

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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SUBSIDIES

1. In accordance with the decision of the CONTRACTING PARTIES at the twentieth session (BISD, Eleventh Supplement, page 58) new full notifications on subsidies maintained by contracting parties responsive to the questionnaire on pages 193-194 of the Ninth Supplement were due in January 1969.

2. Attention was specifically drawn to this matter in the recent meeting of the Committee on Trade in Industrial Products, where a number of measures were reviewed which appeared to constitute governmental aids of a kind subject to notification under Article XVI:1 but which had never been so notified or had never been adequately explained. It was also noted that many countries have been remiss about reporting. On the last occasion when full reports were requested, in 1966, only sixteen contracting parties made any response, although this obligation is applicable to all contracting parties. Requests for annual supplements have not been met to the extent expected.

3. In regard to coverage and quality of reports, attention is drawn to Article XVI, paragraph 1, which states:

"If any contracting party grants or maintains any subsidy, including any form of income or price support, which operates directly or indirectly to increase exports of any product from, or to reduce imports of any product into, its territory, it shall notify the CONTRACTING PARTIES in writing of the extent and nature of the subsidization..."

The Panel of Experts, in its 1960 report on the interpretation of this obligation, stated its view that a subsidy which provides an incentive to increased production will, in the absence of offsetting measures, either increase exports or reduce imports. Accordingly all such schemes should be notified. Among measures specifically mentioned as included were all cases of price support, all levy/subsidy schemes affecting imports or exports which depend on some form of governmental action and multiple exchange rates which have the effect of a subsidy. The list of measures contained in the report of the Working Party on the implementation of Article XVI:4 (Ninth Supplement, pages 186-187) gives an indication of measures which most members of the Working Party regard as export subsidies; the list includes differential tax arrangements and special arrangements in regard to credit or insurance to favour exports. All measures of types included in that list, whether relating to primary or non-primary products, would appear to be among those which should be considered for inclusion in notifications.

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4. In view of the special value which full and prompt reports on this subject would have in 1969 for the work of the main committees of GATT engaged in implementation of the programme for expansion of trade, contracting parties are asked to submit their notifications on subsidies as soon as possible.