

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

MTN/3B/W/2
10 May 1974

Special Distribution

Multilateral Trade Negotiations

Original: English

GROUP 3(b) - CONTINUATION OF THE WORK ON EXPORT SUBSIDIES (ITEM 9)

Proposal by the United States Delegation

On 7 February 1974 the Trade Negotiations Committee assigned to Working Group 3(b) on Non-Tariff Barriers the "continuation of the work already begun on export subsidies". On 11 March Working Group 3(b) agreed to take up the problem of subsidies and countervailing duties at a meeting at expert level on 29-31 May. The consideration of subsidies and related trade problems has thus entered a new phase. A review of "where we are" and "where we want to go" on the subsidies issue is particularly timely at this stage of the preparatory work.

It will be recalled that Working Group I of the Committee on Trade in Industrial Products began its consideration of possible solutions to the problem of export subsidies in June 1972. At one of its early meetings the Group examined GATT Article XVI:4, and the related Declaration of 1960, to determine whether, in the light of experience, they accomplish their objectives. Some delegations found the existing subsidy rules were inadequate and various remedial changes were discussed. For example, the possibility of defining the term "subsidy" was considered. In this connexion the 1960 illustrative list of export subsidy practices was reviewed. Other practices that might be regarded as export subsidies were also examined. At its last meeting in June 1973 the Group drew up an expanded list of possible export subsidy practices for further consideration.

During this period some other aspects of the problem of subsidies were also discussed. Domestic subsidies that stimulate exports and countervailing duties were included among the topics for examination at the April 1973 meeting. At the June 1973 meeting the Group again expanded its consideration to include domestic subsidies that inhibit imports. Views were also exchanged on the relationship between subsidies and countervailing duties. The United States and some other delegations believed that subsidies and countervailing duties are so closely related that solutions that do not encompass both problems are necessarily precluded.

The United States delegation proposes that, at the Group 3(b) meeting on 29 May, this new stage of work on the subsidies issue begin with a discussion of the questions listed below. Even though delegations may not have final positions on all of the issues raised by these questions, it is hoped that they will be prepared to respond

to them so that a fresh assessment can be made of countries' concerns and views on the subsidies issue and of the kind of solutions that might ultimately be acceptable. An exchange of views on these questions, and additional questions that might be proposed by other delegations, should provide a useful basis for the continuation of work on the problem of subsidies.

General

1. How serious are subsidies in distorting international trade?
2. How important are subsidies in distorting trade within importing countries?
3. How important are subsidies in distorting trade among different countries exporting to the same market?

Export subsidies

4. How might the term "export subsidy" be defined?
5. Should export subsidies be prohibited? If so, should there be any exceptions?
6. If export subsidies were prohibited, should any conditions be attached to such prohibition? For example, should only those subsidies that result in dual pricing be prohibited or only those subsidies that distort trade or that cause injury be prohibited? If the latter, how might "trade distortion" and "injury" be defined?
7. What kind of assistance to exports should be allowed? What kind of assistance should not be allowed?
8. Are GATT Article XVI:4 and the GATT Declaration of 1960 adequate to deal with the problem of export subsidies? In what respects are they deficient?
9. Is there any reason why the same rules on subsidies should not apply to both primary and non-primary products?
10. Should the same rules on export subsidies apply to both developed and developing countries?

Domestic subsidies that stimulate exports

11. How might domestic subsidies that stimulate exports be differentiated from export subsidies?
12. Should domestic subsidies that stimulate exports be subject to the same rules as export subsidies? If not, what rules might be appropriate?
13. Should the same rules on domestic subsidies that stimulate exports apply to both developed and developing countries?

Domestic subsidies that inhibit imports

14. How might domestic subsidies that result in import substitution be differentiated from domestic subsidies that stimulate exports?
15. Should domestic subsidies that result in import substitution be subject to the same rules as domestic subsidies that stimulate exports? If not, what rules might be appropriate?
16. Should the same rules on domestic subsidies that result in import substitution apply to both developed and developing countries?

Sanctions

17. Should any new rules on subsidies provide for sanctions? If so, what kind of sanctions?
18. Should sanctions be taken unilaterally or should they be subject to multilateral approval?

Exceptions

19. What kind of exceptions, if any, should be made to any new rules on subsidies?
20. Should existing subsidy practices be exempt from the application of any new rules?