

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Special Distribution

CONTRACTING PARTIES
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SUBSIDIES

Draft Article submitted by the Italian Delegation

Explanatory Note

1. From the opening of the Ninth Session, the Italian delegation has expressed the opinion that the grant of direct or indirect export subsidies for any product should be forbidden by the General Agreement.
2. The Italian delegation is, however, well aware that serious difficulties may be encountered in the practical application of such a rule and that, therefore, the possibility of exceptions to that rule should be envisaged.
3. With that end in view, the Italian delegation has prepared the following Draft Article which (a) confirms the rules laid down in Article XVI as it now stands for the regulation of all forms of price support, with the exception of direct export subsidies, and (b) lays down that subsidies granted to encourage the export of any product shall require the prior authorization of the CONTRACTING PARTIES who shall examine the circumstances and reasons adduced in favour of such subsidization and shall fix its duration and conditions of application.

Article XVI

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1. If any contracting party grants or maintains any subsidy (with the exception of the direct export subsidies referred to in paragraph 2 of this Article) including any form of income or price support, which operates to increase exports of any product from, or to reduce imports of any product into, its territory, it shall immediately notify the Organization in writing of the extent and nature of the subsidization, of the estimated effect of the subsidization on the quantity of the affected product or products imported into or exported from its territory and of the circumstances making the subsidization necessary. The contracting party granting such subsidy shall be required, upon the request of any other contracting party which considers that

such subsidization causes or threatens to cause serious prejudice to its interests, to discuss immediately with such other contracting party or with the Organization, the possibility of limiting the subsidization.

2. No contracting party shall grant any form of direct export subsidy for any product without obtaining prior authorization from the Organization which shall take the necessary decision within ten days following the date of the request, which shall immediately be brought to the knowledge of the other contracting parties.

In examining requests, the Organization shall take account of the circumstances and reasons adduced by the contracting party in question and shall establish the scope and conditions of application of the measure requested.

A similar procedure shall be envisaged for the possible confirmation of direct export subsidies at present in operation and which contracting parties may desire to maintain.

Interpretative Note to Article XVI

The exemption of exported products from taxes or duties levied on similar products intended for domestic consumption, or the remission of taxes or duties due or paid shall not be considered as an infringement of the provisions of paragraph 2.