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GENERAL AGREEMENT ON TARIFFS AND TRADE

Multilateral Trade Negotiations

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Group "Non-Tariff Measures"

Sub-Group on Subsidies and Countervailing Duties

SUBSIDIES AND COUNTERVAILING DUTIES

Nordic Countries

1. At its meeting in November 1975 the Sub-Group "Subsidies and Countervailing Duties" reiterated its agreement that participants be invited to submit comments on problems encountered in the areas of subsidies and countervailing duties as well as any specific proposals for appropriate solutions to these problems including, where feasible, draft texts or suggestions. It was also understood that delegations which had already submitted comments or proposals might wish to revise them in the light of the discussion. The Sub-Group also invited participants to submit in writing any additional observations or questions they might have in respect of submissions by other members (MTN/NTM/10, paragraph 2 and GATT/AIR/1242).

2. A communication has been received from the Nordic countries and is reproduced hereunder.

This note outlines as a summary the views of the Nordic countries presented already earlier in the Sub-Group.

Countervailing duties

In the view of the Nordic countries solutions in the area of countervailing duties should be based on the present provisions of the General Agreement.

Material injury or threat of material injury is one of the basic concepts contained in Article VI and it is important that all countries accept the injury criterion as a condition for countervailing action. Taking into account the importance of the material injury concept, we wish to stress once more that in the interest of all countries that uniform objective criteria for the determination of material injury should be established.

In the Nordic view the mere existence of an export or other subsidy should not be allowed to lead to countervailing action. Only when a meaningful examination has proved that the subsidy has caused material injury or threat thereof to a certain industry, the relying to countervailing action should be allowed.

Moreover the Nordic countries are of the opinion that bilateral consultation should precede every countervailing action.

Subsidies

Also in the field of subsidies solutions to be sought in the MTN should be based on the present provisions of the GATT, which can be supplemented by appropriate interpretative complementary notes or by a new code if this would prove to be useful.

The Nordic countries are of the opinion that the work in subsidies in the Sub-Group should mainly concentrate on subsidies related to exports. We also feel that greater precision should be given to the definition of the concept of export subsidy. This could be achieved inter alia by enumerating practices which are export subsidies. In enumerating export subsidy practices, the difference between export and domestic prices as provided for in Article XVI:4 of the General Agreement should be taken into account. The present distinction between the treatment of primary and non-primary products should be maintained.

In the view of the Nordic countries the Group of Agriculture and its Sub-Groups should concern themselves with the subsidies and countervailing duties related to agricultural products according to the decisions taken by the Group of Agriculture at its meeting of 8 May 1975.

Export subsidies and the use of countervailing duties should be subject to international discipline. There should be provisions for improved notification and consultation procedures.

With respect to the question of subsidized exports by a third country to markets of export interest for another country, one possible way of action could be to seek solutions through consultations between the countries concerned or/and by the use of appropriate multilateral procedures. Countries should, however, not be allowed to decide unilaterally whether to apply sanctions against subsidization on third country markets.

As regards the so-called domestic subsidies it will be very difficult to agree on proper definitions of such subsidies. In addition, domestic aids are generally considered to be a legitimate part of countries' internal policies

aiming e.g. to stimulate investment, employment or production in under-developed regions or to achieve other socio-economic purposes. Most of these measures are of general character and not related particularly to exports. It would therefore be difficult to distinguish domestic subsidies with trade distorting effects from other domestic subsidies and to define the former. These are reasons why we feel that our efforts should mainly concentrate on subsidies directly related to exports.

If domestic subsidies, however, are deliberately used as instruments of competition between countries in international trade and thereby cause or threaten to cause material injury the matter could be brought up at international level for example by using the procedures in Article XVI:1 and Articles XXII and XXIII of the General Agreement.

The Nordic countries are of the opinion that the differentiated and more favourable treatment for the developing countries must be borne in mind when continuing the work in this field. We believe that the problems connected with the treatment of the developing countries in this field can be fruitfully discussed when the form and content of general solutions can be seen more clearly. It might well be that at least some of the specific problems of the developing countries can be solved in the context of general solutions.