

GENERAL AGREEMENT ON

RESTRICTED

L/6254

18 November 1987

TARIFFS AND TRADE

Limited Distribution

REPORT (1987) OF THE COMMITTEE ON SUBSIDIES AND COUNTERVAILING MEASURES

I. Organization of the work of the Committee

1. The Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement entered into force on 1 January 1980. On 15 October 1987 the following were the signatories of the Agreement: Australia, Austria, Brazil, Canada, Chile, Egypt, the European Economic Community, Finland, Hong Kong, India, Indonesia, Israel, Japan, Korea, New Zealand, Norway, Pakistan, Philippines, Spain, Sweden, Switzerland, Turkey, United States and Uruguay. Yugoslavia signed the Agreement subject to ratification. Some signatories do not apply the Agreement in their mutual relations and some other signatories apply it on a provisional basis.

2. The signatories of the Agreement are ipso facto members of the Committee on Subsidies and Countervailing Measures established under the Agreement. During the period under review the Committee has held three meetings: on 5 May 1987 (SCM/M/33), on 3 June 1987 (SCM/M/34) and on 27-28 October 1987 (SCM/M/35).

3. Twenty-two contracting parties and six non-contracting parties have observer status. Furthermore, two international organizations (IMF and UNCTAD) have attended meetings of the Committee in an observer capacity.

II. Notification and examination of countervailing duty laws and/or regulations of signatories of the Agreement (Article 19:5)

4. As of 15 October 1987 twenty-two signatories have submitted their legislation concerning countervailing duty procedures or made communications in this respect to the Committee (SCM/1 and addenda). Three signatories have not, as yet, made formal notifications to the Committee under Article 19:5 of the Agreement. Some of these signatories made oral statements to the effect that their national legislation did not contain any provisions on the imposition of countervailing duties which would be in conflict with the Agreement.

5. During the period under review the Committee has received new notifications regarding (amendments to) countervailing duty laws and/or regulations from the following signatories:

Australia: Customs Notice No. 87/169 outlining new procedures for the processing of anti-dumping and countervailing duty petitions (SCM/1/Add.18/Rev.1/Suppl.1).

Brazil: Decree No. 93.962 of 22 January 1987 promulgating the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade (SCM/1/Add.26); Customs Policy Commission Resolution No. 00-1227 of 14 May 1987 (SCM/1/Add.26/Suppl.1).

Japan: Guidelines for the conduct of anti-dumping and countervailing duty investigations (SCM/1/Add.8/Suppl.1)

6. At its two regular meetings held during the period under review the Committee reverted to and concluded its examination of the countervailing duty legislation of India (Customs Tariff (Second Amendment) Act of 1982 and the related Customs Tariff Rules of 1985, SCM/1/Add.25 and Corr.1) and it continued its examination of the countervailing duty legislation of Korea (Article 13 of the Customs Act and Article 4-13 of the Presidential Decree of the Customs Act, SCM/1/Add.13/Rev.2), Pakistan (Ordinance No. III of 1983, SCM/1/Add.24) and the Philippines (Section 302 of Presidential Decree No. 1464 and Department of Finance Order No. 300, SCM/1/Add.23). In addition, the Committee started its examination of the notifications listed in the preceding paragraph.

7. Some signatories drew the Committee's attention to certain provisions in the domestic legislation of some other signatories which they considered were inconsistent with the Agreement and urged those signatories to ensure the full conformity of their legislation with the Agreement. It was agreed that signatories to which comments concerning their legislation were addressed would consider them. Some signatories reserved their right to revert to particular aspects of the national legislations at a later stage or in the light of their practical implications. The Committee therefore agreed to maintain on its agenda the examination of national legislation.

8. A number of signatories expressed their concerns regarding possible amendments to relevant legislation of the United States. The representative of the United States stated that in his delegation's view it was premature to examine possible legislative amendments but he nevertheless undertook to report those signatories concerns to his authorities.

III. Semi-annual reports on all countervailing duty actions

9. Article 2:16 of the Agreement provides that the signatories shall submit, on a semi-annual basis, reports of any countervailing duty actions taken within the preceding six months. In this relation a standard form

for such reports has been worked out (SCM/79). During the period under review, the following reports have been submitted and circulated to the Committee:

- (a) reports for the period 1 July 1986-31 December 1986 have been circulated in addenda to SCM/80. The following signatories have notified the Committee that they have not taken any countervailing duty action during that period: Austria, Brazil, Chile, the EEC, Egypt, Finland, Hong Kong, India, Israel, Japan, Korea, New Zealand, Norway, Pakistan, the Philippines, Sweden, Switzerland, Turkey, Uruguay and Yugoslavia (Add.1). Countervailing duty actions have been notified by Australia (Add.2); Canada (Add.4); and the United States (Add.3). No report has been received from Indonesia.
- (b) reports for the period 1 January 1987-30 June 1987 have been circulated in addenda to SCM/84. The following signatories have notified the Committee that they have not taken any countervailing duty action during that period: Austria, Brazil, Chile, the EEC, Finland, Hong Kong, India, Indonesia, Israel, Japan, Korea, Norway, Pakistan, the Philippines, Sweden, Switzerland, Turkey and Yugoslavia (Add.1/Rev.1). Countervailing duty actions have been notified by Australia (Add.3), Canada (Add.2), the United States (Add.4) and New Zealand (Add.5).

10. The Committee has examined these reports. A table summarizing the cases where investigations have been opened and provisional or final actions taken during the period 1 July 1985-30 June 1987 is reproduced in Annex I.

11. No report for the period 1 January-30 June 1987 has been received from Egypt and Uruguay. Moreover several signatories submitted their reports only after the October 1987 meeting. The Chairman expressed his deep concern about the deterioration in the compliance with the reporting obligation under Article 2:16 and urged these signatories to submit their reports without further delay.

IV. Reports on all preliminary or final countervailing duty actions

12. Notifications under these procedures have been received from Australia, Canada, New Zealand and the United States and circulated in documents SCM/W/128, 129, 130, 131, 132, 138, 141, 142 and 144.

V. Notification of subsidies

13. At the meeting of the Committee of 3 June 1987 the Chairman recalled the obligation under Article XVI:1 of the General Agreement to submit, in 1987, new and full notifications of subsidies (see document L/6111/Suppl.1). In this respect he noted that in autumn 1987 or soon thereafter the Committee would hold a special meeting to examine the new and full notification submitted by the signatories. In order to facilitate the preparation of this special meeting he requested the signatories to submit their notifications at the latest by mid-September 1987 (SCM/M/34, paragraph 59).

14. The status of new and full notifications under Article XVI:1 received by 8 November 1987 is reproduced in Annex II.

15. The Committee took note of the unsatisfactory situation regarding notifications under Article XVI:1 and agreed to postpone its consideration of these notifications until such time when all relevant information would be available. In this relation signatories which had not submitted their notifications were urged to do so without further delay.

VI. Group of Experts on the calculation of the amount of a subsidy

16. During the reporting period the Group of Experts on the calculation of the amount of a subsidy did not submit any new draft guidelines. The draft guidelines on the application of the concept of specificity submitted to the Committee in April 1985 still have not been adopted due to some concerns expressed by the United States.

17. At the request of the Committee the Group reverted to paragraph 4(b) of document SCM/W/74/Rev.1 which had not been included in the Guidelines on Physical Incorporation (SCM/68) adopted by the Committee at its meeting of October 1985. The Group of Experts has re-examined this paragraph but has not proposed any changes to the existing text.

18. At its meeting of 3 June 1987 the Committee was informed by the Chairman of the Group of Experts, that, because of the multilateral trade negotiations, the Group proposed to temporarily suspend its activities. The Committee agreed to this proposal, it being understood that the Group would remain on call and that the Chairman of the Committee might reconvene this Group whenever necessary.

VII. Dispute settlement procedures

19. Three of the dispute settlement cases, which since the entry into force of the Agreement in 1980 have been examined by respective panels, have not been resolved by the Committee:

- (a) Report of the Panel on the EEC subsidies on export of wheat flour (SCM/42) submitted to the Committee on 21 March 1983.
- (b) Report of the Panel on the EEC subsidies on export of pasta products (SCM/43) submitted to the Committee on 19 May 1983.
- (c) Report of the Panel on the US definition of industry concerning wine and grape products (SCM/71) submitted to the Committee on 24 March 1986.

In relation to the adoption of the report listed under (c) a number of signatories expressed their concern that one signatory had linked the adoption of this report to the adoption of the report listed under (b). This latter signatory stated that the adoption of the panel report listed

under (b) had been blocked, that it could not accept that dispute settlement under the Code should be a one-way street, and that, in the absence of an agreement on the adoption of the report under (b) above, it could not agree to the adoption of the report under (c) above.

20. At its meeting of 3 June 1987 the Committee adopted the report of the Panel on the initiation by the United States of a countervailing duty investigation of softwood lumber products from Canada (SCM/83). Given the fact that the two parties had reached a bilateral solution, the Panel had considered it appropriate to limit its report to a brief factual description of its proceedings and to provide some information regarding the nature of the bilateral solution.

21. At its meeting of 28 October 1987 the Committee started its examination of the report of the Panel on imposition by Canada of countervailing duties on imports of manufacturing beef from the EEC (SCM/85). At the request of several delegations the Committee agreed to postpone its further examination of this report and agreed to hold a special meeting for this purpose.

VIII. Other activities of the Committee

22. On 5 May 1987 the Committee held a special meeting to afford signatories the opportunity of consulting, under Article 16:1 of the Agreement on the matter referred to the Committee by the United States concerning the imposition by Canada of a countervailing duty on imports of grain corn originating in or exported from the United States (SCM/M/33).

ANNEX I

Summary of Countervailing Duty Actions, 1 July 1985-30 June 1987

Reporting country	Reporting period	Initiation		Provisional Measures		Definitive duties		Undertakings		Outstanding cvd actions
		No.	Countries ¹ involved	No.	Countries ¹ involved	No.	Countries ¹ involved	No.	Countries ¹ involved	
Australia	1.7.1985-30.6.1986	3	NZ(2) BR	6	NZ(5) BR	-		3	NZ(3)	7
	1.7.1986-30.6.1987	3	AR BR NZ	2	BR NZ	-		3	BR FI NZ	10
Canada	1.7.1985-30.6.1986	1	CE	1	CE	1	BR	1	CE	5
	1.7.1986-30.6.1987	4	BR CE FR US	3	BR CE US	2	CE US	-		6
Chile	1.7.1985-30.6.1986	11	AR(2) BR(3) CN DD KR MX PE PT	1	PT	-		-		n.a.
	1.7.1986-30.6.1987	-		-		-		-		-
New Zealand	1.7.1985-30.6.1986	-		-		-		-		-
	1.7.1986-30.6.1987	1	AT	-		-		-		-

ANNEX I (cont'd)

Reporting country	Reporting period	Initiation		Provisional measures		Definitive duties		Undertakings		Outstanding cvd actions
		No.	Countries ¹ involved	No.	Countries ¹ involved	No.	Countries ¹ involved	No.	Countries ¹ involved	
US	1.7.1985-30.6.1986	43	BR CA(6) CL CO DE EC FR(2) IN IR IT(2) KR MY MX(2) NL NZ(2) PE(2) SA SG SV TH TR(2) TW(4) VE YU ZW	24	BR(3) CA(3) FR IL IN IR KR MX NZ(2) PE SA SV TH TR TW VE(2) YU ZW	17	AT BR CA(3) IR KR NZ(3) PE SA SE TH(2) TR YU	1	CA	76
	1.7.1986-30.6.1987	11	BE BR(2) ES IL IR MX NZ SE TH TR	16	BE BR(2) CA(2) CO CR EC IL(2) IR KR NL PE SE TR	16	BR CA CL CO EC FR IR IS KR MX NL NZ PE TH ZW	2	CO CR	89

¹ Countries or customs territories. The abbreviations used are those adopted by the ISO. AR=Argentina, AT=Austria, AU=Australia, BE=Belgium, BR=Brazil, CA=Canada, CE=EEC, CH=Switzerland, CL=Chile, CN=China, CO=Colombia, CR=Costa Rica, CS=Czechoslovakia, DD=German, Dem.Rep., DE=Fed.Rep. of Germany, DK=Denmark, EC=Equador, ES=Spain, FI=Finland, FR=France, GB=United Kingdom, GR=Greece, HK=Hong Kong, HU=Hungary, ID=Indonesia, IN=India, IR=Iran IS=Israel, IT=Italy, JP=Japan, KR=Korea, LK=Sri Lanka, LU=Luxembourg, MX=Mexico, MY=Malaysia, NL=Netherlands, NO=Norway, NZ=New Zealand, PA=Panama, PE=Peru, PH=Philippines, PK=Pakistan, PL=Poland, PT=Portugal, QA=Qatar, RO=Romania, SA=Saudi Arabia, SE=Sweden, SG=Singapore, SU=USSR, SV=El Salvador, TH=Thailand, TR=Turkey, TT=Trinidad and Tobago, TW=Taiwan, US=United States, UY=Uruguay, YU=Yugoslavia, VE=Venezuela ZA=South Africa, ZW=Zimbabwe

² Actions taken with respect to the Signatories only.

Note: Numbers in brackets indicate the number of products subject to countervailing duty.

ANNEX II

Notifications under Article XVI:1 of the General Agreement by
Signatories of the Agreement on Subsidies and Countervailing Measures
(1987)

	L/6111 full notifications
Australia	Add.14
Austria	Add.16
Brazil	Add.6
Canada	Add.5
Chile	Add.9
Egypt	None
Finland	Add.2 + Suppl.1
Hong Kong	Add.1
India	Add.4
Indonesia	None
Israel	None
Japan	None
Korea	Add.12
New Zealand	None
Norway	None
Pakistan	None
Philippines	Add.18
Spain	None
Sweden	Add.15
Switzerland	Add.13
Turkey	Add.7
United States	Add.17
Uruguay	Add.8
Yugoslavia	Add.11

	L/6111 full notifications
EEC ^{1/}	Add.19
Belgium	
Denmark	
France	
Germany, F.R.	
Greece	
Ireland	
Italy	
Luxembourg	
Netherlands	
Portugal	
Spain	
United Kingdom	

^{1/} Document L/6111/Add.19 covers measures applied at the EEC level concerning products covered by the common agricultural policy and measures applied or authorized by the EEC and the ECSC in the industrial sector.