

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG10/5

16 December 1987

Special Distribution

Group of Negotiations on Goods (GATT)

Negotiating Group on Subsidies
and Countervailing Measures

MEETING OF 9 DECEMBER 1987

Note by the Secrétariat

1. The Group held its fifth meeting on 9 December 1987 under the Chairmanship of Mr. Michael D. Cartland (Hong Kong). The Group adopted the agenda set out in GATT/AIR/2520.

Continuation of consideration of proposals by participants, together with any background notes on issues to be taken up in the negotiations, and on negotiating techniques

2. Since the meeting of 29 October 1987 three delegations had made written proposals regarding issues for negotiations, i.e. Colombia (MTN.GNG/NG10/W/13), Egypt (MTN.GNG/NG10/W/14) and Australia (MTN.GNG/NG10/W/15). The Group had, therefore, before it written submissions from Australia, Canada, Colombia, the EEC, Egypt, Japan, Korea, New Zealand, Nordic countries and the United States.

3. Several delegations made comments on the submission by Australia. Some delegations recalled the importance they attached to the question of definitions. Some other delegations, while agreeing that this was an important question, reiterated their position that its resolution was not a necessary condition to ensure strengthening of disciplines on subsidies. In this respect several delegations supported the view that there was a need to develop effective disciplines for production and other domestic subsidies, including a clear obligation on the subsidizing country to remove the cause of the nullification or impairment or the prejudice. The delegation of Australia referred to its proposal made in the Negotiating Group on Natural Resource-Based Products, regarding strengthening of disciplines on domestic subsidies affecting natural resource products.

4. A number of comments were made on the submission by Egypt. Several delegations welcomed the proposals contained in this submission on definition of a subsidy (based on the "cost to the government" concept), specificity as a primary criterion for defining countervailable subsidies, non-countervailable subsidies (generally available, no-trade distorting), treatment of natural resource subsidies and of R&D subsidies, cumulation, threat of material injury, definition of domestic industry and special treatment for developing countries. The representative of Egypt said that

these should be considered as elements for discussion and that other developing countries might decide to associate themselves with his proposal at a later stage. Some delegations said that although they might have different views on some aspects of the Egyptian submission, they would examine it very carefully. In particular, there was some discussion as to whether it would be possible to establish a category of non-actionable subsidies or whether the "effects" test should always be applied and subsidies which had trade-distorting effects should be avoided, irrespective of their objectives and intentions.

Examination of issues proposed for negotiations (MTN.GNG/NG10/W/9/Rev.2 and MTN.GNG/NG10/W/10/Rev.1)

5. The Group had before it a revised list of issues proposed for negotiations (MTN.GNG/NG10/W/10/Rev.1). The Chairman said that, as requested at the previous meeting and in order to present issues in as neutral a way as possible the list did not describe the reasons which delegations had had in proposing those issues nor did it indicate the way in which they intended to approach them. This information had been amply provided in MTN.GNG/NG10/W/9/Rev.2 and any interested delegation could easily refer to it because the structure of W/9/Rev.2 was the same as the structure of W/10/Rev.1. The list should therefore be considered as a short reference paper of issues which had been proposed for negotiations and might constitute a possible framework for the Group's future work.

6. A number of delegations said that the list in MTN.GNG/NG10/W/10/Rev.1 was neutral and comprehensive and that they could work with it as proposed by the Chairman. Some delegations suggested some modifications or additions in order to better reflect their views. Some other delegations said that if any such modifications or additions were made, they must not prejudice the neutral character of the list. The Chairman said that the secretariat would try to take the proposed suggestions into account at the time when the revision of MTN.GNG/NG10/W/10/Rev.1 would be appropriate, it being understood that the neutral character of the list would be preserved.

7. At the end of the discussion the Group took note of the following summing-up by the Chairman.

"This is our last meeting in 1987 and although it is not my intention to sum up the work done so far by this Group, I believe nonetheless that we have examined, as required by the Negotiating Plan for the initial phase, proposals by participants on issues to be taken up in the negotiations. The Group has also received extensive background documentation from the secretariat, including the List of Issues Proposed for Negotiations in W/10/Rev.1. It is clear that the documentation is certainly not in its final form, but delegations have said that they can work with it as it stands, and the documentation can be further revised and updated to take account of any further submissions, proposals or suggestions that might be received. I

think that all the submissions and the documentation we have so far should constitute a good basis for continuing our work in the subsequent negotiating process.

I would like to take this opportunity to ask participants to give timely consideration as to how we can move forward efficiently after the initial phase. In particular it would be helpful if interested delegations were to prepare for the tabling, at an appropriate stage, of specific drafting proposals on issues to be taken up in the negotiations."

Next meeting of the Group

Subject to confirmation by the GNG at its meeting of 16 December 1987, the Group would hold its next meeting in the week of 1 February 1988 and would remain in session most of that week for formal and informal meetings.