

RESTRICTED

GENERAL AGREEMENT ON TARIFFS AND TRADE

L/1260
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Limited Distribution

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SUBSIDIES

Action by the CONTRACTING PARTIES under Article XVI:4

The following communication has been received from the Government of France. The Executive Secretary suggests that the French Government's proposal be considered by the CONTRACTING PARTIES under the item entitled "Subsidies" listed in the advance agenda for the seventeenth session (L/1254):

"I have the honour to request the inclusion of the following item in the agenda of the seventeenth session of the CONTRACTING PARTIES:

'Date of entry into force of the prohibition of export subsidies for products other than primary products (Article XVI, paragraph 4).'

"As you are aware, at the review session the CONTRACTING PARTIES accepted the principle of a general prohibition of such subsidies but were not able to fix a date for its entry into force. However, it was understood that the CONTRACTING PARTIES would seek, before 31 December 1957, to reach agreement to abolish as from 1 January 1958 all remaining subsidies or, failing such agreement, would further extend the standstill provisions.

"Thus far the efforts of the CONTRACTING PARTIES have not been successful, and the standstill arrangements have been extended to the end of 1960. A new draft declaration, which contains substantial improvements as compared with the existing situation, was communicated to the CONTRACTING PARTIES at their sixteenth session. It would seem, however, that the reasons which have prevented an agreement on the abolition of subsidies on industrial products have disappeared, and that it should now be possible to give full effect to the provisions of paragraph 4 of Article XVI. Such an agreement becomes particularly desirable at a time when OEEC members are endeavouring to harmonize as far as possible their obligations in the various international organizations to which they belong.

"In the view of some of these countries, a detailed list of prohibited aids to export should be drawn up. We have no objection to the establishment of such a list; consequently, we would favour a procedure aiming at the adoption by the CONTRACTING PARTIES of a decision listing a certain number of practices which would be prohibited under paragraph 4 of Article XVI, without such an enumeration being considered as exhaustive. Such a decision could be based, for the most part, on the list annexed to the decision C(59)202 of the Council of the OMEC."¹

¹The following is the list referred to:

- (a) Currency retention schemes or any similar practices which involve a bonus on exports or re-exports.
- (b) The provision by governments of direct subsidies to exporters.
- (c) The remission, calculated in relation to exports, of direct taxes or social welfare charges on industrial or commercial enterprises.
- (d) The remission or repayment, in respect of exported goods, of indirect taxes, whether levied at one or several stages, or of charges in connexion with importation, to an amount exceeding the amount paid on the same product if sold for internal consumption.
- (e) In respect of deliveries by governments or governmental agencies of imported raw materials for export business on different terms than for domestic business, the charging of prices below world prices.
- (f) In respect of government export credit guarantees, the charging of premiums at rates which are manifestly inadequate to cover the long-term operating costs and losses of the credit insurance institutions.
- (g) The grant by governments (or special institutions controlled by governments) of export credits at rates below those which they have to pay in order to obtain the funds so employed.
- (h) The government bearing all or part of the costs incurred by exporters in obtaining credit.