

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Multilateral Trade Negotiations

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GROUP 3(b) - SUBSIDIES AND COUNTERVAILING DUTIES (TASKS 9 AND 10)

Working Paper Presented by the Brazilian Delegation on Differentiated Treatment in the Field of Subsidies and Countervailing Duties

1. The Tokyo Declaration (paragraph 5) explicitly recognized "the importance of the application of differential measures to developing countries in ways which will provide special and more favourable treatment for them in areas of the negotiation where this is feasible and appropriate". Later, in adopting its programme of work on 7 February last (MTN/2), the Trade Negotiations Committee determined that each of its Groups "shall in the course of its work be guided by the Ministerial Declaration as it relates to developing countries". In order to discharge this mandate, both Groups 3(e) and 3(f) have already agreed in their April meetings "to take up this aspect" of their work in their next meetings, in July (MTN/3E/3, paragraph 6 and MTN/3F/3, paragraph 10). It is hoped that those Groups, as well as other Groups, will engage in a wide discussion, even if only preliminary in nature, on the specific aspects and problems of developing countries in all sectors of the negotiations.
2. Against this background, the Brazilian delegation wishes now to propose that Group 3(b), at its meeting on 29 May next, under tasks 9 and 10 of the Trade Negotiations Committee's programme of work, specifically considers the question of the application of differential measures leading to special and more favourable treatment for developing countries, in the context of new trade rules or a possible code of conduct on subsidies and countervailing duties to be established in the course of the multilateral trade negotiations.
3. The intention is not that at its meeting on 29 May Group 3(b) would already try to draw conclusions, or agree on definite guidelines, for the establishment in the course of the multilateral trade negotiations of multilateral rules or a code on subsidies and countervailing duties. Rather, Group 3(b) would, at that meeting, simply decide to hold a further meeting, at technical level, to consider, in particular, the question of differentiated treatment for developing countries on the subject of subsidies and countervailing duties. This further meeting of Group 3(b) should be convened as soon as possible thereafter and in any case before the expected meeting of the Trade Negotiations Committee in July, to which it would report. It might be considered at a later stage whether the question of subsidies in agricultural trade would also be dealt with by Group 3(e), according to procedures to be eventually established by both Groups 3(b) and 3(e).

4. In the view of the Brazilian delegation, the case for differentiated measures in favour of developing countries in the field of subsidies and countervailing duties has been given added importance by recent developments in the international trade and financial environment. In the present situation of widespread balance-of-payments and other difficulties, the need for developing countries to "achieve a substantial increase in their foreign exchange earnings, the diversification of their exports, the acceleration of the rate of growth of their trade..." - an accepted aim of the multilateral trade negotiations in the Tokyo Declaration - has become even more pressing, as a means to provide the developing countries with resources to face up to their new accrued expenses with energy and other products which are absolutely essential for at least the maintenance of current development plans. In order to ensure competitiveness for their manufactures and semi-manufactures on international markets, it is indispensable for developing countries to offer such incentives to their export-oriented industries as would at least offset their inherent handicaps, such as the lack of necessary marketing and production tradition or the incidence of higher operational costs deriving from inadequate production scales.

5. In the present aggravated circumstances, the application of subsidies by developing countries with a view to increasing and diversifying their exports, in particular of manufactures and semi-manufactures, could be envisaged as the counterpart, in the supply side, of the Generalized System of Preferences. Such arrangements or normative negotiations as it may be decided to undertake during the multilateral trade negotiations could be said to pursue the same objective as the GSP, namely, ensuring more favourable prices to non-traditional exports from developing countries. This parallelism between the GSP and subsidization action in the supply side seems all the more relevant if one considers the probable erosive effects on preferential margins presently enjoyed by less-developed countries under the GSP as a consequence of most-favoured-nation tariff cuts in the multilateral trade negotiations.

6. In the view of the Brazilian delegation, the GATT provisions are completely inadequate to cope with the specific problems of developing countries in the area of subsidies and countervailing duties, which is probably the main reason why, to our knowledge, so far no developing country has accepted the Declaration giving effect to Article XVI:4. Article XVI implicitly exempts developing countries from the obligation not to grant subsidies to their exports of industrial products. However, since Article VI is not at the moment explicitly linked to this interpretation, developing countries are subject to having their exports of manufactures or semi-manufactures affected by the imposition, often arbitrary, of countervailing duties. Such actions, therefore, can be said to constitute a sanction against subsidization measures taken legally by developing countries within the framework of GATT, thereby drastically hindering these countries' present attempts to expand and diversify their exports, particularly of manufactures and semi-manufactures.

7. In the light of the considerations above, Brazil wishes to propose that Group 3(b) holds a meeting before the July meeting of the TNC to consider Negotiations Committee to consider specifically, in terms of the Tokyo Declaration, possible means of differentiated and more favourable treatment to be dispensed to developing countries in the field of export subsidies and countervailing duties.¹

¹It is understood that the work to be carried out would be of a preliminary nature, related to the more global aspects of tasks 9 and 10 of the Trade Negotiations Committee's programme of work.