

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

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Committee on Subsidies and
Countervailing Measures

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NOTIFICATIONS UNDER ARTICLE XVI:1

Addendum

The following preliminary comments have been received from the European Economic Community.

From the general aspect, in examining the question of improving the present system of notifications the Committee should take into account on the one hand the work of the Group of Experts on the Calculation of the Amount of a Subsidy and on the other hand, as regards notifications in the area of agriculture, the work of the Committee on Trade in Agriculture. That Committee was established precisely because of the specific character of agricultural problems in connection with subsidies and its work is already very advanced.

As regards some of the questions mentioned in document SCM/45, the EEC wishes to make the following preliminary comments, it being understood that the agricultural aspects will be taken up at a later stage.

(i) Improved transparency and greater uniformity of notifications

- The EEC remains of the opinion that a procedure requiring the notification of all measures that could constitute a subsidy could be detrimental to the objective of transparency. One would have to weigh the relative merits of a mass of data that are not always necessary, because their relevance to trade effects is very doubtful, and those of a more flexible and pragmatic procedure under which essential data could be used in a rational way in order to draw conclusions. In this regard, the criteria resulting from the work of the Group of Experts on the Calculation of the Amount of a Subsidy will serve as guidelines for notifications.
- As regards the type of measures that have to be notified, a valid approach is still the criterion of trade effects and real incidence on trade.
- In principle, subsidies with social objectives, in particular those referred to in Article 11 of the Code, do not have any meaningful trade effects. Any judgement in this respect is necessarily subjective. However, given the pragmatic approach of GATT which concerns itself with real or perceived problems and not simply

theoretical cases, the procedures under Article 7 of the Code are particularly relevant in this area of internal aids.

- Taking into account footnote No. 22 to the Code concerning notification of subsidies, it seems to us that those granted at provincial level are likewise covered.

(ii) Procedures under Article 7 of the Code

- No doubt, the Article 7 procedures (in particular those designed to obtain additional information on measures, and the possibility of making counter-notifications) could be used to fill any gap that might result from the notification system. In fact, the Code implicitly recognizes the difficulties of determining what constitutes a subsidy and whether a notification should be made.
- At least in a first stage, the Article 7 procedures seem to envisage a bilateral phase in the communication of information on a measure, while offering the possibility of bringing the matter before the Committee (Article 7:3) if that procedure does not operate correctly.

(iii) Timing and frequency of notifications

The existing arrangements regarding the timing of notifications and their up-dating seem to us appropriate.

(iv) Improving the questionnaire on subsidies

- In the light of past experience, it seems to us that the questionnaire could be improved. In order to achieve this, it would be necessary on the one hand to take account of the results of the work of the Group of Experts on the Calculation of the Amount of a Subsidy and evaluation of the amount thereof, and on the other hand, of the work of the Committee on Trade in Agriculture in the area of notifications of agricultural subsidies.
- It is not always easy to quantify the trade effects of a subsidy, in particular, in the case of internal aids in terms of Article 11 of the Code, nor to indicate the unit amount of a subsidy.