

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

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Committee on Subsidies and Countervailing Measures

MINUTES OF THE MEETING HELD
ON 27-28 OCTOBER 1994

Vice-Chairman: Mr. Asaf Ghafoor (Pakistan)

1. The Committee on Subsidies and Countervailing Measures ("the Committee") held a regular meeting on 26 and 28 October 1994.
2. The Committee adopted the following agenda:
 - A. Examination of countervailing duty laws and/or regulations of signatories of the Agreement (SCM/1 and addenda)
 - (i) Colombia (SCM/1/Add.29/Rev.1)
 - (ii) Other legislation
 - Uruguay (SCM/M/69, paragraphs 15-18)
 - Israel (SCM/M/69, paragraphs 19-22)
 - (iii) - Legislation of observers (SCM/181)
 - B. Notification of subsidies under Article XVI:1 of the General Agreement
 - (i) Updating notifications due in 1994 (L/7375 and addenda)
 - (ii) Full notifications due in 1993 (L/7162 and addenda)
 - (iii) Full notifications due in 1990 (L/6630 and addenda)
 - C. Semi-annual reports of countervailing duty actions taken within the period 1 January-30 June 1994 (SCM/183/and addenda)
 - D. Reports on all preliminary or final countervailing duty actions (SCM/W/308, 311, 312 and 314)
 - E. United States - Countervailing duties on non-rubber footwear from Brazil - Report of the Panel (SCM/94 and 96)
 - F. German Exchange Rate Scheme for Deutsche Airbus - Report of the Panel (SCM/142)
 - G. EEC subsidies on exports of wheat flour - Report of the Panel (SCM/42)
 - H. EEC Subsidies on exports of pasta products - Report of the Panel (SCM/43)

- I. Canada - Imposition of countervailing duties on imports of boneless manufacturing beef from the EEC - Report of the Panel (SCM/85)
 - J. Ongoing panels and other dispute settlement issues
 - K. Other business
 - L. Annual review and report to the CONTRACTING PARTIES
 - M. Date of the next meeting
- A. Examination of countervailing duty laws and/or regulations of signatories of the Agreement (SCM/1 and addenda)
- (i) Colombia (SCM/1/Add.29/Rev.1)
3. The Chairman recalled that changes to the Colombian legislation had been circulated to the Committee in document SCM/1/Add.29/Rev.1. Canada had submitted written questions to Colombia in document SCM/W/305 to which Colombia had replied in document SCM/W/309.
4. The representative of Canada stated that his delegation was satisfied with the responses given by Colombia.
5. The Committee took note of the statement made by the delegation of Canada and concluded its examination of the Colombian legislation.
- (ii) Other

Uruguay

6. The Chairman recalled that the EC had posed certain questions on legislation of Uruguay that had not been notified to the Committee. Uruguay had preliminarily responded at the last meeting of this Committee and had indicated that it would provide a written response to the Committee.
7. The representative of Uruguay stated that his delegation would notify the decree in question this afternoon.
8. The Committee took note of the statement made by Uruguay and agreed to revert to this item at a future meeting of the Committee.

Israel

9. The Chairman recalled that Canada at the regular meeting of the Committee in October 1993 had asked Israel whether it intended to notify certain legislation. The issue had again been raised at the regular meeting of April 1994. He asked Israel when it intended to notify its legislation to the Committee.
10. As Israel was not present in meeting room, the Committee agreed to revert to this item at a subsequent meeting of the Committee.

(iii) Legislation of observers (SCM(181 and addenda)

11. The Chairman recalled that the Committee, pursuant to its decision of 27 October 1993, had circulated an invitation to observers to provide the Committee with the text of their laws and regulations relating to countervailing duties. Pursuant to this invitation notifications had been received from Peru and Hungary. The delegations of Peru and Hungary were to be commended for their response to the invitation by the Committee to submit their laws and regulations for circulation to the Committee, which demonstrated a commitment to enhance transparency in the multilateral trading system.

12. The Committee concluded its examination of the legislation of Peru and Hungary.

B. Notification of subsidies under Article XVI:1 of the Agreement

(i) Updating notifications due in 1994 (L/7375 and addenda)

13. The Chairman recalled that, in accordance of the decision of the CONTRACTING PARTIES at the twelfth session, every contracting party should submit an updated response to the questionnaire on subsidies. An invitation to provide such responses had been circulated on 11 January 1994 (L/7375). To date no response had been received except from Hong Kong, Sweden, Australia, Norway, South Africa, Canada and New Zealand. The Chairman expressed his concern regarding the limited number of notifications received to date. All contracting parties were required to notify subsidies pursuant to Article XVI of the General Agreement but signatories of the Agreement had a particular obligation to do so as reflected in Article 7 of the Subsidies Agreement. The WTO Subsidies Agreement relied heavily on a series of notification mechanisms to assure its proper operation. If the relatively small group of existing signatories did not fulfil its obligation in this area it would be difficult to convince other WTO Members to take their obligations seriously.

14. The representative of the EU stated that both the 1993 full notification and the 1994 update had been completed and were about to be formally transmitted to GATT. The representatives of Switzerland, Finland, the United States, Japan, Korea and Brazil indicated that they were preparing notifications and would provide them as soon as possible.

15. The Committee took note of the statements made and agreed to maintain this item on the agenda for future meetings.

(ii) Full notifications due in 1993 (L/7162 and addenda)

16. The Chairman recalled that in accordance with the decision of the CONTRACTING PARTIES at the twelfth session every contracting party should submit every third year new and full responses to the questionnaires on subsidies. An invitation to provide such response had been circulated on 11 January 1993 (L/7162). To date notifications had been received Hong Kong, New Zealand, Peru, Australia, Canada, Finland, Colombia, Chile, Uruguay, Brazil, Norway, Austria, Switzerland, Sweden, Indonesia, the Philippines and Turkey. In spite of the representations that they would be forthcoming shortly, no notification had been received from the delegations of EC, India, Israel, Japan, Korea, Pakistan, and the United States.

17. The Committee agreed to hold a special meeting to review these notifications once notifications have been received from the signatories mentioned above.

(iii) Full notifications due in 1990 (L/6630 and addenda)

18. The Chairman noted that the United States had responded in SCM/W/313 to questions posed by Australia in SCM/W/283 with respect to the US notification.

19. The representative of Australia thanked the United States for responding to the questions. He stated that given that Australia hopefully would soon be reviewing the United States' 1993 notification he had no further questions at this time.

20. The Committee took note of the statement made and concluded its examination of the full notifications made in 1990.

C. Semi-annual reports of countervailing duty actions taken within the period 1 January to 30 June 1994 (SCM/183 and addenda).

21. The Chairman observed that an invitation to submit semi-annual reports under Article 2.16 of the Agreement was circulated on the 8 July 1994 (SCM/183). To date, the EC, New Zealand, Australia, Canada, Chile, Austria and the United States had notified actions. Brazil had notified countervailing measures applicable at 30 June 1994. Brazil, Finland, Hong Kong, India, Indonesia, Japan, Norway, Korea, Pakistan, Philippines, Sweden, Switzerland and Turkey had notified that they had taken no action during this period. Argentina, Colombia, Egypt, Israel, Korea and Uruguay had not provided notifications to the Committee.

22. The representative of Colombia promised to submit a notification in the next few weeks.

23. The representative of Egypt stated that he would consult with his authorities regarding the notification.

24. The representative of Argentina stated that because his country had ratified the Agreement on the last day of April 1994 it was impossible to provide a semi-annual report at this stage. Argentina would in the next semestral notification supply this information covering the previous two months which would cover this previous semester.

25. The representative of the EC inquired whether Argentina intended to submit a semi-annual report giving details of measures in force at the end of the first half of 1994.

26. The representative of Argentina asked whether there was an obligation for signatories to the Agreement to notify measures taken before the time when it had acceded the Agreement.

27. The representative of the EC stated that he not mean to imply that Argentina had any substantive obligations under the Agreement prior to its accession. He asked only whether, having assumed the obligations of the Agreement, Argentina intended to notify the measures which were in force at a date after the entry into force of the Agreement for Argentina.

28. The representative of Argentina stated that he had not anticipated this question and did not have the information from his capital. However, his preliminary reply was that Argentina did not intend to supply information on conditions prior to accession to the Agreement. Argentina planned to notify those measures taken after it acceded to the Agreement. He would of course consult with his authorities.

29. The representative of the EC stated that the aim was simply transparency. The EC would like to see a notification of measures in force. The EC did not expect Argentina to notify actions. There

were two obligations under Article 2:16. One was notify actions as they were taken and obviously one could not expect these actions to be notified before the Agreement entered into force for a signatory. The semi-annual notification was a photograph of the situation as of a certain point in time and if that point in time was after the entry into force of the Agreement for a signatory that obligation applied as a matter of transparency.

30. The representative of the EC inquired regarding a notification from Mexico concerning measures relating to starch from the Netherlands. The EC had not so far been made aware by Mexico of the existence of any action or measure with regard to this product.

31. The Chairman stated that Mexico was an observer and was not present today.

32. The Committee took note of the statements made.

D. Reports on all preliminary or final countervailing duty actions (SCM/W/308, 311 and 312).

33. The Chairman noted that reports from signatories under these procedures had been received from Australia, Canada, New Zealand and the United States. A report from Mexico in its capacity as observer has also been received. The Chairman expressed his appreciation for Mexico's response to the Committee's request for notifications from observers.

34. The representative of the EC stated that the Community had very recently notified some measures taken with regards to ball bearings from Thailand. These were a Commission decision and Council Regulation following a review of some measures taken in 1990.

35. The Committee took note of the statements made.

E. United States - countervailing duties on non-rubber footwear from Brazil - Report of the Panel (SCM/94 and 96).

36. The Chairman recalled that the Report of the Panel had been circulated on 4 October 1989 and had been examined at various meetings since that time. This Report had been before the Committee for a very long time and the Chairman hoped that the Committee would be in a position to adopt it.

37. The representative of Brazil stated that his government's position on this issue had not changed. The reasons for this position had already been expressed in this Committee and did not need to be repeated. A solution might be found to this question once the problem which was at the root of the dispute was solved.

38. The representative of the United States regretted that Brazil would not lift its objection at this meeting so that this Panel Report could be adopted. She was hopeful that in the future Brazil would be able to lift its blockage to this adoption.

39. The Committee took note of the statements agreed to revert to this matter at a future meeting.

F. German exchange rate scheme for Deutsche Airbus (SCM/142)

40. The Chairman recalled that the Report of the Panel had been circulated on 4 March 1992 and had been examined at various meetings since that time. As this Report had been before the Committee for a very long time he hoped that the Committee would be in a position to adopt it at this meeting.

41. The representative of the EC stated that the position of his authorities on this report had not changed.

42. The representative of the United States was disappointed to hear that the EU was not in a position to agree to the adoption of the Panel report at this time. She noted that this Report was important to her Government not only because it involved prohibited subsidies but also because of the sector concerned.

43. The Committee took note of the statements made and agreed to revert to this matter at a future meeting.

G. EEC subsidies on exports of wheat flour (SCM/42)

44. The Chairman recalled that the Report of the Panel had been circulated on 21 March 1983 and had been examined at various meetings since that time. He hoped that the Committee would be in a position to adopt it at today's meeting.

45. The representative of the EC stated that his authorities' position had not changed. This Report had been linked to other reports pending before this Committee in the past. The EC was not at the origin of this linkage but as it had been made the EC would like to see a global solution to the problem.

46. The Committee took note of the statement made and agreed to revert to this item at future meetings.

H. EEC subsidies on exports of pasta products (SCM/43)

47. The Chairman recalled that the Report of the Panel had been circulated on 19 May 1993 and had been examined at various meetings since that time. As this Report had been before the Committee for a very long time, he hoped that the Committee would be in a position to adopt it at today's meeting.

48. The representative of the EC stated that his authorities' position on this Report had not changed.

49. The Committee took note of the statement and agreed to revert back to this matter at a future meeting.

I. Canada - Imposition of countervailing duties on imports of boneless manufacturing beef from the EEC - Report of the Panel (SCM/85)

50. The Chairman recalled that the Report of the Panel had been circulated on 13 October 1987. This Report had been before the Committee for a long time. He hoped that the Committee would be in a position to adopt it at today's meeting.

51. The representative of Canada stated that his government's position had not changed on this matter. He understood that efforts to resolve the issue bilaterally were continuing. The issue was caught up in a wider question on matters of access with the EC. At this point Canada was not prepared to adopt the Panel Report.

52. The representative of the EC regretted the position taken by Canada. In this case not only was there a philosophical/legal dispute but there was also no solution to a trade dispute which had been ongoing since 1986. The repeated failure to find a solution was not encouraging nor was the statement that this issue was caught up in a wider issue.

53. The Committee took note of the statements made and agreed to revert to this matter at a future meeting of the Committee.

54. The Chairman regretted that the Committee was unable to adopt these panel reports. This situation undermined the credibility of the dispute settlement under the Agreement. The Chairman would continue to consult to find a solution to this problem.

J. Ongoing panels and other dispute settlement issues

55. The Chairman recalled that the Chairman at the last meeting had raised the question of dispute settlement under the Agreement in the context of the entry into force of the WTO. Two informal joint meetings of this Committee and the Committee on Anti-Dumping Practices had been held to consider these issues and in particular to examine the manner in which the Committee might take up the invitation of the Ministerial Decision on the application and review of the Understanding on Rules and Procedures Governing the Settlement of Disputes. The Chairman would continue to consult on this matter in consultation with the Chairman of the Committee on Anti-Dumping Practices and to keep in contact with Ambassador Kesavapany of Singapore and others who might be working on related issues.

56. The representative of Japan supported the initiative of the Chairmen of this Committee and of the Committee on Anti-Dumping Practices to resume informal consultations. He hopes that there would be a good and constructive decision based on the Ministerial Decision on dispute settlement in Marrakesh.

K. Other business

57. The representative of Brazil stated that on 14 September the Brazilian Government had published a regulation dealing with some aspects of the application of duties established in this Agreement and the Tokyo Round Anti-Dumping Agreement. The regulations provided for the retroactive application of duties in accordance with Article 5 of the Agreement and with Article 11 of the Anti-Dumping Code. This regulation also had provisions on the time-period of application of both anti-dumping and countervailing duties, as well as internal procedures for such application. An English version of the regulation was being prepared and would soon be transmitted to the Committee in accordance with the provisions of Article 19:5 of the Agreement.

58. The Committee took note of the statement by Brazil.

L. Annual Review and Report to the Contracting Parties

59. The Committee adopted its Annual Report (1994) to the Contracting Parties (L/7318).

M. Date of the next meeting

60. The Chairman stated that the Committee should meet again to clear up unfinished business as it moved into the new WTO system. Such a meeting could be held in the second week of December.