

Committee on Subsidies
and Countervailing Measures

MEMBERS' DIFFICULTIES IN MAKING SUBSIDY NOTIFICATIONS, AND THE
PLANNED SUBSIDY NOTIFICATION SEMINAR

Note from the Chairman

A. INTRODUCTION

1. At the 13 December 2001 informal meeting of the Committee, a number of Members noted that recently the debate on the difficulties of making subsidy notifications, including concerning the presentational aspects of the subsidy notification questionnaire (G/SCM/6), has largely been confined to only a handful of Members (among them almost no developing country Members). It is nevertheless evident that many Members, including a great many developing country Members, continue to have a poor record of compliance in respect of subsidy notifications.

2. There is thus an urgent need for the maximum number of Members experiencing difficulties in notifying to become actively involved these discussions, to better identify and define the problems that they are facing, so that appropriate solutions can be found.

3. The point also emerged from the discussion at the 13 December meeting that the substantive issues being discussed in the context of the subsidy notification seminar and those being discussed in the context of the presentational aspects of the subsidy notification questionnaire seem to be merging, and that it would be useful to address them in a unified way. In this connection, Members noted the suggestion in the discussion paper concerning the seminar that was circulated by fax prior to the 13 December meeting that a pre-seminar questionnaire be circulated to try to identify with as much precision as possible individual Members' particular difficulties and any ideas they may have for practical solutions.

4. In view of these considerations, I was asked to revise my discussion papers into a unified questionnaire-type document, to which I would seek **written answers**, and which would form the basis of our next discussions of these topics. The idea is that a written exchange of this sort will force a greater precision into the debate, and create an enduring record of the discussion as it evolves.

5. This document therefore covers the substantive content of both of the earlier discussion papers, and introduces as well additional points raised at the 13 December 2001 informal meeting.

6. Members should provide **written answers** to the questions set forth below, *not later than 5 February 2002*. These answers also will be circulated to the Committee as background for future discussions, *including planning for the notification seminar*. All Members – *particularly those experiencing difficulties in making notifications* - are therefore strongly urged to reply to these questions. If the Committee discussion of these issues does not have sufficient factual basis in Members' day-to-day experiences, it will not be possible to find solutions that address the real problems of notifications.

B. QUESTIONS CONCERNING DIFFICULTIES IN NOTIFYING

1. Does your government face resource constraints in trying to make subsidy notifications? If so, what are the major bottlenecks in the notification system of your government? Is the problem primarily an insufficient *number* of staff to handle the notifications, or is it more a question of insufficiently *trained* staff?
2. Depending on your answer to question 1, above, if the notification questionnaire format could be simplified, would this make a difference to your government's ability to make the required subsidy notifications?
3. Balancing your government's needs for as simple a format as possible against its needs to be able to understand other Members' notifications when it reviews them, how much simplification could be introduced without sacrificing transparency?
4. Considering the notification format itself, and the concepts underlying it as found in SCM Articles 1-3, in your government's experience, do individuals responsible for making notifications have difficulties understanding the requirements due to the language used in the Agreement to define "subsidy", "specificity", etc.? For example, do these individuals believe that subsidies are in the nature of cash grants only, and do not encompass revenue foregone via tax and duty incentives? Could some sort of explanation be introduced into the questionnaire format to make more clear the scope of measures that are subject to notification? How might such an explanation be worded?
5. Does your government experience general problems due to the formatting requirements of the notification questionnaire? In particular, does your government maintain any pre-existing information that addresses the substance of the notification questionnaire, but does not correspond to the questionnaire's format? If so, what are the specific problems that your government encounters when it tries to format the information as required by the questionnaire? If the information were to be notified in its pre-existing format, could it nevertheless be keyed to the data elements of the subsidy questionnaire?
6. In reviewing other Members' notifications, would your government find it problematic to review information that was formatted in a way other than the way foreseen in the subsidy questionnaire, but that comprehensively addressed the substantive elements of the questionnaire? How important would it be for this information to be keyed or coded to the questionnaire format?
7. Does your government maintain any information about its subsidy or incentive programmes on official web sites? How much would your notification of subsidies be simplified if such information could be submitted in its pre-existing format? As a reviewer of notifications, what sorts of limits should there be to the substitution of information from web sites for completed notification questionnaires? Would references to web sites be a useful supplement to substantive information provided in a notification?
8. Concerning General Rule 6, which requires that notification of subsidies provided "to specific products or sectors" be organized on a product- or sector-specific basis, does this rule pose problems for your government when notifying subsidies that are provided on a horizontal, rather than a product- or sector-specific basis? What are the specific steps and difficulties in preparing sector- or product-specific information for subsidies provided on a horizontal basis?
9. Does this rule present problems for notification of subsidies that are provided on a product- or sector-specific basis (e.g., some agricultural subsidies)?

10. Would a redrafting of General Rule 6 to refer to subsidies "provided on the basis of specific products or sectors" help to resolve this problem? (The idea would be to clarify that programme-based information, rather than product- or sector-specific information would be required for subsidies provided on a horizontal basis, which product- or sector-specific subsidies would continue to need to be notified on that basis.)
11. Would such a redrafting pose problems for the review of subsidy notifications, and if so, what would those problems be?
12. To what extent does the general requirement to provide statistical information on the trade effects of notified subsidies (chapeau of item 9) impede or delay the presentation of subsidy notifications?
13. To what extent does the need to compile the specific kinds of statistical information referred to in items 9(a) and 9(b) impede or delay the presentation of subsidy notifications?
14. How important is this statistical information about other Members' subsidies to your government when reviewing subsidy notifications? Could these reporting requirements be made less stringent in some manner? If so, how?
15. Does your government find, in preparing subsidy notifications, that there is conceptual overlap or redundancy in some of the information elements as currently drafted?
16. If your government believes there to be overlap, how might this be eliminated? What drafting improvements might be introduced to clarify such situations, while preserving the substantive requirements of Article 25 from which the questionnaire is drawn?
17. Do the requirements to provide information on the policy objective or purpose of the subsidy, its background and authority, and to whom and how it is provided pose significant difficulties to your government in preparing its subsidy notifications? How might these requirements be simplified?
18. Does the requirement to furnish an explanation where a particular element of information cannot be provided pose particular difficulties to your government in preparing its notifications? If so, is there a way to simplify this requirement while preserving its substantive content?
19. Is there sufficient flexibility in item 7 of the subsidy questionnaire (information on the amounts of subsidies provided) for your government to be able to notify such information without undue difficulty? If not, is there a way to simplify this requirement while preserving its substantive content?

C. QUESTIONS PERTAINING TO THE SUBSIDY NOTIFICATION SEMINAR

NB: The notification seminar is being planned for fall 2002 rather than spring 2002 as originally discussed. It is planned to hold the seminar in Geneva, to ensure the maximum possible participation by all Members.

1. Concerning the number and nature of participants in the seminar, how many individuals in your government have day-to-day responsibility for gathering information about subsidies and for preparing and submitting subsidy notifications based on that information? If more than one, please describe the differences in these individuals' responsibilities.
2. Would it be sufficient for your government to have two participants in the seminar? If not, why not, and how many participants would be optimal from your government's point of view?

3. Would two days be a sufficient/appropriate length for the seminar? If not, what would be more appropriate?
 4. Would the following schedule be appropriate: First session: detailed presentation of the basic definitions in Articles 1, 2 and 3 of the SCM Agreement, and presentation of the subsidy notification obligations in the light of these definitions. Second session: Presentations by Members concerning the specific problems they experience in preparing subsidy notifications. Third session: Information-sharing and brainstorming among Members as to possible practical solutions for the identified problems (ways to coordinate and streamline gathering and formatting of subsidy information). Fourth session: Follow-up steps to ensure that information shared and lessons learned would be retained and implemented. (It has been emphasized that to be effective, such follow-up should be immediate and intensive.) Ideas suggested to date have included establishment of informal contacts among capital-based officials, planning of future focused technical assistance activities, etc.
 5. Does your government normally send capital-based representatives to the Committee's regular meetings? If not, why not?
 6. Does your government view this subsidy notification seminar as an important event in improving its ability to understand the subsidy rules, and to make subsidy notifications in a complete and timely manner? (That is, does your government view the seminar as a priority event for its participation?) Does your government plan to send capital-based participants to the seminar? If so, how many and what are their functions? If not, why not?
 7. In the view of your government, would financial sponsorship only of participants from least-developed country Members be appropriate? If not, why not? What other objective criteria for eligibility for financial sponsorship could be developed that might be more appropriate?
 8. If your government would be prevented from sending participants to the seminar due to financial constraints, what is the **minimum** level of financial sponsorship that would make it possible to send participants (e.g., airfare only, airfare and subsistence for the days in Geneva, etc.)?
 9. Assuming that it is not possible to finance the seminar out of existing trust funds in the WTO (a possibility currently being explored), and assuming a total budget of approximately CHF 225,000, would your government consider making a donation to finance it? If so, how much would your government be in a position to contribute?
 10. If the seminar were financed by earmarked contributions from individual Members, and there were a surplus in the budget for the seminar (due to fewer than expected participants from Members eligible for financial sponsorship, however they might be identified), how should any such surplus be disposed of? Two possible options have been discussed (i) returning the surplus to the sponsors on a pro-rata basis; or (ii) making the surplus available on a first-come, first-served basis to other developing country Members. Are there other, more appropriate, options?
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