

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

W.17/3

2 November 1960

Limited Distribution

CONTRACTING PARTIES
Seventeenth Session

SUBSIDIES

Action under Article XVI:4

At its meeting in September 1960 the Council examined the proposal of the French Government (L/1260) that full effect be given to the prohibition of export subsidies as envisaged in paragraph 4 of Article XVI (C/M/1).

There being general agreement that it was desirable that the CONTRACTING PARTIES should take more effective action under the provisions of Article XVI:4 than in the past and that means of achieving this end should be considered at the seventeenth session, the Council requested the Executive Secretary to prepare and distribute to the contracting parties the text of a draft Declaration on the lines proposed by the secretariat in document C/W/5 and based upon the French proposal. A draft Declaration is accordingly attached hereto (Annex A).

In formulating their proposal the French Government indicated that it would favour an instrument listing a certain number of practices which would be prohibited under paragraph 4 of Article XVI, provided such an enumeration were not considered exhaustive. They suggested that the CONTRACTING PARTIES could draw up a list on the basis of the list annexed to Decision C(59)202 of the OEEC Council. The following are the practices enumerated in that Decision:

- (a) Currency retention schemes or any similar practices which involve a bonus on exports or re-exports.
- (b) The provision by governments of direct subsidies to exporters.
- (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 connexion with importation, to an amount paid on the same product if sold for internal consumption.
- (e) In respect of deliveries by governments or governmental agencies of imported raw materials for export business on different terms than for domestic business, the charging of prices below world prices.
- (f) In respect of government export credit guarantees, the charging of premiums at rates which are manifestly inadequate to cover the long-term operating costs and losses of the credit insurance institutions.

(g) The grant by governments (or special institutions controlled by governments) of export credits at rates below those which they have to pay in order to obtain the funds so employed.

(h) The government bearing all or part of the costs incurred by exporters in obtaining credit.

The Council has recommended to the CONTRACTING PARTIES (C/M/1) that a technical examination of this illustrative list be undertaken early in the seventeenth session, without prejudice to the final disposition of this matter. Further the Council has drawn the attention of the CONTRACTING PARTIES to the possible need for a clarification of the phrase "product other than a primary product" in Article XVI:4 as read with the interpretative note to Section B of Article XVI. The Council considered that the Panel on Subsidies would be a suitable body to examine these matters if its members were available.

As contracting parties are aware, the secretariat distributed at the sixteenth session in document W.16/7 a draft Declaration extending the standstill provisions of Article XVI:4. A revised text, containing changes arising out of the simultaneous presentation of the draft Declaration Giving Effect to the Provisions of Article XVI:4 of the General Agreement, is contained in Annex B hereto.

5. The Executive Secretary shall promptly furnish a certified copy of this Declaration and a notification of each acceptance thereto to each contracting party to the General Agreement and to each other government on behalf of which the Declaration is open for acceptance.

DONE at Geneva, in a single copy, in the English and French languages, both texts authentic, this day of November, one thousand nine hundred and sixty.

ANNEX B

EXTENSION OF STANDSTILL PROVISIONS OF ARTICLE XVI:4
OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE

Declaration of _____ 1960

The parties to this Declaration, being contracting parties to the General Agreement on Tariffs and Trade (hereinafter referred to as "the General Agreement"), or other Governments on behalf of which it is open for acceptance,

Considering that, in accordance with paragraph 4 of Article XVI of the General Agreement and the note thereto in Annex I, contracting parties should seek before the end of 1957 to reach agreement to abolish as from 1 January 1958 all remaining subsidies on products other than primary products which result in the sale of such products for export at a price lower than that charged in the domestic market or, failing this, to extend the application of the standstill provided for in paragraph 4 of Article XVI;
and

Considering that certain contracting parties have agreed to successive yearly extensions of the standstill provisions in relation to such subsidies pending their abolition;

Considering that some contracting parties will not be prepared to accept promptly the Declaration Giving Effect to the Provisions of Article XVI:4 of the General Agreement, opened for acceptance on the same date as this Declaration;

Considering further that it is desirable for such contracting parties not only to agree further to extend the standstill, but also to agree to a procedure which will ensure progress towards abolition of subsidies covered by the provisions of Article XVI:4;

Hereby declare that:

1. They will not, until 31 December 1961, extend the scope of any subsidization of the type described in paragraph 4 of Article XVI beyond that existing on the date of this Declaration, by the introduction of new, or the increase of existing, subsidies; it being understood that any such subsidy which, since that date, has been reduced or abolished may not be increased nor re-instituted.

2. They will communicate to the Executive Secretary of the CONTRACTING PARTIES the list of the measures of the type described in paragraph 4 of Article XVI of the General Agreement in force on the date of this Declaration; and notify the Executive Secretary of any changes in these measures.

3. They agree to an annual review by the CONTRACTING PARTIES on the progress made in the abolition or reduction of such subsidies existing on the date of this Declaration.

4. Any party to this Declaration which ceases to be a contracting party to the General Agreement, or as to which arrangements for its provisional accession have terminated otherwise than through accession pursuant to Article XXXIII of the General Agreement, shall thereupon cease to be a party to this Declaration.

5. This Declaration shall be deposited with the Executive Secretary of the CONTRACTING PARTIES to the General Agreement. It shall be open for acceptance, by signature or otherwise, by contracting parties to the General Agreement and by governments which have acceded provisionally to the General Agreement.

6. This Declaration shall enter into force on the day on which it will have been accepted by the Governments of

Acceptance of the Declaration Giving Effect to the Provisions of Article XVI:4 of the General Agreement by one of the above-mentioned Governments shall constitute an acceptance of the present Declaration for the purposes of this paragraph.

7. The Executive Secretary to the CONTRACTING PARTIES to the General Agreement shall promptly furnish a certified copy of this Declaration and a notification of each acceptance thereto to each contracting party to the General Agreement.

In witness whereof the respective representatives, duly authorized, have signed the present Declaration.

Done at Geneva, in a single copy, in the English and French languages, both texts authentic, this day of , one thousand nine hundred and sixty.