

PREPARATORY COMMITTEE OF THE INTERNATIONAL CONFERENCE
ON TRADE AND EMPLOYMENT

COMMITTEE II

REPORT OF THE SUB-COMMITTEE ON SUBSIDIES ON MANUFACTURED GOODS

PART I

The Sub-Committee which included Delegates for India, the United Kingdom and the United States, met once informally.

PART II

The Sub-Committee had before it the documents relating to subsidies, distributed in Committee II, as well as a document (E/PC/T/C.I & II/W.6) submitted by the United States Delegate at a meeting of the Drafting Sub-Committee on Industrial Development in connection with a proposal that the existing provisions of the United States Draft Charter be altered so as to provide leeway for the use of measures to assist developing industries under certain circumstances.

It is pointed out in the last-mentioned document that Article 25 of the Draft Charter "would permit, without serious qualification, the use of governmental subsidies for the purpose of establishing and expanding a manufacturing industry". The requirements laid down in Article 25 in respect of such subsidies, it is stated, are moderate and few:

1. If the subsidy does not reduce imports no requirements are made.
2. If the subsidy does reduce imports the only requirement - subject to what is said below - is that it be reported to the International Trade Organization together with an indication

concerning the probable effect of the subsidy and the reason why it is necessary.

3. Even if the subsidy should cause serious injury to international trade the only requirement is that the members granting it discuss with members whose interest is seriously prejudiced the possibility of limiting the subsidy.

In view of these facts no change in Article 25 of the Draft Charter was considered necessary.
