
1958	3,771	26,230	570	29,431
1959	3,158	26,859	676	29,341
1960	2,405	28,867	286	30,986
1961	2,675	29,713	360	32,038

¹Imports - Exports

Unmanufactured tobacco and tobacco refuse
 Leaf tobacco, unstripped
 Leaf tobacco, stripped
 Tobacco leaf midribs and refuse thereof.

V. COAL INDUSTRY1. Nature and extent of the subsidy(a) Background and authority

The subsidies were granted for 1962 under the provisions of the Budgetary Act, their amount being determined by decision of the High Authority of the ECSC.

The credit earmarked for 1960, in the amount of 124.5 million francs, was transferred to the account of the "Fonds d'Aide à l'industrie Charbonnière" (Coal Industry Assistance Fund) in pursuance of paragraph 26 of the Transitional Convention annexed to the Treaty establishing the European Coal and Steel Community. The said credit, which takes the place of the supports previously paid through the Equalization Fund, is intended to provide for the granting of subsidies under the provisions of paragraph 26-4 of the above-mentioned Convention.

A distinction is to be made between:

- (i) subsidies to marginal collieries;

- (ii) the assumption by the State, under certain conditions, of the interest payable by collieries on refundable credits placed at their disposal by public credit institutions;
- (iii) subsidies to enterprises whose maintenance is clearly of interest for the economy, particularly from the regional point of view.

(b) Incidence

The subsidy is paid to producers. The procedure applicable varies greatly but is in all cases based on production and depends on the loss, computed per ton, resulting from costs being higher than the selling price specified in the sales control schedule.

(c) Amount of the subsidy

Subsidies paid out in 1960 amounted to 524 million francs. This represents a considerable reduction as compared to previous years, particularly in the case of subsidies paid to marginal collieries. The budget allotment for 1961 was reduced to 500 million francs, and the reduction continued in 1962. The appropriation for 1963 is only 100 million francs.

(d) Estimated amount per unit

In view of the fact that subsidies will be granted to a limited number of collieries only, on different terms and in varying proportions, there would be no point in calculating an estimated amount per unit based on production as a whole. The amount per unit will differ in the case of each subsidized colliery.

2. Effect of the subsidy

(a) Estimated quantitative effects of the subsidy on international trade

The object of the subsidy is to enable the collieries concerned to become integrated in the ECSC market, through improved operating standards and, as the case may be, a modernization of methods and a consolidation of production.

In view of the fact that, in 1960 and 1961, Belgium's foreign trade in the coal sector was subject to quotas, the subsidies had no effect on it.

(b) Statistics of production, consumption, imports and exports for 1958, 1959, 1960 and 1961

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
Production	27,062	22,757	22,465	21,538
Consumption	24,083	24,902	25,105	24,914
Imports	5,250	4,875	3,903	4,043
Exports	2,771	2,171	2,275	2,854

VI. FILM INDUSTRY1. Nature and extent of the subsidy(a) Background and authority

Under the provisions of the Royal Decree dated 25 July 1957, a premium is granted to the film industry with a view to promoting the domestic production of high-class films.

(b) Incidence

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

(c) Amount of the subsidy

The total amount of the subsidy earmarked in the budget for 1962 comes to 10 million francs.

(d) Estimated amount per unit

The amount granted for each film varies depending on several factors such as: length of film, the length of time during which it is shown, its box-office returns, the amount of local entertainment tax (which varies according to municipalities). These multifarious factors give rise to such differences between premiums that it would be pointless to strike an average.

2. Effect of the subsidy

(a) In view of the fact that the main purpose of the subsidy is to improve the standard of the domestic film production, the granting of such premiums has practically no effect on the foreign film trade.

(b) No official statistics are available on production, imports and exports of films for entertainment purposes.

