

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

W.9/223

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CONTRACTING PARTIES

Ninth Session

Review Working Party III on Barriers to
Trade other than Restrictions or Tariffs

DOMESTIC SUBSIDIES

Reference in Report of Working Party III

(Proposal by the Australian Delegation)

Following a proposal by the Australian delegation that an interpretative note be added to Article XVI regarding domestic subsidies, Sub-Group III-A has recommended that the following be incorporated in the report of Working Party III:

"A contracting party which has negotiated a concession under Article II may be assumed, for the purpose of Article XXIII, to have a reasonable expectation, failing evidence to the contrary, that the value of the concession will not be nullified or impaired by the contracting party which granted the concession by the subsequent introduction of a domestic subsidy on the product concerned."

In proposing an interpretative note along these lines (see document W.9/113) the Australian delegation indicated that it seemed clear from the discussion in the Working Party on domestic subsidies that there was nothing to prevent arrangements or understandings in regard to subsidies and other protective devices relating to any commodity being provided for the appropriate Schedule annexed to the Agreement, provided those understandings did not conflict with other provisions of the Agreement.

It is the view of the Australian delegation that because domestic subsidies with protective effect continue to exist in many countries and may even increase it would be advisable for more precise recognition to be given by the CONTRACTING PARTIES to the negotiability of domestic subsidies.

The need for such recognition is greater now in view of the likelihood of adoption of a new Article "00" (see document W.9/194) on tariff negotiations in which it is stated as a principle that, in tariff negotiations conducted under the auspices of the CONTRACTING PARTIES, "the binding against increase of low duties or of duty free treatment shall, in principle, be recognized as a concession equivalent in value to the reduction of high duties".

The Australian delegation therefore proposes the following for inclusion in the report of Working Party III:

"The Working Party also agreed that there is nothing to prevent negotiations between contracting parties on domestic subsidies relating to particular commodities and the results of such negotiations being incorporated in the appropriate schedule annexed to the Agreement provided that they do not conflict with other provisions of the Agreement."