

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SCM/M/24

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Special Distribution

Committee on Subsidies and
Countervailing Measures

MINUTES OF THE MEETING HELD ON
4-5 DECEMBER 1984

Chairman: Mr. H.S. Puri (India)

1. The Committee on Subsidies and Countervailing Measures held a special meeting on 4-5 December 1984.

2. The Committee adopted the following agenda:

A. Notifications under Article XVI:1 (SCM/41/Rev.1, SCM/49, SCM/W/85, L/5603 and Add.1-26)

B. Reservation by Spain (SCM/W/84, SCM/25)

C. Reservation by Portugal (SCM/52, SCM/55)

D. Report by the Chairman on his consultations regarding procedures concerning commitments under Article 14:5 (SCM/W/86)

E. Uniform interpretation and effective application of the Agreement (SCM/53)

A. Notifications under Article XVI:1 (SCM/41/Rev.1, SCM/49, SCM/W/85, L/5603 and Add.1-26)

3. The Chairman said that the Committee would follow the same procedure which had been followed at the previous meeting on notifications; this had been outlined in document SCM/41/Rev.1. He proposed that the Committee examine, in the first place, the situation with respect to notifications which have or should have been made, going through the list of signatories circulated in SCM/41/Rev.1 country by country. Each signatory should make a brief presentation of its subsidies including where appropriate, replies to specific points raised by other signatories. Following each presentation, other signatories would have an opportunity to ask questions and seek further clarification. He expressed the hope that all questions would be adequately responded to at this meeting. If, however, some signatories needed more time to answer specific questions, the Committee should revert to these questions at the April 1985 meeting. For this reason there would be an appropriate agenda item regarding notifications under Article XVI:1, and hopefully by April the signatories in question would have had sufficient time to prepare

satisfactory explanations. Signatories should also revert to notifications which should have, but regretfully have not, been made in time for this meeting. Once the Committee had completed the examination of subsidy practices of individual signatories, it would discuss and draw some conclusions with a view to improving the existing system of notifications. Document SCM/49 and addenda and SCM/W/85 were particularly relevant to this agenda item.

Australia (L/5603/Add.18)

4. The representative of the United States asked the following questions:

Why were the following programmes not included in the Australian notification:

- (i) Export Market Development Grants Scheme
- (ii) Overseas trade promotion, including a matching fund programme made available by the Overseas Trade Publicity Committee.
- (iii) The following measures introduced by the Queensland State Government:

Consultancy subsidies for the manufacturing industry

Overseas trade mission subsidies

Export freight subsidies

Export bridging finance subsidies

Assistance for new and modern technology industries

Financial assistance to manufacturing industry.

5. The representative of Australia replied that the "Export Market Development Grants Scheme" had traditionally not been notified as it did not fall within the purview of Article XVI:1. The "Overseas Trade Promotion" measures including a matching fund programme made available by the Overseas Trade Publicity Committee was not a quantifiable subsidy in the sense of Article XVI:1. The measures introduced by the Queensland State Government were rather related to Article XXIV:12 he wondered whether the United States had set a good example in notifying measures applied at the State level.

6. The representative of the United States, referring to the Queensland State Government measures, said that these appeared to be, in a number of cases, export subsidies. She also said that the United States did not have export subsidies at the State level. The representative of Australia recalled that Article XVI:1 did not only apply to export subsidies.

Austria (L/5603/Add.11 and Suppl.1)

7. The representative of the United States asked the following questions:

- (i) Why was the Export Sales Reserve programme (Section 123 of Austrian Income Tax Law) not included in the Austrian legislation

- (ii) Austria has subsidized the export of cheese to the EC, bringing the price from S 70 per kg. to the EC's minimum price of S 40, and in one instance to S 30 for sales to Italy. More more information on this subsidy programme was requested.
- (iii) The following programmes were in effect in Austria and, in the view of the United States, should be fully notified:
 - (a) Subsidy for horsebean production
 - (b) Subsidy for tobacco production
 - (c) Payment to farmers participating in research projects
 - (d) Subsidy for rapeseed exports
 - (e) Guaranteed purchase price for soybeans
 - (f) Production quotas for sugar beets; domestic and export prices set by the Austrian Government; and export subsidies for sugar.
 - (g) Funds for construction of storage facilities and for storage costs for wine.

8. The representative of Austria said that some of the programmes mentioned need not be notified, but he would send the questions to his capital and report back to the Committee at the April meeting. The representative of the United States added that the Austrian "Export Credit and/or Guarantee" programmes had not been notified either.

Brazil (L/5603/Add.26)

9. The representative of the United States asked why the Brazilian Government had failed to submit a notification covering the following subsidy programmes:

- (a) Fiscal benefits for special export programmes (BEFLEX)
- (b) Tax reductions on equipment used in export production (CIEX)
- (c) Income tax exemption for export earnings
- (d) Accelerated depreciation for Brazilian-made capital goods
- (e) IPI rebates for capital investments (Resolution 1547)
- (f) Import substitution (PROSIM)
- (g) "Green-Yellow" drawback

10. The representative of Brazil indicated that his country's notification covered benefits generally available to exporters of industrial products. Measures applied in the agricultural sector had been notified in the Committee on Trade in Agriculture (AG/FOR/BRA/2 of 16 April 1984). These benefits constituted a way of partially compensating structural problems and a response to development, financial and trade needs. The Brazilian notification comprised information about the IPI credit premium, income tax exemption and working capital financing for exports. According to the Brazilian commitment (SCM/38), his country was phasing out the IPI credit premium which would be eliminated by 1 May 1985. Moreover, due to recent

changes introduced in the Brazilian regulations, the process of phasing out had been intensified through successive adjustments of the credit rates which, since September 1984, had gone down from 11 per cent to a present rate of 7 per cent. The rates would continue to decrease on a monthly basis, leading to its complete elimination as of 1 May 1985. Finally, the representative of Brazil pointed out that given the present constraints confronting the Brazilian economy, changes introduced in the programmes since the last notification had significantly reduced benefits accruing to Brazilian exporters.

11. The representative of Canada said that as his delegation had only recently received the Brazilian notification, he would discuss the matter bilaterally with the Brazilian delegation. The representative of the United States invited the Brazilian delegation to reply to the questions which had been put by the US delegation.

12. The representative of Brazil drew the Committee's attention to the fact that the programmes referred to in the US questions did not constitute export subsidies and were in full conformity with GATT and the Code. They also did not affect the Brazilian commitment not to increase benefits to exports. As to the "Fiscal benefits for special export programmes" (BEFIEEX), it was essentially an export-import programme. Corporations making an export commitment would receive a reduction of between 70 per cent and 90 per cent of the import duties and the IPI tax (value added) on the imports of equipment necessary for the fulfilment of the export commitment. The programme was intended to open the way for some categories of foreign investment that would stimulate the economic and social development. His Government was developing a capital equipment industry with the concomitant high level of tariffs and taxes; the programme only aimed at eliminating such a burden and should not be viewed as an incentive. The "Tax reductions on equipment used in export programmes" operated on the same basis as the BEFIEEX, the only difference being that it intended to cover imports of machinery and equipment by small and medium-size enterprises, while the major beneficiaries of BEFIEEX were large enterprises and mainly transnational corporations. The "Accelerated depreciation for Brazilian-made capital goods" was a scheme open to any company purchasing national equipment and having an expansion project approved by the CDI (Industrial Development Council); the project must meet one of several national interest criteria and was unrelated to exports. The CDI did not limit usage of the programme to any industry or group of industries. Once the purchase had been approved, the company could utilize a depreciation rate of twice the normal rate permitted under the tax laws for the specific domestic equipment involved in the appropriate project. This benefit for the company, however, was only temporary. At the end of the depreciated tax life of the capital goods, the company must then appreciate the machinery (adding to taxable income), repaying the benefit it derived from accelerated depreciation. The general tax code provided for similar depreciation schedules for machinery used for three shifts. The "IPI rebates for capital investments" referred to rebates on value-added taxes. Any industrial producer who had an approved investment project was eligible to benefit from the programme. IPI benefits were not received by the company on export sales; in fact, exports acted to reduce the amount of benefits which might be otherwise available. The programme only benefited goods sold in the domestic market, for which IPI was paid. The "Import Substitution" (PROSIM) programme aimed at encouraging the development of domestic production of goods currently imported into Brazil

(import substitution) by making capital available for such projects. It did not constitute subsidization, since the interest rates charged covered the cost of funds to the Government. The "Green Yellow" drawback system allowed for the reduction of duties levied on national inputs which were incorporated into an exported product. The system did not change the value of benefits conferred upon export; rather it redistributed benefits previously received by the exporter/manufacturer to other participants in the export production and sales process. The raw material supplier and the trading company received under this programme a portion of the benefits previously accruing to the exporter/manufacturer only.

13. The representative of the United States said that in view of the trade effects of the above-mentioned Brazilian programmes they should be notified under Article XVI:1; the notification obligation was very clear and not affected by the operation of Article 14 of the Code. She finally added that the "medium and long-term lending export credits and guarantee programmes" were not included in the Brazilian notification. The representative of Brazil took note of these comments.

Canada (L/5603/Add.20)

14. The representative of the United States wondered why the following programmes had not been included in the Canadian notification:

- (i) Investment Tax Credit Incentive for certain regions
- (ii) Department of Regional Economic Expansion benefits:
 - (a) Regional Development Incentives Programme (grants)
 - (b) General Development Agreements for small businesses
 - (c) Eastern Ontario Subsidiary Agreement
- (iii) Federal Employment Programme - Community-based Industrial Adjustment Programme
- (iv) Agricultural and Rural Development Agreements
- (v) The "Crow's Nest Pass" freight rate subsidy for certain grains, oilseeds, and products
- (vi) Provincial subsidies:
 - (a) Quebec - Aide à la Promotion des Exportations
- SDI Financial Assistance Programme
 - (b) British Columbia - Market Development Assistance

15. The representative of Canada stated that the Canadian notification aimed at transparency and that the sixty-nine page notification attested to this effect. His delegation had also notified export credit programmes and a programme of export market development even though the latter would not be subject to countervailing duty action because recipients of transfers were required to repay their grants. Referring to the US questions, he said that the "Investment Tax Credit Incentive" for certain regions and the "Provincial

Subsidies" which had not been included in the Canadian notification, raised questions of principle which should be discussed in the Committee at the appropriate time. As to the other programmes he noted that the "Department of Regional Industrial Expansion" had been changed to the Department of Industrial Expansion and that this had led to changes in the programmes themselves; for example, the "Regional Development Incentives Programme" had been subsumed under the IRDP which appeared in the Canadian notification. The "Community-Based Industrial Adjustment Programme" had been terminated and the "Agricultural and Rural Development Agreements" did not fall under Article XVI:1 as it was a special programme which aimed at helping needy people.

Chile (L/5603/Add.1)

16. No comments.

Egypt (L/5603/Add.2)

17. The delegation of Egypt had not submitted a notification and did not participate in the meeting.

Finland (L/5603/Add.16)

18. The representative of the United States asked the following questions:

- (i) Why were the following programmes not included in the Finnish notification:
 - (a) Export inflation insurance under the K-Guarantee Programme
 - (b) Tax deferrals under the Investment Reserve Fund
 - (c) Tax exemptions for interest income derived through credit given by suppliers
- (ii) Small and middle-sized companies may receive financial aid for up to 50 per cent of the salary and administrative costs of their enterprises. Is this aid provided to farms and small agribusinesses? If so, an explanation of how the system works is requested.
- (iii) Finland's three largest banks provide loans to exporters with interest charges below commercial rates. Information on this programme and how it is funded should be included in the notification.

19. The representative of Finland replied that the "Export Inflation Insurance under the K-Guarantee Programme" was an inflation insurance scheme whose costs were covered by premiums paid by the users; the programme was not a subsidy, did not represent any cost to the Government and was administered by the Finnish export guarantee institution. The "Tax Deferrals under the Investment Reserve Fund" (IRF) was an anticyclical instrument; firms which had used IRF could deduct their taxable income corresponding to up to 3 per cent of the funds obtained from IRF. The scheme was part of the tax system and not a subsidy. The "Tax exemptions for interest income derived through credit given by suppliers" had been subject to a

countervailing duty investigation by the US Administration which found that the programme did not constitute a subsidy. The programme stipulated that only a part of the interest income derived from credit suppliers was not taxable. It was applicable only to certain industries. Referring to more general questions, the representative of Finland said that small and medium-sized companies did not receive public assistance related to their salary and administrative costs; however, under the regional development legislation, companies could apply for assistance. The latter was not related to exports nor to farms. Finally, he stated that the three largest banks in Finland were private and did not receive subsidies from the Government.

India (L/5603/Add.6)

20. The representative of the United States requested information as follows:

- (i) Why were the following programmes not included in the Indian notification:
 - (a) Pre-shipment export loans
 - (b) Market development assistance grants
 - (c) Kandia Free Trade Zone
 - (d) Preferential freight arrangements
 - (e) Import duty exemptions on capital equipment purchases
- (ii) In addition to the Cash Compensatory Support programme which was notified, India's programme for export subsidies and incentives consists of: a drawback or refund of excise/import duties paid on indigenous or imported raw materials, components, etc., used in export products. Why was this not notified?

21. The representative of India drew attention to his country's notification which stated that India recognized the desirability of moderation in export subsidies and that India did not maintain any export assistance programme inconsistent with the provisions of the Subsidies Code. The notification made mention of the Cash Compensatory Support Programme and some assistance being given on a selective basis for partially meeting expenditure by Export Promotion Councils to stimulate and diversify India's exports, although the incidence of such benefits was small. On account of the short notice in respect of the questions submitted by the US delegation, his comments, which were based on information available locally, should be treated as being of a preliminary nature and subject to correction. It was noticed, however, that some of the programmes on which questions have been raised by the US delegation had already been examined by the US Department of Commerce in the past. For example, in respect of the Market Development Assistance Programme, the US Department of Commerce had ruled in 1980 that assistance under this programme did not amount to a subsidy under the countervailing duty law. The US Administration had also noted that preferential freight arrangements had been discontinued. The import duty exemptions on capital equipment purchases were applied across the board to all categories of such goods and bore no relationship to exports. On the question of drawback or refund of excise or import duty paid on indigenous or imported raw materials

also the US Department of Commerce had recognized that "the non-excessive rebate of excise taxes was not a subsidy within the meaning of the countervailing duty law".

22. The representative of Canada drew the Committee's attention to the fact that Article XVI:1 referred to practices affecting exports and imports. The representative of India confirmed this understanding.

23. The representative of the United States said that the USITC finding concerning the rebates of excise taxes was applicable to particular cases and only to certain categories of goods; in other cases the finding was that subsidization existed. She requested clarification on the "Cash Compensatory Support Programme" and on "Pre-Shipment Export Loans" and the "Kandla Free Trade Zone". The representative of India recalled that in the notification itself there was already information concerning the first point. As to the other two points he was not in a position to reply as the information was not available but would be supplied later.

Japan (L/5603/Add.25)

24. The representative of Japan told the Committee that in Japan there were no industrial subsidies to be notified in the sense of Article XVI:1. Referring to why certain practices had not been notified by Japan he said that the "Export Credit Programme" was operated in accordance with the OECD consensus and was thus not a subsidy within the meaning of Article XVI:1. As to the "Tobacco Price Support Scheme", he had no information available at the moment but he would provide a reply in April 1985. The representative of Canada recalled that at the Committee meeting of 25 July 1983 his delegation had already noted that the Japanese notification covered only the agricultural sector and that certain other practices should be notified, i.e. the "tax holidays" and the "Export-Import Bank". At present he only wished to mention that there were still some outstanding questions.

25. The representative of Japan explained that the "tax holidays" system was a reserve for the cost of overseas market development of small and medium-sized enterprises; a company with a capital below ¥ 500 million which derived income from overseas transactions could deduct development costs as expenses. This practice did not constitute a subsidy. The export-import practices referred to were probably related to the activities of the Japanese External Trade Organization (JETRO) which also involved promotion, investment and information services. As most of JETRO's activities concentrated on import promotion and generation of overseas investment in Japan, he pointed out that these activities were not to be considered as subsidies in the sense of Article XVI:1.

Korea (L/5603/Add.13)

26. The representative of the United States put the following questions regarding the notification of Korea:

(i) Why were the following programmes not included in the notification:

(a) Accelerated depreciation

- (b) The Act Concerning the Regulation of Tax Reduction and Exemption (Articles 22, 23 and 24)
 - (c) Masan Free Export Zone
 - (d) Foreign Capital Inducement Law
 - (e) Iron and Steel Rehabilitation Order
 - (f) Preferential Port Charges
- (ii) Could information be provided on a programme under which the National Agricultural Co-operatives Federation buys corn from farmers and distributes it to processors and feed mills.

27. The representative of Korea stated that his comments to the US questions were of a preliminary nature as no reply had as yet arrived from his capital. The "Foreign Capital Inducement Law" which was set up twenty years ago had recently been revised to allow for a fairer treatment to domestic companies; foreign companies were fully exempted from taxes for five years and for 50 per cent for the three following years. At present all companies, foreign and domestic, had no tax exemptions, ownership limitations had also been abolished and foreign investment applications made automatic. All these practices bore no relation to the subsidies field. As to the purchase of corn by the "National Agricultural Co-operatives Federation", it only represented 1 per cent of total demand; the remainder, which was bought from the United States and represented 4 million metric tons, was distributed by the Livestock Development Association and the Feed Mill Association.

New Zealand (L/5603/Add.22)

28. The representative of the United States put the following questions regarding the notification of New Zealand:

- (i) Will the EMDTI scheme be permitted to expire, as scheduled, on 31 March 1985?
- (ii) Why were the following programmes not included in New Zealand's notification of subsidies?
 - (a) Investment Allowances - Sections 118-123 of the Income Tax Act of 1976
 - (b) Export of Goods to New Markets - Section 157 (1976 Act)
 - (c) Export Market Development and Tourist Promotion Expenditure - Section 154 (1976 Act)
 - (d) The "Export Guarantee Office", established by the Export Guarantee Act of 1964.

29. The representative of New Zealand answered that the "Export Manufacturers Investment Allowance" which was included in sections 118-123 of the Income Tax Act of 1976 had been notified previously and had been terminated in March 1983. The "Export of Goods to New Markets" had not been applied since 1980 and the pertinent legislation had been repealed with

effect from 1 April 1984. The "Export Market Development and Tourist Promotion" had also been repealed as from 1 April 1980. The "Export Guarantee Office" provided credit insurance services to exporters at normal commercial rates; it did not finance exports and was not a subsidy. As to the EMDTI scheme, he said that it was subject to review and would be extended until 31 March 1986. The "Export Programme Suspensory Loan Scheme" was also subject to review and its termination date was unknown. The "Export Suspensory Loans" would terminate as of 31 March 1985. The conditions for the "Sales Tax Exemptions on Machinery for Export Products" remained unchanged. He further told the Committee that these changes were to be understood within the framework of policies directed at removing artificial support mechanisms; the recently elected Government was seriously involved in creating an economic environment aligned to the market and which would permit the most efficient agents to prosper. The budget changes recently tabled, the review of a number of export assistance measures, and the removal of assistance in the agricultural sector testified to this effect. His general comments were intended to provide the Committee with some background information on the policies of his Government and not to suggest that the measures referred to fell within the purview of Article XVI:1. The representative of Canada wondered whether some of the measures concerning the agricultural sector should not be notified by the New Zealand authorities.

Norway (L/5603/Add.10)

30. The representative of the United States asked the following questions regarding the notification of Norway:

- (i) In addition to the transportation subsidies for meat and eggs mentioned in the notification, similar subsidies seem to exist for fruits and vegetables. In addition, certain fruit and vegetable co-operatives apparently receive financial aid. Could the Norwegian delegation provide details on these programmes?
- (ii) The narrative portion of the notification should include some discussion of the Milk and Dairy, Egg and Poultry, and Meat Marketing Boards, as regards their rôle in the export process.

31. The representative of Norway, replying to the questions formulated by the United States, indicated that the "transport support system for fruit and vegetables" was intended to guarantee more equal consumer prices countrywide; it was applicable to apples, pears and tomatoes and had cost US\$1 million in 1983. The vegetable and fruit co-operatives were responsible for regulating the market and its costs were covered by the Agricultural Agreement and by levies on sales of fruits; the former was true only if production goals were met. For 1984-85 the budget for all markets was US\$25.5 million. The representative of the United States requested some additional information on the "Export Credit and Guarantee Programmes". The representative of Norway replied that these were in conformity with the OECD consensus and with the exemption in the Illustrative List of the Code (item k). His country would notify these practices if other OECD countries would do the same.

Pakistan (L/5603/Add.23)

32. The representative of the United States put the following questions regarding the notification of Pakistan:

Why were the following programmes not included in Pakistan's notification of subsidies?

- (i) Compensatory Cash Rebate
- (ii) Excise Tax and Sales Tax rebates on exports
- (iii) Customs duty rebate (duty drawback on items not physically incorporated)
- (iv) Export financing
- (v) Export Credit Insurance

33. The delegation of Pakistan did not participate in the meeting.

Spain (L/5603/Add.24)

34. The representative of the United States wondered why the "desgravación fiscal" (DIFE) tax rebate programme had not been included in the notification.

35. The representative of Spain recalled that his country's agricultural policy was essentially designed to maintain prices and markets at reasonable and pre-established levels. In the Spanish notification mention was made of subsidies in the agricultural sector and of Government aids in the industrial sector. The representative of Spain further replied to the US question of why the tax-rebate system (Desgravación Fiscal) had not been included in the Spanish notification. The issue of tax rebates was discussed several years ago, in 1970, (pages 21-22 of the Spanish version of L/3389) and at that time no agreement had been reached on the legal status of tax rebates; tax rebates under a cumulative indirect tax system were also very difficult to

¹The United States delegation has subsequently stated that questions (i)-(v) relate to India and not to Pakistan. The corrected set of questions relative to Pakistan are listed below:

Would the delegation of Pakistan provide information on the following subsidies which were not notified?

- (a) export rebates on yarn, cloth and made-up textiles
- (b) subsidies on fertilizer use
- (c) subsidies on the production and distribution of improved seeds of cotton, wheat, corn, gram and other crops
- (d) support prices for wheat, rice, sugarcane, cottonseed, potatoes, onions, and raw cotton.

assess, particularly when the elements were not physically incorporated in the final product. In view of the fact that the latter was not defined, Spain never notified its tax rebate system in the past. After joining the Code and by virtue of the Spanish reservation which comprised paragraph (h) of the Illustrative List, his delegation had decided not to include the tax rebates in the Spanish notification. Moreover, the value of those elements not physically incorporated in the final product varied from one product to the other but was relatively small, particularly after the reduction of 15 per cent which was recently applied (SCM/W/84). His delegation would probably notify the tax rebate system in the future if it were to remain a signatory to the Code.

36. The Chairman recalled that the obligation to notify was already a requirement under the General Agreement. The representative of Spain concurred with this view but recalled that, whether or not factors not physically incorporated in the final product should be granted, a tax rebate depended on the interpretation of Article XVI, and to this effect there existed an agreed interpretation in the Code. If Spain were not a signatory to the Code, the tax rebate system would not constitute a form of subsidization.

37. The representative of Canada recalled that his Government had requested some information from the Spanish authorities regarding three specific subsidy programmes involving steel. The information requested referred to Decrees 669/74, 60/78 and 878/81 whereby certain benefits were granted to firms, i.e. preferential loans, accelerated amortization, tax reductions, capital infusions, etc. He finally asked for confirmation that these programmes no longer existed. The representative of Spain said that he had no up-to-date information on this question but promised a reply at the April meeting of the Committee. He also noted that the steel programmes aimed at easing structural adjustment and not at fostering exports or preventing imports. The representative of the United States reiterated the view that subsidies were to be notified independently of whether they were legal or not. In her view it was somehow inconsistent to say in SCM/W/84 that "it was difficult for Spain to accede to that Agreement because the provisions of paragraph (h) of the Annex thereto could not be fulfilled" and to note at the same time that the tax rebate system was not a subsidy within the meaning of Article XVI:1. The representative of Spain said that if in 1985 Spain continued to be a signatory, its notification would be updated and would include the tax rebate system.

Sweden (L/5603/Add.21)

38. Questions asked by the United States, if any, to be completed subsequently.

39. The representative of Sweden said that the "Export Credit System" had been notified in the interest of transparency and that his Government would continue to do so if this became a regular practice of signatories. He also noted that although Part II of the Swedish notification did not conform to the standard format, it would be rectified next year.

Switzerland (L/5603/Add.12)

40. The representative of the United States put the following questions regarding the notification of Switzerland.

On page 22 of the Swiss notification (under "Sugar Beet"), it is stated that "... Imports of sugar are unrestricted. Consequently the sugar refineries must sell the sugar refined in Switzerland at a price equal to that of imported sugar, customs cleared. This may involve them in a loss when the world price is very low ...". The subsidy notified is evidently intended to cover these losses.

On pages 30-31 of the notification, Switzerland describes a subsidy paid on processed agricultural products based on their agricultural product components. It is stated that "... the contributions to exports [of processed agricultural products] are calculated ... on the basis of the difference between Swiss and foreign prices".

The United States delegation stated that these two subsidies notifications were confusing because it would seem that a subsidy was necessary to offset sugar refiners' losses occasioned by matching world prices. If this was the case (sugar is being sold at world prices), why was it necessary to pay a subsidy on processed products using sugar? If sugar is not being sold at world prices, why were the refiners losing money and in need of subsidies?

41. The representative of Switzerland stated that the description of the Swiss price mechanism in the notification was probably confusing because of a translation problem. The world market price for 100 kg. of sugar was SFr 40 and after duties and other levies had been included, it reached SFr 100; the domestic sugar refineries, when buying the domestic product, received SFr 70 from the Confederation and from producers. In the case of exports of products containing sugar, in order to bring prices down to the world market level, there existed a restitution of SFr 60. Concerning the US question of why his Government had not notified export credits and/or guarantee programmes, he said that the "Export Credits Insurance Scheme" was a private programme, financed by users who wanted protection against export risks.

United Kingdom on behalf of Hong Kong (L/5603/Add.3)

42. No comments.

United States (L/5603/Add.9)

43. The representative of the United States said that the notification before the Committee contained detailed information about their "Maritime-Construction-Differential Subsidies", "Export Credit Subsidies" and "Agricultural Price Support Programme".

44. The representative of Canada wondered whether the US delegation had considered notifying measures or programmes such as the DISC, FISC, "Drawback of Duties and Import Fees", "Industrial Development Practices", "Service Transportation Assistance Act" and "The Rural Electrification Act". The representative of the EEC enquired why the United States had not considered it necessary to notify the DISC. The representative of the United States

said that the DISC no longer existed and that her Government had made the effort to ensure that its replacement conformed with the understanding reached in the GATT Council in 1981 relating to income tax practices (C/M/154). Moreover, the FISC legislation had been notified to GATT in conformity with the Framework Agreement, and she would refer members of the Committee to that notification which had been submitted in early 1984. The representative of the EEC said that although it was true that the DISC was to be replaced as of 1 January 1985, it had existed since 1972 and had never been the subject of a notification.

45. The representative of Australia asked if the United States intended to notify subsidy arrangements, whether or not export subsidies, operated by sub-federal agencies. The representative of the EEC noted that in the US notification no mention was made of programmes at the State level. The representative of the United States said that the question raised by the Australian representative could be addressed later when the Committee discussed the scope of notifications. As to the point made by the EEC representative, he suggested to defer its consideration until after the Committee had examined why a number of EEC member States had never notified their subsidies. It was agreed that these questions of a general nature would be discussed later.

Uruguay (L/5603/Add.14)

46. No comments.

Yugoslavia (L/5603/Add.19)

47. The representative of the United States put the following questions regarding the notification of Yugoslavia:

- (i) Are the subsidies described in the notification applicable for all export destinations?
- (ii) Are there any significant subsidy programmes operated at the state or federal level?
- (iii) Why were the following programmes not included in Yugoslavia's notification of subsidies:
 - (a) Income tax rebates on exports
 - (b) Improvement of regional economic structures by the federal and state governments

48. The representative of Yugoslavia recalled that an additional notification to that contained in Addenda 19 had recently been circulated. As to the questions put by the US delegation, by way of a preliminary response she said that subsidies described in the notification were applicable to exports to countries with convertible currencies (page 2 of the notification). Incentives of this type were given to exports destined to all countries other than the USSR, Czechoslovakia, German Democratic Republic, Albania and Mongolia. With these five countries Yugoslavia had clearing arrangements. The long-term objective of Yugoslav economic policy was to reduce the share of clearing trade in total Yugoslav trade and the declining participation of the former showed that this target was being met. Within

the framework of the long-term policy of a convertible dinar, there was also a desire to make payments with these countries in convertible currencies. Detailed information on this was contained in the statement submitted by Yugoslavia for the consultation in the Committee on Balance-of-Payments Restrictions on 23 May 1984 (documents BOP/242). As Yugoslavia ran large trade deficits with industrialized western countries and had, therefore, high debt service commitments as well as increased difficulties in acceding to these markets, it was forced to resort to special measures to stimulate exports to these markets. Exports to developing countries were also stimulated in pursuance of Yugoslav trade promotion policies. As regards the question on other subsidy programmes (ii), She noted that the additional notification addressed this question. This additional notification concerned long-term export financing. A notification on short-term export financing would be submitted at a later date. Regarding the question on why income tax rebates on exports were not included in the notification, she noted that income tax rebates on exports were included as "drawback of a portion of contributions from income and personal incomes" (page 1, paragraph (a)). The table on page 5 contained both categories of contributions (enterprises income and personal incomes). Yugoslavia's policy was to reduce these returns; in 1983-84 they had decreased by 50 per cent. In reply to the question concerning improvement of regional economic structures by the federal and state governments, she stated that Yugoslavia did not subsidize exports aimed at improving regional economic structures. Nevertheless, the basic constitutional provision was to reduce uneven development between regions. (The republics and provinces situated in the north were more developed than those in the south). Finally, she pointed out that there was no relation between the aid given to certain regions or states and the exports made or subsidies granted.

EEC (L/5603/Add.15 and Suppl.1)

49. The representative of the United States put the following questions regarding the notification of the EEC:

- (i) Why were the following EEC programmes not included in the EEC notification of subsidies:
 - (a) ECSC Interest Rate Subsidies
 - (b) Industrial Investment Loans from ECSC under Article 54 of the ECSC
- (ii) Why is there no mention made of the EEC inward processing programme for EEC rice processors - which allows them to import rice levy-free if that rice is to be later exported in a processed form?
- (iii) Special provisions are used in determining the export refunds for processed fruit and vegetable products, taking into account the sugar content of the products and, in some cases, other factors as well. It is particularly important that for those product groups for which rather complicated export subsidy formulas exist, an explanation of the programme be provided.
- (iv) Why is no mention made of the EEC stocking policy for olive oil? Are storage costs paid by the intervention agencies? If so, at what rate and what are the total amounts paid?

- (v) Why is no mention made of the special subsidy for rapeseed which is suitable for animal feedstuffs?
- (vi) Why is no mention made of the special linseed production subsidy?
- (vii) The notification contains no details relating to the conversion and abandonment premiums for wine. Useful information to have would be the conditions under which these premiums are granted, to whom and at what rate they are provided, and the total amount provided.
- (viii) Why is there no mention made of the premium payments system in the bovine meat sector and its possible subsidy effects (i.e. the slaughter, calf and suckler premiums)?
- (ix) Provisions for export refunds paid on EEC exports of cattle, calves, beef and veal are not mentioned in the notification. It appears that these refunds are provided intermittently on the basis of existing prices, supplies, political factors and other criteria. An explanation of how these refunds are determined is needed in the notification.
- (x) Information is requested about the export refund system for pigmeat, particularly those refunds which have become a de facto "permanent" part of the pigmeat régime (i.e. those relating to exports of canned pigmeat).

France (no notification submitted)

Why did the Government of France fail to submit a notification of subsidies covering the following programmes:

- (i) Regional Development Incentives by DATAR (Délégation à l'Amenagement du Territoire et l'Action Régionale)
- (ii) Labour-related aid for steel industry workers from:
 - (a) Convention de Protection Sociale (June 1977)
 - (b) Convention Générale de Protection Sociale (July 1979)
- (iii) Research and Development Assistance to the steel industry from the Institut de Recherches de la Siderurgie Française.
- (iv) Special Fund for Industrial Adaptation
- (v) Export Financing through:
 - (a) Commission Interministerielle des Garanties et du Credit au Commerce Exterieur; and
 - (b) Banque Française du Commerce Exterieur
- (vi) 1978 Steel Rescue Plan

Italy (no notification submitted)

Why did the Government of Italy fail to submit a notification covering the following subsidy programmes:

- (i) Subsidies provided under Law 639
- (ii) Cassa per il Mezzogiorno (the regional development programme for Southern Italy)

Belgium

Why did the Government of Belgium fail to submit a notification covering the following subsidy programmes:

- (i) Laws of 14 July 1966 and 30 December 1970 on Economic Expansion
- (ii) The Steel Restructuring Plan, including:
 - (a) Reorganization Plan of 1978;
 - (b) Council of Ministers decision of 23 November 1978;
 - (c) Royal Decree of 15 December 1978; and
 - (d) Council of Ministers Decision of 15 May 1981
- (iii) Export Assistance Programme - Office National du Ducroire
- (iv) Reimbursement of worker training costs by the National Employment Office
- (v) Readaptation and Retraining Assistance - Article 56 of ECSC Treaty

Federal Republic of Germany

Why did the Government of the Federal Republic of Germany fail to submit a notification of the subsidies found in the Investment Premium Act (Articles 1, 2 and 3)?

50. The representative of the EEC noted the effort made by his delegation to improve its notifications; in particular, programmes of assistance to the steel industry, textiles and shipbuilding had been notified. He also drew the Committee's attention to the fact that there was an element of subjectivity in the notifications exercise; some signatories had decided not to notify at all claiming that they had no subsidies in terms of Article XVI:1, others had not notified internal or domestic aid programmes, and finally some had not notified direct export subsidies, i.e. the DISC régime. As to the questions raised by the US delegation, he could only offer some preliminary comments; export credit practices in conformity with the OECD consensus were not considered to be subsidies covered by the Code; other aids referred to by the US aimed at social and economic objectives referred to in Article 11 of the Code and had no significant effect on trade; certain of these aids in the steel sector had been communicated in detail to the US in the context of a countervailing investigation by the United States a few years ago. Regarding the questions related to agriculture, he said

there was probably a translation problem insofar as question 6 was concerned; "grain de lin" had been translated as flax seed (page 14 of the English version of L/5603/Add.15) and not as linseed although the two terms could be regarded as synonymous. On question 2 why some "inward processing programmes" had not been notified, he stated that no subsidy had been granted under these programmes and that the United States itself had not notified certain drawback programmes for sugar; moreover, the duration of US programmes was greater than two years and according to item (i) in the Illustrative List, these were to be considered as subsidies. He also had some problems in understanding question 10. Finally, he told signatories that in the Committee on Trade in Agriculture, ample information had been given on EEC practices and that his delegation would provide any additional information if the need arose.

51. The representative of Canada focussed on the industrial side of the EEC notification. He noted that only three EEC member States had submitted an additional notification and that there was no information to suggest that some of the programmes mentioned before had disappeared (paragraph 40, SCM/M/16). Some countries had export assistance programmes and the Commission itself had recently introduced promotional actions for the export of new technology. His comments aimed at suggesting that there was more information to be shared with the Committee in the interest of transparency. The representative of the EEC reiterated his view that there was a perception problem regarding the question of what should be notified; for instance Canada had not notified subsidies at the provincial level. The EEC on the other hand had substantially improved its notification and in the three more important areas of steel, textiles and shipbuilding, all countries had been covered. If some of the comments by the Canadian representative referred to Ireland he would refer him to footnote two of the Illustrative List. The representative of Canada, referring to the point on the notifications at the sub-federal level, asked whether it was the EEC view that the Federal Republic of Germany should have also notified subsidies at the "Länder" level. The representative of the EEC referred to page 11 of L/5603/Add.15/Suppl.1 where a shipbuilding notification concerning the Federal Republic of Germany was made at the "Länder" level.

52. The representative of Australia, referring to the point on notifications at the sub-federal level, underlined that all contracting parties were obliged to notify under Article XVI:1 and that some member States of the EEC had not done so. He also noted that the Committee on Trade in Agriculture had no rôle in the area of export or domestic subsidies for industrial goods and that participation in that Committee did not void obligations under Article XVI:1. He finally noted that "trade effects" had not been calculated in the EEC notification, as requested.

53. The representative of the United States echoed the views expressed by the Australian delegation and insisted that most of the US questions had not been disputed or answered by the EEC. She wondered if other EEC member States, apart from the United Kingdom, would fulfill their obligations under the GATT. Export credits were, in her opinion, notifiable under GATT regardless of their conformity with the OECD consensus. Finally; she said that greater transparency would bring about better discipline. The representative of the EEC insisted that his delegation had provided information on aids to the three main industries for all EEC countries but did not deny the obligation of member States to notify. He reiterated the

perception problem regarding the contents and scope of notifications as there was no unanimity on this point. If the purpose of the US questions was to raise matters of principle, this could be discussed subsequently; if, on the other hand, it was to suggest lack of transparency, he would deny the latter as his delegation had made a great effort and provided enough information in this and other fora. As to the question of "calculation of effects", he referred the Australian delegation to page 4 and to the table on page 5 of the French version of L/5603/Add.15. He finally stressed the lack of clarity in certain US questions, the abundant information provided by his delegation and his willingness to furnish any additional material. The representative of Canada wondered if the United States would not wish to submit reverse notifications relating to information it had obtained, but which had not been notified by the EEC.

United Kingdom (L/5603/Add.8)

54. The representative of the United States requested information on the following points:

- (i) Why did the United Kingdom fail to include the following subsidy programmes in its notification:
 - (a) Regional development grants (Industry Act of 1972);
 - (b) Interest relief grants; and
 - (c) Subsidies provided by the Iron and Steel Industry Training Board
- (ii) In addition to a price guarantee for potato producers, the United Kingdom also intends to incorporate a deficiency payment for sheepmeat as of 1 October 1984. This programme should be included in any revisions to the current notification.
- (iii) As of 1 April 1983, special grants were made available to apple and pear producers who intend to replant their orchards. This aid is apparently in addition to funds provided through the Horticultural Grant Scheme of 1980. Is it correct that funds allocated for this programme amount to £5 million for the 1983-88 period?

55. The representative of the United Kingdom said that the last part of sub-paragraph (c) on page 2 of the UK notification should be amended as follows: "For 1980/81, 1981/82 and 1982/83, respectively, it has been provisionally estimated at £15.6 million, nil and £2.1 million". The representative of the United States noted that her delegation had also submitted some questions to the UK delegation. The representative of the EEC said that the US questions were being examined in capitals and that replies would be furnished bilaterally and if necessary to the Committee.

56. Moving on to a discussion of a general nature relating to notifications, the Chairman referred to document SCM/W/85 which was a compilation by the secretariat of written comments on points raised in document SCM/49 and circulated in addenda to the latter document. In cases where it seemed to the secretariat that views expressed were concordant, only one response was reproduced (sometimes with minor modifications). Square brackets were used,

not necessarily to indicate divergencies of views, but also to reflect certain nuances in approaches to points which, in general terms, did not seem to be controversial. The Chairman made it clear that the purpose of the discussion was to exchange views on this important issue, possibly to be followed by informal consultations by the Chair, with the aim of ultimately arriving at guidelines on the question of notifications.

57. The representative of the EEC told the Committee that both the work of the Group of Experts on the question of definition of a subsidy and the notifications in the Committee on Trade in Agriculture were relevant to the on-going discussion. The Chairman said that the point raised by the EEC representative was partly reflected in paragraph 1(b). The representative of Uruguay was in favour of transparency although he realized notifications should not constitute an administrative burden. He shared the view that the work of the Committee on Trade in Agriculture could be of relevance to the Committee and suggested incorporating this idea in paragraph 1(b).

58. The representative of the EEC noted that paragraph 1(c) raised questions of subjectivity and perception regarding the contents of notifications. He was against the notion of transparency for the sake of transparency and would prefer a more workable approach where signatories need not be compelled to submit voluminous and useless notifications. The representative of Canada said he was in favour of deleting the square brackets in paragraph 1(c), whereas the representative of Japan expressed his preference for retaining these brackets. The representative of Australia noted that in paragraph 1(c) it was not clear to what the words "in case of doubt" referred, but thought that they should refer to the trade effect of the subsidy. The representative of Austria wondered if other signatories could judge whether a given signatory was "in a case of doubt". The representative of Uruguay, referring to the "in a case of doubt" situation, said he supported the views of the Austrian representative and noted that signatories could only be exhorted to notify in such a situation. The Chairman recalled that Article XVI:1 did not suggest that all export subsidies were illegal per se. Making a notification was neither insurance against another signatory invoking the dispute settlement rights nor a self-incriminatory move. The representative of New Zealand was in favour of exhorting countries to notify, as suggested in paragraph 1(c). However, in practical terms it was not likely that governments would react positively and notify all programmes in "case of doubt" situations, particularly, in view of the importance and sensitivity of the question.

59. On paragraph 1(d), the representative of Japan was of the view that the decision to notify should be left to the judgement of the notifying country. He also noted that the provisions in Article 7 of the Code should be utilized in the interest of transparency. The representative of the EEC recalled that Article 7 was a very useful complementary provision and that subsidies with a substantial effect on trade should be subject to notification. The representative of Australia was concerned with the principles behind paragraph 1(d) as it seemed to suggest that the notifications were not obligatory, that there were no criteria against which to judge that obligation and that it was at the discretion of the country whether or not a notification should be made; he recalled that Article XVI was very clear. He finally asked the EEC delegation the source of their concept of "substantial effect on trade" as the criteria for deciding to notify. The representative of the EEC said that in order to minimize the subjectivity

element of the notifications, it was essential to arrive at an objective definition of what a subsidy was. The representative of Australia, while considering that objective criteria were certainly of great help to facilitate notifications, recalled that in Article XVI:1 no mention was made of criteria such as "substantial effect on trade". A corollary of the EEC criteria was that small countries like Australia could claim that none of its subsidies had a substantial effect on trade and consequently would not notify at all. The representative of Canada indicated his preference for undertaking his own analysis as to whether a given practice had or had not a substantial effect on trade. His delegation would suggest the deletion of certain programmes; he cited the programmes at the "Länder" level as an example of practices not to be included in the EEC notification.

60. The Chairman invited the Committee to focus on the following issues which could serve as the basis for some guidelines on Article XVI: (a) subsidies with social objectives; (b) subsidies granted at the provincial level; (c) notifications of countries with a strong private sector and/or vice versa; (d) the rôle of Article 7; (e) the so-called self-incriminating effect; (f) how and when to revise the questionnaire; and (g) the possibility and desirability to quantify trade effects.

61. The representatives of Canada and the EEC referred to subsidies with social objectives and stated that these were to be included in a notification only if they had an effect on trade. The representatives of Australia and Canada said that footnote 22 to Article 7 of the Code seemed to suggest that signatories were not obliged to notify subsidies granted at the provincial level, yet had to accept the international consequences of granting such subsidies, i.e. countervailing duties and second-track actions. The representative of the EEC reserved his position on this question.

62. The representative of Uruguay asked whether a subsidy of provincial level could be the subject of bilateral consultations or of a counter-notification according to Article 7:3. The Chairman responded affirmatively.

63. The representative of Canada indicated that his delegation had notified certain practices which were not subsidies and consequently he did not believe in self-incriminating effects.

64. The representative of Canada said that to quantify trade effects was not easy. He distinguished between the value or amount of the subsidy and the concomitant trade effects arising from it; the two concepts were completely different. His delegation would reflect on the possibility of carrying out this calculation and on the relevance of asking delegations to submit trade effect calculations. The representative of the United States recognized the difficulties inherent in such a calculation. However, she said her delegation had provided some estimates of trade effects in the US notification. In her view trade effects need not be calculated in too detailed a manner but delegations should nevertheless try to make an effort in providing estimates.

65. The Chairman proposed that the Committee should authorize him to establish a small group of experts composed of representatives who have made or would make comments on issues in SCM/49. This group would try to work out

a set of draft guidelines on notifications (an improved and more comprehensive version of SCM/W/85) and would submit it to the Committee for consideration at its October 1985 meeting. It was so decided.

66. In conclusion the Chairman stated that the situation as regards notifications under Article XVI:1, although considerably better than in the past, was still far from being fully satisfactory. Especially disappointing was the fact that one signatory still did not feel obliged to promptly meet his obligations under Article XVI:1, an obligation which applied to all contracting parties. The Committee should therefore request all its members to make every effort to ensure that notifications, as complete as possible, be submitted by all signatories according to the established GATT procedure. The set of guidelines to be worked out by the October 1985 session would certainly help in preparing new notifications. What was ultimately required was the political will to observe GATT obligations and ensure more transparency in the field of subsidies.

B. Reservation by Spain (SCM/W/84, SCM/25)

67. The Chairman recalled that at its meeting of 29 April 1982 the Committee had decided to consent to the entering of the reservation by Spain (the text of which could be found in document L/5517) subject to the condition that this reservation should be withdrawn not later than 31 December 1984. At the November 1984 meeting the representative of Spain had requested that the deadline of 31 December 1984 be extended until 31 December 1985. The full text of his statement had been circulated in SCM/W/84. In the meantime the Chair had held informal consultations and it resulted from them that there was no agreement to extend the reservation beyond 31 December 1984. However, consultations could continue until then and he hoped that by that day Spain would inform the Committee of its intentions.

68. The representative of Spain said that he hoped to inform the Committee, before 31 December 1984 of the intentions of his Government (see SCM/25/Add.1).

C. Reservation by Portugal (SCM/52, SCM/55)

69. The Chairman recalled that on 15 November 1984 the Government of Portugal had accepted the Code. The acceptance was accompanied by a reservation, the text of which had been circulated in document SCM/52. On 30 November 1984 the Chairman had organized informal consultations between signatories and Portugal in order to learn more about the nature and the scope of the proposed reservation. It seemed that these consultations had helped signatories in deciding whether they should consent to this reservation or not. His feeling was that the reactions to the request by Portugal were rather positive and therefore he would propose that the Committee take a decision on this item.

70. The representative of Portugal expressed the satisfaction of his Government to become a signatory to the Code and a member of the Committee; this was a positive contribution to the functioning of the multilateral system of trading rules and to the GATT itself. He hoped that members of the Committee would understand and agree to the reservation made by Portugal in accepting the Code. It was a reservation of very short duration and essential to permit the adaptation of Portugal's laws, regulations and administrative procedures to the Code. He said that document SCM/55 contained a detailed explanation of his Government's position.

71. The Committee thereupon adopted the decision consenting to the proposed reservation by Portugal (document SCM/57/Rev.1).

72. The Chairman noted that as the acceptance of the Code with a reservation had seemed to become more than just a very exceptional event, he would like to make a statement for the record. His statement was not specifically related to the reservation by Portugal but to the general question of reservations:

"The Code is very strict about reservations. According to Article 19:3, reservations may be entered in respect of any of the provisions of the Code only if all other signatories agree. If one or more signatories do not consent to the reservation, the acceding country either has to withdraw this reservation and fully comply with the Code, or to postpone its adherence until it is ready to fully assume all obligations resulting from the Code. Otherwise, any acceptance of the Code with a non-accepted reservation will become void.

As a country normally considers its reservation as a major condition of its acceptance of the Code, it is very important that countries intending to accept the Code with a reservation secure the consent of the other signatories before they actually accept the Code."

D. Report by the Chairman on his consultations regarding procedures concerning commitments under Article 14:5 (SCM/W/86)

73. The Chairman recalled that at the November 1983 meeting the observer for Colombia had raised some problems related to difficulties his country and some other developing countries had been facing in their efforts to accede to the Code. Following a suggestion by the representatives of India the Committee had requested the Chairman to hold informal consultations with a view to examining these problems in detail. He and the previous Chairman, Mr. Ikeda, had had a number of informal consultations in the course of which sufficient progress had been made to enable the Chairman to propose to the Committee draft procedures which might help to resolve these difficulties. The text in SCM/W/86 had been circulated on the Chairman's responsibility and certain points might require further consideration before the Committee could formally adopt it. However, in its present form it already constituted a good basis for a solution to most of the difficulties in that area. He further said that these procedures elaborated on the existing procedures adopted by the Committee at its March 1980 meeting (SCM/M/2, paragraphs 5 and 31). They did not introduce any new obligations above those which already existed in terms of various provisions of the Code and of the General Agreement. Their purpose was to ensure that if a developing country wished to enter into a commitment under Article 14:5 of the Code, it would follow a multilateral instead of a bilateral procedure.

74. The representative of Uruguay said that as the paper had been circulated very recently, his Government would need some time to consider it. For the moment he wished to recall his Government's position that Article 14:1 of the Code clearly recognized that subsidies were an integral part of economic development programmes of developing countries and that Article 14:5 spoke only about the endeavours to enter into a commitment. Entering into a commitment constituted an obligation which was counterbalanced by certain

advantages under Articles 14:6 and 14:8. Furthermore, Article 14:4 clearly stipulated that adverse effects caused by subsidies of developing countries should be demonstrated by positive evidence, through an economic examination of the impact on trade and production of another signatory. He wondered whether paragraphs 3 and 4 of SCM/W/86 were consistent with Articles 14:4 and 14:3.

75. The Chairman said that the draft procedures were intended to facilitate accession of developing countries. It was up to the acceding country to decide whether it wished to follow these procedures or whether it wished to accede without any commitment or on another basis. He further said that sub-paragraphs (a) and (b) of paragraph 2 of SCM/W/86, should be read in the order in which they appear. In particular, paragraph (b) did not contain any additional obligations above those which already existed in terms of Article 14:3. Moreover, if the Committee had to act pursuant to paragraph 3 of SCM/W/86, it would have to do so in accordance with the requirements of Article 14:4. All these and other points might be further clarified in informal consultations.

76. The representative of Uruguay said he would like to be associated with such informal consultations.

77. The observer for Colombia expressed his delegation's appreciation for the Chairman's efforts and supported the proposal in SCM/W/86. He said that this proposal could facilitate his country's accession to the Code and solve problems developing countries had with commitments under Article 14:5. The existing bilateral approach to this question had created great difficulties which had prevented his country from joining the Code. Multilateralization of the commitments procedure seemed to be a good solution.

78. It was agreed that the Chairman would continue informal consultations on the basis of the proposal and that he would submit the final text as soon as possible.

E. Uniform interpretation and effective application of the Agreement
(SCM/53)

79. The Chairman introduced the report on his informal consultations; the text of his introductory statement has been circulated in SCM/56. He further said that, at this point of time, he did not invite any comments on the report but urged signatories to examine the report carefully and reflect on it.

80. The representative of Canada thanked the Chairman and all those who had been involved in the preparation of this report. He agreed with the Chairman that work going on elsewhere could neither absolve this Committee from its responsibilities nor would he agree to delegate these responsibilities to any other body. As to the substance of the paper he found sections dealing with Articles 8 and 10 very useful because their adoption would render the application of the Code more effective. He was, however, concerned about possible dilution of obligations under Article 9 of the Code.

81. The representative of the EEC said that he would prefer avoiding discussion on the substance. He said that the Ministerial Declaration had given a clear mandate to the Committee on Trade in Agriculture and in this

context he wished to recall the statement made by the EEC at the last Session of the CONTRACTING PARTIES. He said that the results of the work in the Agriculture Committee constituted a balanced work programme which had to be taken as a whole. It would, therefore, be inappropriate to extract one or another element and treat it separately in another forum because it would jeopardize a laboriously worked-out global compromise. He also said that his delegation had not participated in the Chairman's consultations. The representative of Austria associated himself with the statement of the representative of the EEC.

82. The representative of Sweden, speaking of behalf of th Nordic Countries, said that his delegation highly appreciated the Chairman's efforts and would report on their results to the respective capitals. He wished to point out that certain aspects of the Chairman's proposals were also covered by the work going on in the Committee on Trade in Agriculture. The representative of Switzerland associated himself with the Nordic statement.

83. The representative of the United States recalled that there was a continuing concern in the Committee related to the unresolved problem of the Panel reports on pasta and wheat flour. He wished to express his delegation's appreciation of the Chairman's efforts and said that some time would be needed to study the paper and to assess its implications and its relationship with the work in other GATT bodies.

84. The representative of Spain said that he highly appreciated the work done in the informal consultations. His delegation would need more time to study the Chairman's report and in the meantime he wished to reserve his position. He further said that the question of subsidies in the field of agriculture should be seen in the context of the Ministerial Declaration.

85. The representative of Japan said that he fully agreed with the Chairman's introductory statement and would urge his capital to examine the report carefully.

86. Upon the proposal of the Chairman, the Committee agreed to revert to this report at its next meeting. In the meantime he would hold informal consultations in order to clarify all aspects of his proposal.