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COUNTRY
Belgium

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Facts Behind Present Economic Slump

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1. It is of special interest at the moment [March 1955] that while all other countries in Europe are experiencing greater and greater prosperity, Belgium appears to have arrived at a point of general economic stagnation. This is very significant.
2. The facts are that Belgium's factories and productive equipment were little damaged during World War II. At the war's end, the heavily damaged countries placed large orders for goods in Belgium. The country enjoyed unprecedented prosperity. Belgium obtained business particularly from dollar-short countries which did not have the currency to buy in the US. Belgium earned lots of dollars too, especially from Latin America where lower import duties than prevail in the US kept some Belgian products more competitive than they would be in the US. So Belgium has built and Belgium has bought and Belgium has provided itself with more US autos, phonographs and other equipment per capita than any other European country. Oddly, Belgium has not invested much in new plant facilities.
3. During the past three years or so, Germany (FR), the UK, Sweden, France, the Netherlands, Norway, and Denmark have made good progress in their economic rehabilitation efforts. Italy too, is producing more. Business is at or near peak prosperity levels in most of these countries at the present time. It is growing. In Belgium, business has leveled off. The rate of business in Belgium is still high but Belgium's terms of trade are negative. This means Belgium is living beyond its means. It is buying more than it is selling. If the situation continues, Belgian purchases of US manufactured goods are bound to taper off. Coin-operated phonographs will be among the first to be hit, if they have not been already.
4. The reasons for the situation are many. Among them is the fact that much of Belgium's productive equipment is old. In the countries where there was war devastation, the productive equipment, in a large measure, is new. New equipment means higher productivity. Germany (FR), Italy, Netherlands and other countries now can outproduce Belgium per machine and per man hour in many fields. On top of it all, Belgian costs are generally higher than that of other European

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countries. Belgian products, therefore, are not as competitive as many from Germany (FR), the UK, Netherlands and Italy.

- 5. A move is underway in Europe today to free trade among Western (OECE) European countries up to at least 90% of the list of products produced by each of them. The tendency and foreseeable trend, therefore, is for more intensive inter-European trade. It is, in part, an answer to the uncertainty prevailing within these countries over long range access to dollar markets.
- 6. There is no solution which will be satisfactory to all parties concerned. However, the solution which will protect the company's interests to the maximum and, long range bring the greatest possible returns, is the best one. It seems to me that other coin-operated phonograph manufacturers have acknowledged this principle by licensing manufacture in Europe. Such a move is not in the direct interests of the US export firms which handle the sale of machines to foreign countries. It is a solution which likely they oppose. But what alternative is there? Procrastination can spell losses. One does not want to be too late in getting into the newly expanding inter-European markets.

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