

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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CONTRACTING PARTIES
Ninth Session

Review Working Party III on Barriers to
Trade other than Restrictions or Tariffs

SUBSIDIES

Draft submitted by the United Kingdom Delegation as
a Basis for Discussion

Article XVI

1. If any contracting party grants or maintains any subsidy, including any form of income or price support or of artificial incentive to export, which operates directly or indirectly to increase exports of any product, or to reduce imports of any product into its territory, it shall notify the CONTRACTING PARTIES.
2. At the request of any contracting party it shall report any other subsidy or form of income or price support or export incentive which it grants or maintains.
3. All notifications under paragraphs 1 and 2 shall be made in writing and under the following headings:
 - (i) the authority under which the subsidy is granted;
 - (ii) the reasons for the subsidy;
 - (iii) the extent and nature of the subsidization;
 - (iv) the method of financing and the financial obligations involved;
 - (v) the estimated effect of the subsidization on the quantity of the affected product or products imported into or exported from its territory.
4. In any case in which a contracting party considers that serious prejudice to its interests is caused or threatened by any such subsidization the contracting party granting the subsidy shall, upon request, discuss with the other contracting party or parties concerned, or with the CONTRACTING PARTIES, the possibility of limiting the subsidization.

Article XVII

Additional Provisions on Export Subsidies

No contracting party shall grant, directly or indirectly, any subsidy on the export of any product, or establish or maintain any other system, which subsidy or system results in the sale of such product for export at a price lower than the comparable price charged for the like product to buyers in the domestic market, due allowance being made for differences in the conditions and terms of sale, for differences in taxation and for other differences affecting price comparability,

2. No contracting party shall grant any other form of artificial incentive to export.

3. The exemption of exported products from duties or taxes imposed in respect of like products when consumed domestically, or the remission of such duties or taxes in amounts not in excess of those which have accrued, shall not be deemed to be in conflict with the provisions of paragraphs 1 or 2. The use of the proceeds of such duties or taxes to make payments to domestic producers in general of those products shall be considered as a case under Article XVI.

4. Contracting parties shall give effect to the provisions of paragraphs 1 and 2 at the earliest practicable date but not later than 31 December 1955. If any contracting party considers itself unable to do so in respect of any particular product or products, it shall, before 30 September 1955, give notice in writing to the CONTRACTING PARTIES, requesting a specific extension of the period. Such notice shall be accompanied by a full analysis of the system in question and the circumstances justifying it. The CONTRACTING PARTIES shall then determine whether the extension requested should be made and, if so, on what terms.

5. Notwithstanding the provisions of paragraph 1 any contracting party may subsidize the exports of any product to the extent and for such time as may be necessary to offset a subsidy granted by a non-contracting party affecting the contracting party's exports of the product. However, the contracting party shall, upon request of any other contracting party which considers that its interests are seriously prejudiced by such action or of the CONTRACTING PARTIES consult with that contracting party or with the CONTRACTING PARTIES, as appropriate, with a view to reaching a satisfactory adjustment of the matter.

Article XVIII

1. A system for the stabilization of the domestic price or of the return to domestic producers of a primary commodity, independently of the movements of export prices, which results at times in the sale of the commodity for export at a price lower than the comparable price charged for the like commodity to buyers in the domestic market, shall be considered not to involve a subsidy on export or an artificial incentive to export within the meaning of paragraphs 1 and 2 of Article XVII if the CONTRACTING PARTIES determine that:

- (a) the system has also resulted, or is so designed as to result, in the sale of the commodity for export at a price higher than the comparable price charged for the like commodity to buyers in the domestic market; and
- (b) the system is so operated, or is designed so to operate, either because of the effective regulation of production or otherwise as not to stimulate exports unduly or otherwise seriously prejudice the interests of other contracting parties.

2. Where the conditions described in paragraph 1 do not apply, but a contracting party operates a scheme for the stabilization of domestic prices or of the return to domestic producers of a primary commodity which has the effect of maintaining domestic prices above the level of prices obtaining in international trade, it shall be permitted to subsidize the exports of such commodity, notwithstanding Article XVII if the CONTRACTING PARTIES determine that the scheme is so operated, either because of the effective regulation of production or otherwise, as not to stimulate exports unduly; and as not to maintain or acquire for the contracting party operating the scheme more than an equitable share of world trade in that commodity; and as not otherwise seriously to prejudice the interests of other contracting parties.

3. In determining, for the purposes of paragraph 2, whether or not the export subsidy is being applied in such a way as to acquire or maintain more than an equitable share of world trade in a commodity, the CONTRACTING PARTIES shall take into account any factors which may have affected or may be affecting world trade in the commodity concerned and shall have particular regard to:

- (a) the shares of individual contracting parties of world trade in the commodity concerned during a previous representative period and the recent trend of those shares;
- (b) the shares of individual contracting parties of world trade in the commodity concerned which might reasonably be expected to prevail in the absence of the subsidy;

- (c) the effect of the subsidy on the level of prices in international trade;
- (d) the degree of importance of the external trade in the commodity to the economy of the contracting party granting and to the economies of the contracting parties materially affected by, the subsidy;
- (e) the desirability of facilitating the gradual extension of production for export in those areas able to satisfy world market requirements of the commodity concerned in the most effective and economic manner, and therefore of limiting any subsidies or other measures which make that extension difficult.

Interpretative Notes

Ad Article XVI

As in existing GATT ad Article XVII

Paragraphs 1 and 2

Note 1

The following are examples of artificial incentives to export:

- (a) Currency retention schemes and similar practices which involve a bonus on exports or re-exports;
- (b) multiple currency practices in certain circumstances;
- (c) the remission, calculated in relation to exports, of direct taxes or social welfare charges on industrial or commercial enterprises;
- (d) the remission or repayment, in respect of exported goods, of indirect taxes, whether levied at one or several stages, or of charges in connection with importation, to an amount exceeding the amount paid on the same product if sold for internal consumption;
- (e) in respect of government export credit guarantees, the charging of insurance premiums otherwise than in accordance with sound insurance principles, i.e. lower than is appropriate to the costs and extent of the risk covered;
- (f) in respect of deliveries by governments or government agencies of imported raw materials for export business on different terms than for domestic business, the charging of prices below world prices.