

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/2326/Add.9
27 July 1965

Limited Distribution

Original: French

SUBSIDIES

Notification of Changes in Subsidy Measures

BELGIUM¹

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 you a communication with regard to them.

f. 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 is fixed annually by royal order; implementing rules are laid down by ministerial order.

The subsidy is financed out of the ordinary budget up to an amount of 30 million francs, the balance being charged to the Agricultural Fund.

(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.

¹For previous notification, see L/1948/Add.8

(c) Amount of subsidy

The total amount of the subsidy for 1963 is approximately 67,840,000 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 reach a target of an order of magnitude of 36,500 hectares (see targets set by the Naples Agreement drawn up by the International Confederation for Flax and Hemp for 1963).

Statistics (flax)

	Production (straw)	<u>Stripped flax</u> Exports	<u>Raw flax</u> Imports
1936-1938	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
1962	210,235 t	52,332 t	167,938 t
1963	219,802 t	51,717 t	188,405 t

II. 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 not more than 5 francs per kg. for certain special tobaccos, and 4 francs per kg. for mixing tobacco.

(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 10 million francs.

(d) Estimated amount per unit

The total amount estimated above is equivalent to an average of about 3 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 tcns)	Imports ¹ (in tons)	Exports ¹ (in tons)
1936-1938	5,522	17,912	128
1955	2,995	21,936	241
1956	2,481	22,691	331
1957	2,975	25,354	469
1958	3,771	26,230	570
1959	3,158	26,859	676
1960	2,405	28,867	286
1961	2,675	29,713	360
1962	3,160	26,979	399
1963	2,946	27,923	492

¹ Imports-Exports

Unmanufactured tobacco and tobacco refuse

Leaf tobacco, unstripped

Leaf tobacco, stripped.

III. COAL INDUSTRY

1. Nature and extent of the subsidy

(a) Background and authority

In 1963 and 1964, no subsidies were granted to the coal industry in pursuance of paragraph 26.4 of the Transitional Convention annexed to the Paris Treaty.

Certain amounts were, however, granted under the provisions of the Budgetary Act alone.

The amounts granted were as follows:

- assumption by the State, under certain conditions, of a small part of the interest payable by collieries on re-equipment loans granted by public credit institutions;
- assumption by the State of the interest on recoverable advances also granted in the past by these same institutions with the consent of the ECSC;
- wage grants to undertakings whose closure was being or had been delayed on obvious economic grounds, particularly from the regional point of view;
- refundable grants.

(b) Incidence

These grants were not linked with production and therefore had no direct incidence upon the latter.

(c) Amount of the subsidy

In 1963, the total amount granted was approximately 87 million francs. In 1964, it will be in the region of 115 million francs but account must be taken of the fact that these amounts include short-term refundable grants.

(d) Estimated amount per unit

These interventions have not affected the conditions of competition on the energy market. They have merely enabled closures to be delayed in order to alleviate social or regional repercussions.

2. Effect of the subsidy

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

These grants could have no effect on Belgium's external trade in the coal sector since they had no incidence on domestic production prices.

(b) Statistics of production, consumption, imports and exports in 1960, 1961, 1962 and 1963

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>
Production	22,465	21,538	21,226	21,416
Consumption	25,105	24,914	26,329	27,759
Imports	3,903	4,043	4,753	7,347
Exports	2,275	2,854	2,699	1,868

This table shows a substantial increase in the net import surplus.

IV. FILM INDUSTRY

1. Nature and extent of the subsidy

(a) Background and authority

Under the provisions of the Royal Decrees, dated 25 July 1957 and 23 October 1963, 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 1963 and 1964 comes to 12 million francs and 15 million francs respectively.

(d) Estimated amount per unit

The amount granted for each film varies depending on several factors such as: length of film, cost 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.

