

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

C/W/5

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Action under Article XVI:4

The General Agreement in paragraph 4 of Article XVI provides that, as from 1 January 1958, or the earliest practicable date thereafter, contracting parties shall cease to grant any form of subsidy on the export of any product other than a primary product. Until that date, the same paragraph prohibits the extension of the scope of any such subsidies beyond that existing on 1 January 1955. The intention of this paragraph is (Note to paragraph 4 of Article XVI) "that the contracting parties should seek before the end of 1957 to reach agreement to abolish all remaining subsidies from 1 January 1958; or, failing this, to reach agreement to extend the application of the standstill until the earliest date thereafter by which they can expect to reach such agreement".

Contracting parties were not able to abolish all remaining subsidies from 1 July 1958 but they agreed to extend the "standstill" provision by opening for signature a "Declaration extending the 'Standstill' Provisions of Article XVI:4". The validity of this declaration has been extended each year by Procès Verbal.

At the time of the sixteenth session the Executive Secretary distributed to contracting parties a proposal (W/16/7) which was aimed at gradually restricting the scope of remaining subsidies by applying the "standstill" on each yearly extension only to the subsidies actually in effect on the date of the extension. The discontinuance or reduction of a subsidy during the "standstill" would thus narrow the field covered by the declaration.

More recently the French Government has indicated (L/1260) that the time has come to give full effect to the prohibition of export subsidies as provided for in paragraph 4 of Article XVI and has proposed that the CONTRACTING PARTIES take the appropriate action.

The secretariat has given some preliminary consideration to the question as to how effect could be given to the French proposal if it is acceptable to the CONTRACTING PARTIES. In the light of the Note to paragraph 4 of Article XVI the most appropriate solution would seem to be a declaration embodying the agreement of all signatories to abolish all remaining subsidies as from 1 January 1961. As proposed by the French Government an annex to the declaration would list a certain number of practices which would be prohibited under Article XVI:4. This enumeration would not be considered exhaustive.

The provisions for the entry into force of this declaration should be similar to those of the declaration extending the "standstill" provisions, i.e. the declaration should only enter into force when it shall have been accepted by a certain number of countries ("key" countries).

Some governments which are prepared to extend the "standstill" provisions of Article XVI:4 may not be in a position to agree to the abolition of subsidies at this stage. It is accordingly suggested that provision be made - either in the established form or in the form proposed by the secretariat at the sixteenth session - to extend the "standstill" provisions of Article XVI:4.

In order to facilitate the entry into force of the extension even if the declaration relating to the abolition does not enter into force, the CONTRACTING PARTIES might insert in the latter instrument a clause whereby signature thereof shall constitute an acceptance of the declaration extending the "standstill" provisions.

For this purpose the CONTRACTING PARTIES would have to ensure that at least all the "key" countries for the declaration abolishing subsidies are also "key" countries for the declaration extending the "standstill".

The United States has signed the Declaration extending the "Standstill" Provisions of Article XVI:4 with the following reservation:

"With the understanding that this Declaration shall not prevent the United States, as part of its subsidization of exports of a primary product, from making a payment on an exported processed product (not itself a primary product), which has been produced from such primary product, if such payment is essentially limited to the amount of the subsidy which would have been payable on the quantity of such primary product, if exported in primary form, consumed in the production of the processed product."

The CONTRACTING PARTIES might wish to contemplate such a case in the text of the declaration.