

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Multilateral Trade Negotiations

Group "Non-Tariff Measures"

Sub-Group "Subsidies and Countervailing Duties"

SUBSIDIES/COUNTERVAILING MEASURES

Outline of an Arrangement

The following text has been prepared by the delegations of Canada, the European Communities, Japan, the Nordic countries, and the United States, and describes a possible arrangement on subsidies and countervailing measures. It is circulated for the information and consideration of other interested delegations. The text is intended to serve as a basis for decision from which a final, operational document might be prepared. It does not commit any delegation to all or any part of the text, nor does it prejudice in any way the negotiating position of any delegation in other areas of the MTN. It should be noted that there are places in the text where alternative language appears. Furthermore, all delegations have reservations which are not indicated in the text, and in the light of its further evolution they may wish to propose additional elements or alternative texts.

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The signatories to this Arrangement,

Considering that ministers on 12-14 September 1973 agreed that the Tokyo Round of Multilateral Trade Negotiations should, inter alia, reduce or eliminate the trade restricting or distorting effects of non-tariff measures, and bring such measures under more effective international discipline;

Recognizing that subsidies are used by governments to promote important objectives of national policy;

Recognizing also that subsidies may have harmful effects on trade and production;

Recognizing that the emphasis of this Arrangement should be on the effects of subsidies;

Desiring to ensure that the use of subsidies does not adversely affect or prejudice the interests of any signatory to this Arrangement, and that unilateral or authorized countervailing actions do not unjustifiably impede international trade, and that relief is made available to producers adversely affected by the use of subsidies within an agreed framework of rights and obligations;

Taking into account the particular trade, development and financial needs of developing countries;

Desiring to interpret with respect to subsidies and countervailing measures the provisions of Articles VI, XVI and XXIII of the General Agreement, and to elaborate rules for their application in order to provide greater uniformity and certainty in their implementation;

Seeking to provide for the speedy, effective and equitable resolution of disputes arising under this Arrangement,

Have agreed as follows:

Footnote to preamble

It remains to be seen to what extent this Arrangement applies to /agricultural/ /primary/ products.

I. Notification of subsidies

1. Having regard to the provisions of Article XVI:1 of the General Agreement, any signatory may make a written request for information on the nature and extent of any subsidy practice of another signatory, including any form of income or price support, which operates directly or indirectly to increase exports of any product from or reduce imports of any product into its territory.

2. Signatories so requested shall provide such information as quickly as possible and in a comprehensive manner, and shall be ready upon request to provide additional information to the requesting signatory. Any signatory which considers that such information has not been provided as required under paragraph 1 above may bring the matter to the attention of the Committee of Signatories.<sup>1</sup>

3. Any signatory which considers that any subsidy practice of another signatory has not been notified in accordance with the provisions of Article XVI:1 of the General Agreement may bring the matter to the attention of such other signatory. [If the subsidy practice is not thereafter notified promptly, such signatory may itself notify the subsidy practice in question.]

## II. Application of Article VI

Signatories shall take all necessary steps to ensure that the imposition of any countervailing duty is consistent with the terms of this Arrangement.

### A. Domestic procedures and related matters

1. An investigation to determine the existence, degree and effect of any alleged subsidy shall normally be initiated<sup>2</sup> upon a complaint on behalf of the industry affected. The complaint shall include sufficient evidence of (a) the existence of a subsidy; (b) injury within the meaning of Article VI as interpreted by this Arrangement<sup>3</sup> and (c) a causal link between the

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<sup>1</sup>As established in Section IV of this Arrangement and hereinafter referred to as the Committee.

<sup>2</sup>The formal step by which a signatory opens an investigation.

<sup>3</sup>Under this Arrangement the term "injury" shall, unless otherwise specified, be taken to mean material injury to a domestic industry, threat of material injury to a domestic industry or material retardation of the establishment of such an industry and shall be interpreted in accordance with the provisions of Section II D.

subsidized imports and injury. /If in special circumstances the authorities concerned decide to initiate an investigation without having received such a complaint, they shall proceed only if they have sufficient evidence on injury resulting from the alleged subsidy./

2. Signatories shall notify the Committee of the national authorities competent to initiate investigations referred to in this section and of their procedures.

3. Before an investigation may be initiated by a signatory, a previously designated governmental authority shall, pursuant to established procedures and within a reasonable period of time, examine the request for the initiation of an investigation and determine whether the requirements of paragraph 1 above have been met.

4. When the authorities concerned are satisfied that there is sufficient evidence to justify initiating an investigation, the signatory or signatories concerned and all known interested parties shall be notified and a public notice /may be published.

5. Any notice concerning the initiation of an investigation shall adequately describe the subsidy practice or practices to be investigated. Each signatory shall ensure that its authorities afford all interested parties a reasonable opportunity to see all relevant information that is not confidential (as indicated in paragraphs 6 and 7 below) and that is used by the authorities in the investigation, and to present in writing and, upon justification, orally, their views to the investigating authorities.

6. All information which is by nature confidential or which is provided on a confidential basis by parties to a countervailing duty investigation shall be treated as strictly confidential by the authorities concerned, who, to the extent consistent with their domestic legislation, shall not reveal it, without specific permission of the party submitting such information. Parties providing confidential information may be requested to furnish non-confidential summaries thereof.

7. However, if the authorities concerned find that a request for confidentiality is not warranted and if the interested party is either unwilling to make the information public or to authorize its disclosure in generalized or summary form the authorities shall be free to disregard such information unless it can be demonstrated to their satisfaction that the information is correct.

8. In cases in which any interested party or signatory does not provide necessary information within a reasonable period or significantly impedes the investigation, a final finding, affirmative or negative, may be made on the basis of the information available.

9. These procedures are not intended to preclude the authorities from reaching preliminary determinations, affirmative or negative, or from applying provisional measures expeditiously, in accordance with relevant provisions of this Arrangement.

10. Any investigation /shall/ /should/ be terminated when, having taken into account the situation of the industry and the special characteristics of the trade and production of the product concerned, the authorities are satisfied that the effect of the alleged subsidy on the industry is negligible, and that the allegations of the complaint are therefore not substantiated.

11. Any investigation initiated pursuant to this Arrangement /shall/ /should/ not hinder the procedures of customs clearance.

12. A signatory shall give notice of any preliminary or final determinations to all signatories the exports of which are subject to such determinations, /and give public notice of any such determinations/. Each such notification /to the signatories/ shall include a statement setting forth the basis upon which the determination was reached /in sufficient detail as to make it possible for the signatory or signatories concerned to make a preliminary judgement as to whether or not the terms of this Arrangement have been complied with/.

13. Signatories shall report to the Committee all preliminary or final actions taken with respect to countervailing duties and shall submit, on a semi-annual basis, reports of any countervailing duty actions taken within the preceding six months.

B. Consultations

1. As soon as possible and in any event before the initiation of any investigation the signatory intending to initiate such investigation shall afford all signatories concerned a reasonable opportunity for consultations with the aim of clarifying the situation as to the matters referred to in paragraph 2 below, and arriving at a mutually agreed solution.

2. For purposes of such consultations, the signatory which intends to initiate the investigation shall convey to the concerned signatory or signatories all available, non-confidential evidence on (a) subsidies being complained of; (b) the evidence of injury; and (c) the causal link between the subsidy and injury.

3. Throughout the period of investigation, the signatory initiating the investigation shall afford the signatory or signatories, the products of which are the subject of the investigation, reasonable opportunity to continue consultations, with a view to clarifying the factual situation and to arriving at a mutually agreed solution. Without prejudice to the obligation to afford reasonable opportunity for consultations, these provisions regarding consultations do not preclude the authorities of the signatory from initiating the investigation, from reaching a preliminary determination, affirmative or negative or from applying a provisional or final measure expeditiously, in accordance with the provisions of this Arrangement.

C. Imposition of countervailing duties

1. No countervailing duty shall be levied in excess of the amount equal to the estimated subsidy.

2. The imposition of a countervailing duty shall should be permissive, not mandatory, and any such duty imposed shall should be less than the amount of such subsidization if such lesser duty would be adequate to preclude any further injury being caused to the domestic industry.

3. In critical circumstances in order to prevent damage which would be difficult to repair the authorities of the importing signatory may take provisional measures prior to a final determination<sup>1</sup>, but only after (a) a reasonable opportunity has been provided for consultations with the signatory affected as set out in section B above; (b) the initiation of an investigation; (c) a preliminary determination that a subsidy exists; and (d) there is sufficient evidence that subsidized imports are causing injury. Provisional measure may take the form of a provisional countervailing duty, collected or guaranteed, which is not greater than the estimated subsidy.

4. If after the consultations, a signatory makes a determination of the existence of the subsidy, its amount, and that it is causing injury, it may request the signatory granting the subsidy to withdraw it or to limit it to the extent that it no longer causes injury. Unless the subsidy is withdrawn or limited to the extent that it no longer causes injury in a reasonable period of time a countervailing duty may be imposed in accordance with the provisions of this Arrangement.

5. Definitive countervailing duties shall be applied only to products which enter for consumption after the time when the decision taken under Section II.D.4 enters into force, except:

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<sup>1</sup>Time-limits to be filled in

- (a) where a determination of injury (but not threat of injury) is made and provisional duties have previously been imposed, the provisional duties may be converted into definitive countervailing duties. If the definitive countervailing duty is higher than the provisionally paid duty, the difference shall not be collected. If the duty is lower than the provisionally paid duty, the difference shall be reimbursed or the duty recalculated, as appropriate; or
- (b) where for the subsidized product in question the authorities determine that the injury is caused by a massive amount of /subsidized/ imports of a product benefiting from export subsidies paid or bestowed in violation of the provisions of the General Agreement or this Arrangement in a relatively short period to such an extent that, to effectively remedy the injury and preclude its recurrence it appears necessary to assess countervailing duties retroactively on those imports, the definitive countervailing duty may be assessed on products which were entered for consumption not more than ninety days prior to the date of application of provisional duties. In such cases, the authorities may take appropriate steps to ensure collection of such additional duties provided that those steps do not hinder the clearance of the imported merchandise through customs.]

6. Investigations shall normally be concluded no later than one year after their initiation.

7. Signatories shall review all countervailing duty actions in force no less frequently than once every two years, but shall not be obliged to reconsider determinations of injury once made more frequently than once every two years, provided that they review any such determinations when warranted by sufficient evidence of changed circumstances.

#### D. Determination of injury

1. A determination of injury for purposes of Article VI of the General Agreement shall involve an objective examination of (a) the level of subsidized imports and their effect on prices in the domestic market for like products and (b) the consequent impact of these imports on the producers of such products in the importing country.

2. With regard to level of imports and effect on prices the following shall be taken into account:

- (a) whether there has been a significant increase in subsidized imports, either in absolute terms or relative to production, consumption and/or total imports in the importing country;
- (b) whether there has been a significant price undercutting by the subsidized imports as compared with the price of a like product of the importing country, or where the effect of such imports is otherwise to depress prices to a significant degree or prevent price increases, which otherwise would have occurred, to a significant degree.

No one or several of these factors can necessarily give decisive guidance.

3. The examination of the impact on the industry concerned shall include an evaluation of all relevant economic factors such as actual and potential decline in output, sales, market share, profits, or utilization of capacity; actual and potential negative effects on inventories, employment, wages, growth<sup>1</sup>, or investment. This list is not exhaustive, nor can one or several of these factors necessarily give decisive guidance.

/4. In the case of agricultural products, injury should include interference with a domestic agricultural support programme, or any other interference with the orderly marketing of agricultural products./

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<sup>1</sup>Evaluation of retardation of growth should be demonstrated by reference to concrete facts and should not be based on mere hypothesis.

5. The subsidized products must be an important contributing factor in causing or threatening a principal cause of the cause of injury. All other relevant factors adversely affecting the industry shall be considered in reaching a determination.

It must be demonstrated that the subsidized imports are causing injury to the domestic industry. There may be other factors which at the same time are injuring the industry, and it should be demonstrated that the injuries caused by other factors are not in error attributed to the subsidized imports.

6. In determining injury, the term "domestic industry" shall, except as provided in paragraph 7 below, be interpreted as referring to the domestic producers as a whole of the like products or to those of them whose collective output of the products constitutes a major proportion of the total domestic production of those products, except that when producers are importers of the allegedly subsidized product the industry may be interpreted as referring to the rest of the producers.

7. A customs territory may be considered as being divided into two or more individual regional markets when a significant part of a domestic industry is located in a major geographic area within the customs territory and primarily serves the market of such area. In such cases, the industry in that region need not meet the criterion of constituting a major proportion of the producers in the country as a whole. For the purposes of determining injury in such cases, account should be taken of the concentration of imports of the subsidized product in the particular region the impact on the region, and the interests involved in the whole of the customs territory.

8. Where two or more countries have reached such a level of integration that they have the characteristics of a single, unified market, the industry in the entire area of integration shall be taken to be the industry referred to in paragraph 6 above.

### III. Application of Article XVI

#### A. Serious prejudice

1. For the purpose of this Arrangement serious prejudice in the sense of Article XVI of the General Agreement shall be found to exist /only/ when it is determined by the Committee that

(a) an export subsidy has been or is being paid or otherwise bestowed inconsistently with the provisions of the General Agreement and of this Arrangement; or

(b) a subsidy has been or is being paid or otherwise bestowed which has resulted in the nullification or impairment in the sense of Article XXIII of any benefit or right provided for under the General Agreement, including any tariff concession set out in any schedule to the General Agreement, or any right or benefit under this Arrangement

and that any such action results in an adverse effect demonstrable through an economic examination of the impact on trade or production of another signatory. Nonetheless when it is determined by the Committee that an export subsidy has been or is being paid or otherwise bestowed inconsistently with the provisions of the General Agreement and of this Arrangement, it shall be taken to constitute a prima facie case of serious prejudice. The other signatory will be accorded a reasonable opportunity to rebut this presumption.

2. Adverse effects on the trade and production of a signatory may arise through

(a) the effects of subsidized imports in its domestic market;

(b) the effects of a subsidy in displacing or impeding the imports of like products into the market of the subsidizing country, or

(c) the effects of subsidized imports in displacing or impeding exports of like products of another signatory to a third country market.<sup>1</sup>

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<sup>1</sup>It remains to be seen to what extent this provision applies to /agricultural/ /primary/ products.

B. Consultation

1. Whenever a signatory has sufficient reason to believe that a subsidy of another signatory is causing or threatens to cause serious prejudice in the sense of section A above, such signatory may request consultations.
2. A request for consultations under paragraph 1 above shall include a statement of the facts supporting the request for consultations, including (a) evidence that a subsidy exists and (b) causes or threatens to cause serious prejudice.
3. Upon request, the signatory maintaining the subsidy practice in question shall, within thirty days of the request, unless such period is extended by mutual agreement, enter into consultations. The purpose of such consultations shall be to clarify the facts of the situation and to arrive at a mutually acceptable solution within a reasonable period of time.

C. Authorized countermeasures

In any case in which the use of subsidies is determined by the Committee to cause or to threaten to cause serious prejudice to a signatory, that signatory may suspend in whole or in part the application to the subsidizing country of such concessions or other obligation under the GATT as may be authorized by the Committee in accordance with the dispute settlement provisions of this Arrangement.

/D. Provisional measures

1. A signatory may take provisional measures when it has determined on the basis of sufficient evidence that an export subsidy is being paid or bestowed on imports into its market in violation of the provisions of the General Agreement or this Arrangement and is thereby causing or threatening to cause serious prejudice in the sense of Section A above.

2. Provisional measures shall be imposed for as short a period as possible, and shall be limited to an increase in duties on the imports in question, not to exceed the estimated amount of the export subsidy.]

E. Subsidies - general commitment

Signatories recognize that subsidies are used by governments to promote important objectives of national policy; however, signatories also recognize that subsidies may cause or threaten to cause serious prejudice, and shall, therefore, seek to avoid causing such serious prejudice through the use of subsidies.

F. Subsidies other than export subsidies

1. Signatories recognize that subsidies other than export subsidies are widely used as important instruments for the promotion of social and economic objectives of national policy and do not intend to restrict the right of signatories to use such subsidies.

2. Illustrated in Annex B<sup>1</sup> are internal subsidy practices which may have an adverse effect on the trade and production of other signatories; their possible adverse effects on trade and production should be taken into account by signatories in drawing up their policies and practices.

G. Rules concerning export subsidies /non-primary/ /non-agricultural/ products

1. Signatories agree not to grant export subsidies on /non-primary/ /non-agricultural/ products, /whether or not such subsidy results in dual pricing./

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<sup>1</sup>Some delegations have indicated that a list of internal subsidy practices is neither practicable nor desirable.

2. For purposes of Article XVI:4, an export subsidy is any charge on the public account, or other benefit provided or mandated by governmental action, including such charge or benefit conveyed through taxation systems, except as may be otherwise provided in Article XVI of the General Agreement or its notes and supplementary provisions or in other international arrangements and protocols not inconsistent with the GATT, which are conveyed directly or indirectly upon an exported product and which results in differential treatment covering products sold for export over like or directly competitive products sold domestically.<sup>1</sup>

3. Attached at Annex A is an illustrative list of export subsidies.

H. Rules concerning Export Subsidies /Primary/ /Agricultural/ Products

For purposes of Article XVI:3 of the General Agreement "having more than equitable share of world export trade" in a given product shall be deemed to exist when (a) a subsidy on such product is paid or bestowed in contravention of provisions relating to subsidies agreed to in Multilateral Commodity Agreements or (b) a subsidy is paid or bestowed on such products in such a manner as to result in the subsidizing country having more than equitable share of trade (to be defined) in an individual country market.<sup>1</sup>

IV. Committee of Signatories

1. There shall be established a Committee of Signatories composed of representatives from each of the signatories to this Arrangement (referred to herein as "the Committee"). The Committee shall elect its own Chairman and shall meet not less than twice a year and otherwise as envisaged by relevant provisions of this Arrangement at request of any signatory. The Committee shall carry out special responsibilities as assigned to it under this Arrangement and it shall afford signatories the opportunity of consulting on any matters relating to the operation of the Arrangement or the furtherance of its objectives. The GATT secretariat shall act as the secretariat to the Committee.

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<sup>1</sup>Some delegations expressed the intention to provide an alternative text.

2. The Committee may set up subsidiary bodies as appropriate.
3. In carrying out their functions, the Committee and any subsidiary bodies may consult with and seek information from any source they deem appropriate.
4. Once a year the Committee shall carry out a review of the operation of this Arrangement.

V. Dispute settlement

Note: The dispute settlement provisions set out below have been developed by some delegations from the provisions of MTN/INF/29/Rev.1. Other delegations have not discussed these provisions.

Resolution of disputes

1. The CONTRACTING PARTIES agree that the customary practice of the GATT in the field of dispute settlement, described in the Annex, should be continued in the future, subject to the improvements set out below. They recognize that the efficient functioning of the system depends on their will to abide by the present understanding. It is understood that the customary practice includes the procedures for the settlement of disputes between developed and less-developed countries adopted by the CONTRACTING PARTIES in 1966 (BISD, 14th Suppl., page 18) and that these remain available to less-developed contracting parties wishing to use them, with the improvements set out below.
2. If a dispute is not resolved through consultations the contracting parties concerned may request an appropriate body or individual to use their good offices with a view to the conciliation of the outstanding differences between the parties. If the unresolved dispute is one in which a less-developed contracting party has brought a complaint against a developed contracting party, the less-developed contracting party may request the good offices of the Director-General/ or of the Chairman of the CONTRACTING PARTIES or the Chairman of the Council.]
3. It is understood that requests for conciliation and the use of the dispute settlement procedures of Article XXIII:2 should not be intended or considered as aggressive or contentious acts and that, if disputes arise, all contracting parties will engage in these procedures in good faith in an effort to resolve the disputes. It is also understood that complaints and counter-complaints in regard to distinct matters should not be linked.
4. [It is agreed that if a contracting party invoking Article XXIII:2 requests the establishment of a panel to assist the CONTRACTING PARTIES to deal with the matter, this request would be granted by the CONTRACTING PARTIES.] [The CONTRACTING PARTIES are obliged to investigate matters submitted to them and make appropriate recommendations or give a ruling on the matter as appropriate. The practice has been for the Council to give a favourable response to the request of a contracting party to establish a panel with a view to studying the case brought forward under Article XXIII:2.] It is also agreed that the CONTRACTING PARTIES would establish a working party for this purpose if this were requested by a contracting party invoking the Article.

5. When a panel is set up, the Director-General should propose the composition of the panel within 5 days of three or five members, preferably governmental, to the CONTRACTING PARTIES for approval [as promptly as possible] [within 30 days]. It is understood that citizens of countries whose governments are parties to a dispute would not be members of the panel concerned with that dispute. The contracting parties directly concerned would respond within a short period of time, i.e., seven working days, to nominations of panel members by the Director-General and would not oppose nominations except for compelling reasons.

6. In order to facilitate the constitution of panels, the Director-General should maintain an informal list of governmental persons qualified in the fields of trade relations and other matters covered by the General Agreement, and who would be available for serving on panels. On this list may also be included ~~non-governmental~~ persons. In this connexion, each contracting party would be invited to indicate at the beginning of every year to the Director-General the name of one or two governmental experts whom they would be willing to make available for such work. Panel members would serve in their individual capacities and not as government representatives, nor as representatives of any organization. Governments or organizations would therefore not give them instructions with regard to matters before a panel.

7. Panel members for a specific case should be selected with a view to ensuring the independence of the members, a sufficiently diverse background and a wide spectrum of experience.

8. Any contracting party having a substantial interest in the matter before a panel, and having notified this to the Council, should have an opportunity to be heard by the panel. Each panel should have the right to seek information and technical advice from any individual or body which it deems appropriate. Any contracting party should respond promptly and fully to any request by a panel for such information as the panel considers necessary and appropriate. Confidential information which is provided should not be revealed without formal authorization from the contracting party providing the information.

9. Each panel should (a) make an objective assessment of the matter before it including an objective assessment of the facts of the case and the applicability of GATT provisions, and (b) consult regularly with the parties to the dispute and give full opportunity for them to develop a mutually satisfactory solution.

10. Where the parties have failed to come to a satisfactory solution, the panel shall submit its findings in a written form.

11. Panel reports should [normally] set out the rationale behind any findings and recommendations that it makes.

12. To encourage development of mutually satisfactory solutions between the parties and to enable the panel to take note of observations of the parties and take them into account when it deems appropriate, each panel should inform the parties to the dispute of its conclusions before they are circulated to the CONTRACTING PARTIES.

13. [If a mutually satisfactory solution is developed by the parties to the dispute, any contracting party with a significant interest in the matter has a right to enquire about, and be informed of that solution insofar as it substantially affects its trade interests.]

14. The time required by panels will vary with the particular case. However, panels should aim to deliver their findings without undue delay, taking into account the obligation of the CONTRACTING PARTIES to ensure prompt settlement in cases of urgency, within a period of four months, unless extended by agreement of the parties.
15. Reports of panels and working parties should be given prompt consideration by the CONTRACTING PARTIES. The CONTRACTING PARTIES should take appropriate action on reports of panels and working parties within a reasonable period of time. If the case is one brought by a less-developed contracting party, such action should be taken in a specially convened meeting, if necessary. In such cases, in considering what appropriate action might be taken the CONTRACTING PARTIES shall take into account not only the trade coverage of measures complained of, but also their impact on the economy of less-developed contracting parties concerned.
16. The CONTRACTING PARTIES shall keep under surveillance any matter on which they have made recommendations or given rulings.
17. If a contracting party to which recommendations are addressed considers itself unable to implement them, it should promptly furnish reasons in writing to the CONTRACTING PARTIES.
18. If the CONTRACTING PARTIES' recommendations are not implemented within a reasonable period of time, the CONTRACTING PARTIES could take additional action, with a view to finding an appropriate solution. If the matter is one which has been raised by a less-developed contracting party, the CONTRACTING PARTIES shall consider what joint action they might take which would be appropriate to the circumstances.

## VI. Developing countries

1. Signatories recognize that subsidies can play an important rôle in the development strategies of developing countries. Therefore although all signatories accept the principles of this arrangement, developing signatories need not implement immediately those obligations on export subsidies which are inconsistent with their individual trade and development needs.

2. Exceptions to specific obligations under this arrangement as well as undertakings to phase out these exceptions over a period appropriate to their particular stage of development may be agreed for individual signatories which invoke this clause.

3. The Committee of Signatories will review these exceptions annually and may as appropriate develop special exemptions and obligations for new developing country signatories which invoke this clause.

## VII. State-controlled economy countries

It is recognized that, in the case of imports from a country which has a complete or substantially complete monopoly of its trade and where the domestic prices are fixed by the State, special difficulties may exist in determining the existence and/or the amount of a subsidy. Such determinations therefore can be made on any reasonable basis.

VIII. Final provisions

No specific action against the subsidy of another signatory can be taken except in accordance with the provisions of the GATT, as interpreted by this Arrangement.

ANNEX A

A list of export subsidies illustrative of the obligations in GATT Article XVI:4, as supplemented by the Arrangement. In this connexion, work should build upon the 1960 Illustrative List, taking into account other work on this subject undertaken in the GATT.

ANNEX B

Illustrative List of Internal Subsidies

[The list of internal subsidies set forth below is illustrative and is designed to provide guidelines with respect to the use of internal subsidies that affect international trade. Signatories agree to seek to avoid these and other practices in a manner which causes serious prejudice to the trade interests of others.

- (a) Government participation in an enterprise to the extent such participation affects import or export trade in a manner inconsistent with commercial considerations, including price; government participation in an enterprise to the extent such participation is for purposes of covering significant operating losses over a sustained period of time;
- (b) regional development programmes to the extent such programmes provide assistance beyond that necessary to compensate for the economic disadvantage of locating in a particular region vis-à-vis other regions in the country;
- (c) government grants for an individual undertaking by a private enterprise in excess of (X) of the total capital cost of the undertaking;
- (d) government loans or loan guarantees for an individual undertaking in excess of (X per cent) of the total capital cost of the undertaking when such a loan or guarantee carries an effective interest rate (Y per cent) below the rate which would normally be charged by commercial banks for a similar loan; and
- (e) provision of infrastructure services below price levels normally provided for commercial undertakings.]