

SUB-COMMITTEE 'H' OF THE THIRD COMMITTEE

SECTION C - SUBSIDIES

NOTES OF THE FOURTH MEETING

Hold at Havana on Thursday, 15 January at 6.00 p.m.

The Sub-Committee considered the amendments proposed by the delegation of the United States of America to Articles 26, 27 and 28. The representative of the United States of America stated that certain considerations should be kept in mind in connection with their proposition:

1. It was impossible to ban the use of all forms of subsidies;
2. So far as subsidies directly influencing international trade in primary commodities, there should be no discrimination between the various techniques used. It was the result that was important.
3. There should be adequate and proper safeguards to prevent abuse.

He contended that the Geneva Draft did not meet these considerations, in particular it did not provide equal treatment for the different methods that may be employed. After outlining the changes suggested in the various articles, he stated that under the United States of American proposal, Section C would be based on the following principles:

- (a) Notification and consultation regarding all types of subsidies;
- (b) Ban on export subsidies except where price support or stabilization programmes on primary commodities are involved;
- (c) Commitment of Members not to use export subsidies to obtain more of the export market than under a representative period and to accept the finding of the Organization in a case of a disagreement resulting from such consultation.

Against the amendment it was argued: that it still put an unfair handicap on underdeveloped countries; that it gave unduly favourable treatment to primary as against non-primary commodities; that, as most major commodities were in fact subject to stabilization schemes, there was no substantial change in the new United States of America amendment; that it did not distinguish between price stabilization schemes and price

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support-cum-export subsidization schemes, therefore retention of the qualifying paragraph 5 of Article 33 would be unjustified; that deletion of the reference to Chapter VI in Article 27 would weaken the incentive to seek a multilateral solution; that importing countries might in some cases have to draw unduly large supplies from hard currency areas, and that balance of payments problems would also be aggravated where export subsidies were used by countries with favourable balances.

On the other hand, certain delegations expressed qualified support for the revised United States of America amendments. It was suggested that the phrase "special factors" might be interpreted so as to protect underdeveloped countries. Also, if the amendments were accepted, it would be desirable to specify domestic price stabilization schemes elsewhere in the Section. Deletion of Article 29 would still leave the problem of "findings" under the United States of America version of Article 28. The proposed extension of Article 28 to cover more than export subsidies meant that the scope of Article 25 would be farther limited and the balance of the Section upset; to counteract this it would be necessary to extend Article 28 to cover subsidies operating to reduce imports.

In the course of discussion it was pointed out that Section C should be so drafted as not to conflict with the provisions of the International Monetary Fund which permitted the use of multilateral exchange rates - a recognized form of export subsidization - in certain circumstances. Attention was also drawn to the use of export subsidies, which had little or no effect on world trade, by countries where stabilization schemes were impracticable but to whose economies such subsidies were vital.

The discussion showed considerable support for the United States of America proposals to amend Article 28. There was also general agreement that paragraph 3 of Article 27 might be reviewed in the light of the United States of America objection to prior approval by the Organization for the use of export subsidies on primary commodities. It was also generally felt that the Section should retain a reference to Chapter VI in order to emphasize the fundamental importance of seeking to solve primary commodity difficulties through inter-governmental agreements.

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