

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SCM/W/28

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## Committee on Subsidies and Countervailing Measures

### QUESTIONNAIRE ON SUBSIDIES

#### Note by the Secretariat

1. At its April 1981 meeting the Committee agreed that Signatories should submit their notifications under Article XVI:1 of the General Agreement before the October 1981 meeting and that the Committee would undertake an examination of the questionnaire as well as of qualitative aspects of responses to it at that meeting (SCM/M/6, paragraph 15). At its October 1981 meeting the Committee agreed to have a special meeting to discuss this matter (SCM/M/9, paragraph 21).
2. The Questionnaire on Subsidies has already been examined by the Panel on Subsidies, a report of which was adopted by the CONTRACTING PARTIES at their sixteenth session in 1961 (BISD, Ninth Supplement, page 188-194). In order to facilitate the examination of the questionnaire by the Committee on Subsidies and Countervailing Measures this document reproduces its text with added notes referring to relevant excerpts from the Panel's report. It also reproduces those parts of the report which, once adopted by the CONTRACTING PARTIES, constitute a guideline on the notifiability of certain forms of subsidies (Annex I).
3. Annex II contains an updated list of notifications under Article XVI by Signatories since the twentieth session of the CONTRACTING PARTIES. Annex III presents the status of full notifications (due in 1981) as on 20 February 1982.

ANNEX INotifications Pursuant to Article XVI:1

In accordance with the Decision of the CONTRACTING PARTIES at the twentieth session (BISD, Eleventh Supplement, page 58), contracting parties should submit every third year, new and full responses to the questionnaire on subsidies contained on pages 193-194 of the Ninth Supplement (reproduced hereunder). New and complete notifications were due in January 1981. Subsequent notifications in 1982 and 1983 should cover changes to the basic notifications for 1981.

Questionnaire on Subsidies

Reports should be made in writing for individual commodities and under the headings listed below. A suggestion of the type of information which might be included under each heading is shown within brackets:

- I. Nature and extent of the subsidy<sup>1</sup>
  - (a) Background and authority  
(The reason for the subsidy and the legislation under which it is granted.)
  - (b) Incidence  
(Whether paid to producers, to exporters, or in some other way; whether a fixed amount per unit, or fluctuating; if the latter, how determined.)
  - (c) Amount of subsidy  
(Total cost estimated or budgeted or, when this is not feasible, cost in preceding year.)
  - (d) Estimated amount per unit<sup>2</sup>
- II. Effect of subsidy<sup>3</sup>
  - (a) Estimated quantitative trade effects of the subsidy; and the reason why it is considered that the subsidy will have these effects.
  - (b) Statistics of production, consumption, imports and exports:
    - (i) for the three most recent years for which statistics are available;
    - (ii) for a previous representative year, which, where possible and meaningful, should be the latest period preceding the introduction of the subsidy or preceding the last major change in the subsidy.

Recommendations of the Panel on Subsidies, adopted  
by the CONTRACTING PARTIES on 24 May 1960  
(BISD, Ninth Supplement, pages 188-194)

I. Guidelines on notifications (Excerpts)

<sup>1</sup>Information on the four sections under paragraph 1 should be given separately under each specific commodity heading.

<sup>2</sup>In cases where countries are not in a position to indicate the subsidy per unit because the measure of the subsidy is related to fluctuating prices or is based not on the product but on some other criterion (e.g. acreage) they should (1) notify the sum, if any, which is budgeted for the purpose, and (2) give detailed figures for the operation of the measure in the previous year, indicating the total amount, the quantity of the product, and the average subsidy per unit.

<sup>3</sup>The Panel considered that the CONTRACTING PARTIES, in drawing up this Section had had it in mind that countries should give some indication of the quantitative effects of subsidy arrangements, i.e. the effects on actual volume of imports and exports, and noted that where countries had responded to the request for information on this Section they had not supplied a quantitative assessment of the effects in relation to imports and exports but had instead confined their information to the philosophies on which their internal policies were based and justification for their subsidy arrangements. The Panel therefore recommends that all contracting parties should include in any subsequent notification statistical data covering a representative period of domestic production, consumption, imports and exports of the product concerned. These figures should cover the last three years; and, when possible and meaningful, a previous representative period (to be notified only once for that product) preceding the entry into effect of the measure or preceding the latest major change in that measure. It is realized that statistical data would not answer all questions but, as indicated earlier in this paragraph, they would provide the most useful practical guidance to contracting parties in their attempts to estimate the effects of a subsidy. The Panel also recommends that contracting parties should say what they consider to be the trade effects of any subsidies and to explain why they think the subsidies will have these effects.

II. Subsidies notifiable under Article XVI (Excerpts from paragraphs 10-13)

A. In the opinion of the Panel, it is not sufficient to consider increased exports or reduced imports only in an historical sense. In this connexion the Panel had in mind the following interpretation of the CONTRACTING PARTIES (BISD, Volume II, page 44), paragraph 29(a):

"The phrase, 'increased exports' in line 3 of Article XVI of the General Agreement was intended to include the concept of maintaining exports at a level higher than would otherwise exist in the absence of the subsidy, as made clear in line 3 of Article 25 of the Havana Charter;"

Mutatis mutandis this interpretation must apply to the effect on imports. The criterion is therefore what would happen in the absence of a subsidy. The

Panel consider it fair to assume that a subsidy which provides an incentive to increased production will, in the absence of offsetting measures, e.g., a consumption subsidy, either increase exports or reduce imports.

B. The Panel discussed the circumstances under which a system which fixes domestic prices to producers at above the world price level might be considered a subsidy in the meaning of Article XVI. It was generally agreed that a system under which a government, by direct or indirect methods, maintains such a price by purchases and resale at a loss is a subsidy. Such purchases would need only to cover part of the production to involve a subsidy and, in determining loss on resale, such expenses as holding stocks should be taken into account. The Panel considered, however, that there could be other cases in which a government maintained a fixed price above the world price without resort to a subsidy. One such case might be that in which a government fixes by law a minimum price to producers which is maintained by quantitative restrictions or a flexible tariff or similar charges. In such a case there would be no loss to the government, and the measure would be governed not by Article XVI, but by the other relevant Articles of the General Agreement. The Panel recognized that there might be other variations of price stabilization where the existence or non-existence of a subsidy would be more difficult to determine. This should be judged by examination of the circumstances of each case. The Panel feels that, in order to permit such an examination, the CONTRACTING PARTIES should consider asking contracting parties to notify all cases of price support, regardless of the precise method used.

C. The Panel examined the question whether subsidies financed by a non-governmental levy were notifiable under Article XVI. The GATT does not concern itself with such action by private persons acting independently of their governments except insofar as it allows importing countries to take action under other provisions of the Agreement. In general there was no obligation to notify schemes in which a group of producers voluntarily taxed themselves in order to subsidize exports of a product. The Panel felt that in view of the many forms which action of this kind could take, it would not be possible to draw a clear line between types of action which were and those which were not notifiable. On the other hand, there was no doubt that there was an obligation to notify all schemes of levy/subsidy affecting imports or exports in which the government took a part either by making payments into the common fund or by entrusting to a private body the functions of taxation and subsidization with the result that the practice would in no real sense differ from those normally followed by governments. In view of these considerations the Panel feels that the question of notifying levy/subsidy arrangements depends upon the source of the funds and the extent of government action, if any, in their collection. Therefore, rather than attempt to formulate a precisely worded recommendation designed to cover all contingencies, the Panel feels that the CONTRACTING PARTIES should ask governments to notify all levy/subsidy schemes affecting imports or exports which are dependent for their enforcement on some form of government action.

D. In the course of its examination of notifications, the Panel noted at its first meeting that some contracting parties had interpreted approval by the International Monetary Fund of multiple exchange arrangements as absolving them from the obligation to notify such arrangements under Article XVI. The Panel wished to record its view that interpretative note 1 to Section B of Article XVI was intended not to preclude the use by a country of multiple

exchange rates which were approved by the International Monetary Fund, but that there was a clear obligation to notify to the CONTRACTING PARTIES multiple exchange rates which have the effect of a subsidy. In this connexion the Panel noted paragraph 21 of the Report of Working Party III at the Review Session (BISD, Third Supplement, page 226).

E. In order that the CONTRACTING PARTIES should have the most complete information possible the Panel recommends that governments which consider that there are no measures or schemes in their countries requiring notification under Article XVI should so inform the Executive Secretary in writing.

ANNEX II

Notifications under Article XVI:1

by Signatories to the Subsidies/Countervailing Measures Code

	*		*			*			*			*			*			*
	1963	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Australia	X	X	X		X	X					X		X	X	X	X	X	X
Austria	X		X			X	X	X	X	X		X	X	X	X	X	X	X
Brazil																		
Canada	X	X	X		X			X	X		X	X		X			X	X
Chile																		X
Egypt																		
Finland	X	X	X			X			X	X	X	X		X	X	X		X
India	X																	
Japan	X	X	X			X		X				X						X
Korea																		
New Zealand	X	X																
Norway	X					X			X	X		X						X
Pakistan																		
Sweden	X	X	X		X	X	X	X	X	X		X		X			X	X
Switzerland	X	X	X			X	X	X	X	X	X	X	X	X	X	X	X	X
UK/Hong Kong																		
United States	X		X			X		X	X			X	X					X
Uruguay																		
Yugoslavia	X	X															X	
SEC	X	X					X		X			X			X	X		X
Belgium	X	X		X					X			X			X		X	
Denmark	X	X	X		X	X		X	X			X			X			
Germany, F.R.	X	X						X	X	X		X	X		X		X	
France	X	X				X			X			X						
Greece	X																	
Ireland																		
Italy	X	X		X		X			X									
Luxembourg	X	X													X			X
Netherlands	X	X		X														
United Kingdom	X	X	X		X	X	X	X	X			X			X	X	X	

\*Years in which full notification has been required.

ANNEX III

Notifications (1981) under Article XVI:1  
by Signatories to the Subsidies/Countervailing Measures Code

	L/5102	Coverage of notifications
Australia	Add.8	Agriculture/Industry
Austria	Add.13	Agriculture
Brazil	None	
Canada	Add.10	Agriculture
Chile	Add.7	No subsidies in the sense of Article XVI:1
Egypt	None	
Finland	Add.3	Agriculture
India	None	
Japan	Add. 16	Agriculture/Industry
Korea	None	
New Zealand	None	
Norway	Add.11	Agriculture
Pakistan	None	
Sweden	Add.14	Agriculture
Switzerland	Add.9	Agriculture/Industry
UK/Hong Kong	None	
United States	Add.15	Agriculture/Industry
Uruguay	None	
Yugoslavia	None	
EEC	Add.6	Agriculture
Belgium	None	
Denmark	None	
Germany, F.R.	None	
France	None	
Greece	None	
Ireland	None	
Italy	None	
Luxembourg	Add.1	No subsidy in any field under its competence
Netherlands	None	
United Kingdom	None	

