

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SCM/W/38

21 October 1982

Special Distribution

Committee on Subsidies and
Countervailing Measures

BACKGROUND INFORMATION FOR ANNUAL REVIEW
OF THE OPERATION OF THE AGREEMENT

Note by the Secretariat

In order to facilitate the conduct of the annual review and the preparation of the report to the CONTRACTING PARTIES the secretariat has prepared a short report setting out information available on activities of the Committee since the previous annual review in October 1981.

I. Organization of the work of the Committee

1. The Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement entered into force on 1 January 1980. On 15 October 1982 the following were the Signatories of the Agreement: Australia, Austria, Brazil, Canada, Chile, Egypt, Finland, India, Japan, Korea, New Zealand, Norway, Pakistan, Spain, Sweden, Switzerland, United Kingdom on behalf of Hong Kong, United States, Uruguay, Yugoslavia and the European Communities. Two of these Signatories are still in the process of ratifying the Agreement. Some Signatories apply the Agreement in their mutual relation on a provisional basis. Two Signatories (New Zealand and Spain) accepted the Agreement with a reservation.

2. The Signatories of the Agreement are ipso facto members of the Committee on Subsidies and countervailing Measures established under the Agreement. During the period under review the Committee has held three meetings:

- 29 April 1982 - (SCM/M/11 and L/5326)
- 15 July 1982 - (SCM/M/12 and SCM/33)
- 27 October 1982 -

The Committee has also held seven meetings under the dispute settlement procedure (14 December 1981, 3 March 1982, 12 March 1982, 24 March 1982, 7 April 1982, 30 April 1982 and 15 July 1982). The Committee has also held a special meeting on 3 March 1982 to examine the status of notifications under Article XVI:1 of the General Agreement. The participation in these meetings was limited to the Signatories only.

Twenty-seven contracting parties and five non-contracting parties have observer status. Furthermore two international organizations (IMF and UNCTAD) have attended meetings of the Committee in an observer capacity.

3. At its May 1980 meeting the Committee established a Group of Experts on the Calculation of the Amount of a Subsidy (L/4983, paragraph 7). This Group is continuing its work and no report has so far been submitted to the Committee.

II. National legislation and implementing regulations (Article 19:5)

4. During the period under review the Committee has examined the national legislation submitted by New Zealand (SCM/1/Add.15), Chile (SCM/1/Add.16 and Spain SCM/1/Adj.17/Rev.1) As of 15 October 1982 the following Signatories submitted their legislation or made communications with this respect to the Committee:

European Communities	-	SCM/1/Add.1
Sweden	-	SCM/1/Add.2
United States	-	SCM/1/Add.3
Norway	-	SCM/1/Add.4
Finland	-	SCM/1/Add.5
Switzerland	-	SCM/1/Add.7
Japan	-	SCM/1/Add.8
Austria	-	SCM/1/Add.10
Hong Kong	-	SCM/1/Add.12
Korea	-	SCM/1/Add.13
New Zealand	-	SCM/1/Add.15
Chile	-	SCM/1/Add.16
Spain	-	SCM/1/Add.17

5. The delegation of Canada has submitted its draft legislation to the Committee for discussion and comments (SCM/M/4, paragraphs 28-31). This legislation has not been, as yet, adopted by the Canadian Parliament.

6. The following Signatories¹ have not, as yet, made formal notifications to the Committee on their actions under Article 19:5 of the Agreement: Australia, Brazil, India, Pakistan and Uruguay. Some of these Signatories made oral statements to the effect that their national legislation did not contain any provisions on the imposition of countervailing duties which would be in conflict with the Agreement.

7. It was agreed that the Signatories to which comments concerning their legislation were addressed would consider them. Some Signatories reserved their rights to revert to particular aspects of the national legislations at a later stage or in the light of their practical implications. The Committee agreed to maintain on its agenda the examination of national legislations already submitted and those which will be submitted in future.

III. Semi-annual reports on all countervailing duty actions

8. Article 2:16 of the Agreement provides that the Signatories shall submit, on a semi-annual basis, reports of any countervailing duty action taken within the preceding six months. In this relation a standard form for such reports

¹ Egypt and Yugoslavia have not been included in this enumeration as their ratification procedures have not been, as yet, completed.

has been worked out (SCM/2). During the period under review the following reports have been submitted and circulated to the Committee:

- (a) reports for the period 1 July 1981-31 December 1981 have been circulated in addenda to SCM/15. The following Signatories had notified the Committee that they had not taken any countervailing duty action during that period: Australia, Austria, Brazil, Chile, Finland, India, Japan, Korea, New Zealand, Norway, Pakistan, Sweden, Switzerland, United Kingdom on behalf of Hong Kong and Yugoslavia (SCM/15/Add.3). Countervailing duty actions had been notified by the EEC (SCM/15/Add.1); Canada (SCM/15/Add.2 and the United States (SCM/15/Add.4).
- (b) reports for the period 1 January 1982-30 June 1982 have been circulated in addenda to SCM/34. The following Signatories have notified the Committee that they had not taken any countervailing duty action during that period: Austria, Brazil, Canada, Finland, Japan, Korea, New Zealand, Norway, Spain, Switzerland, United Kingdom on behalf of Hong Kong, Uruguay and Yugoslavia. Countervailing duty actions have been notified by Chile (Add.1), the United States (Add.2) and the EEC (Add.4). A table summarizing the cases where investigations have been opened and provisional or final actions taken during the period 1 July 1980-30 June 1982 is reproduced in the Annex.¹

IV. Reports on all preliminary or final countervailing duty actions

9. Notifications under these procedures have been received from Chile, the EEC and the United States and circulated in documents SCM/W/31, 33, 34, 35 and 36).

V. Notification of subsidies

10. In accordance with the Decision of the CONTRACTING PARTIES at their twentieth session (BISD, Eleventh Supplement, page 58) contracting parties should submit, every third year, new and full responses to the questionnaire on subsidies (BISD, Ninth Supplement, pages 193-194) and bring these notifications up-to-date in the intervening years. Full notifications were due in 1981. The present status of notifications is reproduced in Annex III.

11. This matter was on the agenda of every regular session of the Committee. The Committee repeatedly agreed that all Signatories should submit their notifications without delay and that notifications should cover subsidies both in the agricultural and the industrial field. As shown in Annex II and III the present situation in this respect, although considerably better than at the time of the previous annual review is still far from being fully satisfactory.

12. The Committee had also discussed some general problems related to notifications under Article XVI:1. It considered that it was particularly

¹As neither the EEC nor the US have submitted their semi-annual reports for the period 1 January 1982-30 June 1982 by 20 October 1982 the secretariat was not in a position to complete this table. The secretariat will circulate a complete table as soon as all the relevant information is available.

important to achieve better transparency in the field of subsidies, and while reaffirming the need to continue efforts already undertaken, noted that obligations of Article XVI:1 applied to all contracting parties. Although some delegations had misgivings about the incriminating effect of notifications, the Committee considered that such misgivings were not justified and consequently they should not prevent Signatories from fulfilling their obligations. It was also recognized that the questionnaire on subsidies created some practical problems and that the shortcomings of the questionnaire should be remedied at an appropriate moment. For the time being the most reasonable approach seemed to be to show some flexibility as to the use of the questionnaire and as to replies to its second part in particular (SCM/M/11, paragraphs 22-38).

13. The Committee agreed to continue to examine the question of notifications with a view to working out a satisfactory solution. It also agreed to proceed with the examination of individual notifications at its October 1982 regular session (SCM/M/11, paragraph 38).

14. The following requests for notification of subsidies were made under Article 7:3 of the Agreement:

- (a) Canada requested the United States to notify its DISC programme as a subsidy in the sense of Article XVI:1 (SCM/18). Following the US refusal (SCM/19) Canada brought the DISC programme to the notice of the Committee (SCM/22).
- (b) The United States requested notification of certain practices of Austria, Brazil, Canada, France, Italy, the United Kingdom and Spain (SCM/26-32).

VI. Dispute settlement procedures under Articles 12-13 and 17-18 of the Agreement

15. The following actions were notified to the Committee under Article 12 of the Agreement:

- (a) the United States requested consultations with the European Communities regarding EC subsidies on the export of pasta;
- (b) the United States requested consultations with the European Communities regarding EC subsidies on the export of poultry and poultry parts;
- (c) the United States requested consultations with the European Communities regarding EC subsidies on the export of sugar.

16. The following actions under Article 17 of the Agreement were undertaken by the Committee:

- (a) conciliation in the dispute between the United States and the European Communities regarding subsidies on the export of wheat flour;
- (b) conciliation in the dispute between the United States and the European Communities concerning EC subsidies on the export of pasta;

- (c) conciliation in the dispute between the United States and the European Communities concerning EC subsidies on the export of sugar;
- (d) conciliation requested by India regarding certain domestic procedures of the United States.

17. The Committee also examined actions taken by the United States concerning certain steel products exported by the EC.

18. The Committee established two panels:

- (a) Panel on EC subsidies on Export of Wheat Flour, established on 22 January 1982, with the following terms of reference:

"To examine, in the light of the relevant provisions of the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade the facts of the matter referred to the Committee by the United States concerning subsidies maintained by the European Communities on the export of wheat flour and in the light of such facts to present to the Committee its finding as provided for in Article 18 of the Agreement."

The Panel has not, as yet, submitted its report to the Committee.

- (b) Panel on EC subsidies on Export of Pasta, established on 14 June 1982, with the following terms of reference:

"To examine, in the light of the relevant provisions of the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade and of the discussion in the Committee, the United States' contention that the export subsidies on pasta products manufactured from Durum Wheat are being granted by the European Community in a manner inconsistent with Article 9 of the Agreement, and to present to the Committee its findings concerning the rights and obligations of the Signatories party to the dispute under the relevant provisions of the General Agreement as interpreted and applied by this Agreement."

The Panel has not, as yet, submitted its report to the Committee.

VII. Other actions taken under the Agreement

19. The Committee noted a communication from Egypt made in pursuance of Article 14:5 of the Agreement (SCM/16).

20. The Committee noted a communication from Brazil (SCM/13) concerning certain adjustments in the phasing out of its subsidies.

21. The Committee examined, at its meeting of 29 April 1982, the reservations under Article 19:5 proposed by Spain. The Committee accepted this reservation with certain qualifiers. The relevant decision by the Committee has been circulated in SCM/25.

22. The Committee discussed, at a special meeting of 15 July 1982, possible contributions to the Ministerial Meeting. In this relation the Chairman submitted to the Chairman of the Preparatory Committee a factual note, under his responsibility, based on the points which had emerged during the discussion (SCM/33).

ANNEX I

See footnote 1, page 3.

ANNEX D1

Notifications under Article XVI:1
by Signatories to the Subsidies/Countervailing Measures Code

	*		*		*		*		*		*		*		*		*	1982 ^{1/}
	1963	1965	1966	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	
Australia	X	X	X	X	X					X		X	X	X	X	X	X	
Austria	X		X		X	X	X	X	X		X	X	X	X	X	X	X	X
Brazil																		
Canada	X	X	X	X			X	X		X	X		X			X	X	
Chile																	X	X
Egypt																		
Finland	X	X	X		X			X	X	X	X		X	X	X		X	
India	X																X	
Japan	X	X	X		X		X				X						X	
Korea																	X	
New Zealand	X	X																
Norway	X				X			X	X		X						X	
Pakistan																		
Spain			X			X		X										
Sweden	X	X	X	X	X	X	X	X	X		X		X			X	X	
Switzerland	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X
UK/Hong Kong																		
United States	X		X		X		X	X			X	X					X	
Uruguay																		
Yugoslavia	X	X														X		
EEC	X	X				X		X			X			X	X		X	
Belgium	X	X						X			X			X		X	X	
Denmark	X	X	X	X	X		X	X			X			X			X	
Germany F.R.	X	X					X	X	X		X	X		X		X	X	
France	X	X			X			X			X						X	
Greece	X																	
Ireland																		X
Italy	X	X			X			X									X	
Luxembourg	X	X												X			X	
Netherlands	X	X															X	
United Kingdom	X	X	X	X	X	X	X	X			X			X	X	X	X	

* Years in which full notification has been required.

^{1/} This column does not necessarily reflect the real status of notifications as some of the full notifications due in 1981 and which appear under 1981 have been made in 1982.

ANNEX III

Latest Full Notifications (1981) under Article XVI:1
by Signatories to the Subsidies/Countervailing Measures Code

	L/5102	Coverage of notifications ¹
Australia	Add.8	Agriculture/Industry
Austria	Add.13	Agriculture
Brazil	None	
Canada	Add.10 and Suppl.1	Agriculture/Industry
Chile	Add.7	No subsidies within the meaning of Article XVI:1
Egypt	None	
Finland	Add.3 and Suppl.1	Agriculture/Industry
India	Add.18	Agriculture/Industry
Japan	Add.16	Agriculture/Industry
Korea	Add.17	Agriculture/Industry
New Zealand	None	
Norway	Add.11	Agriculture
Pakistan	None	
Spain	None	
Sweden	Add.14	Agriculture
Switzerland	Add.9	Agriculture/Industry
UK/Hong Kong	Add.12	No subsidies within the meaning of Article XVI:1
United States	Add.15	Agriculture/Industry
Uruguay	None	
Yugoslavia	None	
EEC	Add.6 and Suppl.1	Agriculture/Industry
Belgium	"	"
Denmark	"	"
Germany, F.R.	"	"
France	"	"
Ireland	"	"
Italy	"	"
Luxembourg	and Add.1	"
Netherlands	"	"
United Kingdom	"	"
Greece	None	-

¹In one or two cases a notification which apparently covers almost exclusively agricultural sector is listed hereunder as covering agriculture and industry. The reason is that when such a notification was submitted, the secretariat was informed by the notifying country that no other subsidies within the meaning of Article XVI:1 are granted or maintained in that country.

