

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Committee on Subsidies and
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NOTIFICATIONS UNDER ARTICLE XVI:1

Addendum

The following comments have been received from Canada.

Canada subscribes to the importance of the notification procedures under the GATT and the Code on Subsidies and Countervailing Duties to ensure transparency in the granting of subsidies. Considerable progress has been made in recent years, particularly in the area of industrial subsidies, in improving the quality of notifications. There remain, however, concerns over the level of compliance with the obligations under Article XVI:1, as well as with the suitability of the current recommended format for notifications. The work of the Group of Experts on the Determination and Calculation of the Amount of a Subsidy as well as discussions in the Committee on Trade in Agriculture should be taken into account in the Committee's ongoing consideration of the notification issue, as results are reported.

As regards the specific issues listed in document SCM/45, Canada would provide the following response.

(i) Improved transparency and greater uniformity of notifications

- Canada supports the most complete notification format consistent with the objectives of transparency and the avoidance of undue administrative burden.

- Canada recognizes the problems faced by governments in fulfilling their notification obligations under XVI:1 and therefore supports efforts, particularly in the Group of Experts on the Calculation of the Amount of a Subsidy, to clarify further the term "subsidy" and to develop possible criteria for distinguishing subsidies from other measures.
- Given the important objective of transparency, notification cannot be based solely on an assessment by the granting government or country as to whether a particular program falls under Article XVI:1. It would appear, from past consideration of the operation of Article XVI, that in cases of doubt, a measure should be notified.
- In the case of subsidies with social objectives, the incidence of trade effects may well be lower than for other types of subsidies. However, Canada does not accept that, in principle, such subsidies should be deemed not to fall under the notification obligation of Article XVI:1. While it is for each government to decide in each case whether to notify,

there should not be an a priori exclusion of any type of subsidy program on the basis that the presumed trade effect is not meaningful.

- The notification of sub-federal or sub-national level programs raises important questions of jurisdiction which will need to be examined closely. The Committee may wish to examine this question further in the light of developments regarding the establishment of criteria for distinguishing subsidies and in the level of compliance generally with the notification requirements of Article XVI:1.

(ii) Procedures under Article 7 of the Agreement

- To the extent that Article 7 contains provisions enabling signatories to request information on any subsidies granted by another signatory, it can to a certain extent contribute to the establishment of a more desirable notification format (which is, as noted above, that which meets the needs of transparency without imposing an undue burden). However, the existence of the procedures of Article 7(3) should not be a substitute for the notification obligations under Article XVI:1. Article 7(3) is,

nevertheless, an important provision, enabling signatories who feel that the obligation to notify has not been fulfilled in a particular case to raise the matter first with the signatory concerned, and if the matter cannot be resolved satisfactorily, then with the Committee. The Committee may wish to consider the manner in which any subsidy practices brought before it under Article 7(3) are recorded in relation to a signatory's voluntary notification, i.e. either appearing as an addendum to that notification or appearing as a separate Committee document.

(iii) Timing and frequency of notifications

- The current periods for full notifications and updates appear reasonable.

(iv) Improving the questionnaire on subsidies

- There would seem to be scope for improvement in the current suggested format for notifications, at least as regards the requirement to quantify

the trade effects and the unit amounts of particular subsidies. There may also be potential improvements which become apparent as a result of developments in the Group of Experts and in other fora. The Committee may wish to establish an ad hoc group to consider the question of possible improvements to the notification format.