

GENERAL AGREEMENT ON

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TARIFFS AND TRADE

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Committee on Subsidies and
Countervailing Measures

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EUROPEAN COMMUNITIES - SUBSIDIES USED IN CONNECTION WITH THE PRODUCTION OF THYRISTORS

Request for Consultations under Article 12:3 of
the Agreement on Subsidies and Countervailing Measures

Communication from the United States

The following communication, dated 23 April 1993, has been received from the United States Trade Representative.

My authorities have instructed me to request consultations with the Commission of the European Communities under Article 12:3 of the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade (the "Subsidies Code") in regard to subsidies that are being provided to SGS-Thompson and that are being used in connection with the production of thyristors.

My Government has reason to believe that subsidies are being maintained by the European Communities ("EC") and by individual member States of the Communities that amount to approximately 30 per cent of the per unit value of the product. (See Attachments A and B) [omitted]. Further, my Government has reason to believe that such subsidies and subsidized products are causing injury to the domestic industry in the United States producing thyristors, nullifying or impairing benefits accruing to the United States under the General Agreement or causing serious prejudice to the interests of the United States. (See Attachment B) [omitted].

My Government has reason to believe that significant subsidies have been provided to SGS-Thompson, both directly and indirectly, by the Governments of France and Italy as well as by the EC. Based on information available to the US Government, these benefits have been provided through a variety of means, including research grants, pan-European research projects, government-supported co-operative agreements in which SGS-Thompson participates (such as the Centre National d'Etudes de Télécommunications and the Commissariat à l'Energie Atomique), as well as

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EC programmes for the support of high technology industries such as the Joint European Submicron Silicon Initiative and the European Strategic Programme for Research and Development in Information Technologies.

More generally, SGS-Thompson does not appear to operate according to commercial, market-based principles. It has posted significant losses in each of the last five years, expanding market share by making sales at unprofitable prices. As a result, it has accumulated a \$900 million debt.

SGS-Thompson's behaviour has had a significant adverse impact on US producers of thyristors. This impact has been evidenced in lost sales, declining market share and falling prices. In addition, US producers have faced, inter alia, reduced profitability and a diminished ability to invest in research and development. Moreover, this impact has been felt by US producers not only in the US market but also in Europe and other markets in Asia, Australia, India, Israel and Canada.

Accordingly, the United States would like to discuss this issue under Article 12:3 of the Subsidies Code at the EC's earliest convenience, preferably during the week of 26 April, at the time of the semi-annual meeting of the Committee on Subsidies and Countervailing Measures in Geneva.