

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Multilateral Trade Negotiations

Group "Non-Tariff Measures"

Sub-Group "Subsidies and Countervailing Duties"

## OUTLINE OF AN ARRANGEMENT ON SUBSIDIES AND COUNTERVAILING DUTIES

### Re-Draft for Chapter V on Developing Countries

(Proposal by Several Developing Countries)

1. Signatories recognize that subsidies play an important rôle in the development strategy of developing countries. It is further recognized that subsidies are used by governments for correcting structural deficiencies in the economies of the developing countries and more so the least developed among them, and act as important instruments in the promotion of economic development in particular regions, the development of new sectors of production, and the attainment of other social and economic objectives of national policy, and that the use of subsidies enables these countries to overcome problems which are encountered by them in international trade. Signatories also recognize that the effects of subsidies by developed countries in displacing or impeding exports of like products could be particularly adverse to developing signatory countries.
2. Signatories therefore affirm the right of developing countries to use subsidies, including export subsidies. Signatories agree that actions envisaged in this Arrangement shall be subject to the following provisions in the case of developing countries:
  - (1) No provisional or retroactive measures shall be adopted against subsidized exports from developing countries.
  - (2) Products from developing countries covered by trade restrictive measures of any kind which have the effect of setting quantitative limits or any other régime on their trade shall be exempt from countervailing duty.
  - (3) The imposition of countervailing duties on subsidized exports from developing countries shall be permissive, not mandatory.

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(4) Signatories shall review annually the countervailing duties in force against products of developing countries in order to consider the possibility of withdrawing, reducing or otherwise limiting such duties. They shall promptly report to the Committee of Signatories the results of such review.

(5) The Committee of Signatories shall review, at least once a year, the reports received from the signatories on the status of countervailing duties on exports of developing countries, and make suitable recommendations.

(6) The provisions of Chapter II of the Arrangement on the application of Article XVI of the GATT shall not be applied to the subsidies granted by developing countries.

(7) No illustrative lists of domestic and export subsidies shall be applicable to developing countries.

(8) Developed countries recognize the right of the least developed countries to assist the development of their domestic and export industries through the granting of incentives including any form of subsidies which they deem appropriate. Developed countries therefore renounce their right to the use of countervailing duties or any other counter action against such exports from least developed countries.

(9) In the event of subsidies of a developed country displacing or impeding exports of the products of a developing signatory country to the market of the former or to a third country market, the developed signatory granting the subsidy shall, upon request, discuss with the other signatory, or with the Committee of Signatories, the possibility of limiting or phasing out the subsidization and should take duly into account the results of those consultations.