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Committee on Subsidies and Countervailing Measures

MINUTES OF THE REGULAR MEETING HELD ON 25 APRIL 2017

CHAIR: MR JIN-DONG KIM (KOREA)

1. The Committee on Subsidies and Countervailing Measures ("Committee") held a regular meeting on 25 April 2017, convened in WTO/AIR/SCM/15 dated 13 April 2017.

2. Japan requested to be included as a co-sponsor for the agenda item 15.

3. Referring to the agenda item 15 entitled "Subsidies and Overcapacity", China noted that overcapacity was not a trade related issue which was related to the operation of the Agreement or the furtherance of its objectives as referred in Article 24.1 of the Agreement. Therefore, the issue of overcapacity was not in the terms of reference of the Committee and it was not an appropriate forum for the discussion of this issue. China referred to the Global Forum on Steel Excess Capacity, which had been established under the G-20 framework and noted that similar mechanisms could be established for other sectors, when necessary. To facilitate the proceeding of the meeting, China would not oppose to the adoption of the agenda. However, it emphasized that the inclusion of this item into the agenda shall not constitute any precedent and could not represent any degree of consensus by Members on including similar issues into the agenda of future meetings of the SCM Committee or any subsidiary bodies of the WTO. China requested the Committee to take note of its position as stated.

4. The Committee took note of the statements made and adopted the following agenda:

1 NATIONAL LEGISLATION

1.1 Review of notifications of new or amended legislation or regulations not previously reviewed by the Committee (including supplemental notifications of existing provisions not previously reviewed)

5. The Chair noted that, in accordance with the Committee's procedures (G/SCM/W/293/Rev.1), the new legislative notifications on the agenda were those that had been circulated in all three languages not less than six weeks before the meeting. The deadline for written questions on these notifications had been 3 April 2017.

6. Oral questions could be asked at the meeting, and any Member wishing to receive a written answer to any such question would have to submit its question in writing to the Member concerned and to the Secretariat not later than 15 May 2017. Written answers were due not later than 6 June 2017.[1]

7. The primary review of the notifications would be held in the Committee on Anti-Dumping Practices, where all horizontal issues in addition to anti-dumping issues would be addressed. Members thus were requested to limit their questions in this Committee to those specifically related to countervailing measures.

1.1.1 Armenia (G/ADP/N/1/ARM/3 - G/SCM/N/1/ARM/3 -G/SG/N/1/ARM/3)

8. Written questions and answers with respect to this notification can be found in:

- G/ADP/Q1/ARM/7-G/SCM/Q1/ARM/7-G/SG/Q1/ARM/4 - questions from Mexico
- G/ADP/Q1/ARM/8-G/SCM/Q1/ARM/8-G/SG/Q1/ARM/5 – replies to Mexico

9. The Committee took note of the notification, questions and answers.

1.1.2 Brazil (G/ADP/N/1/BRA/3/Suppl.8 - G/ADP/N/1/BRA/3/Suppl.8/Corr.1)

10. Written questions and answers with respect to this notification can be found in:

- G/ADP/Q1/BRA/33 - G/SCM/Q1/BRA/33 – questions from the United States
- G/ADP/Q1/BRA/34 - G/SCM/Q1/BRA/34 – replies to the United States

11. The Committee took note of the notification, questions, and answers.

1.1.3 El Salvador (G/ADP/N/1/SLV/3/Suppl.1 - G/SCM/N/1/SLV/3/Suppl.1 - G/SG/N/1/SLV/3/Suppl.1)

12. Written questions with respect to this notification can be found in:

- G/ADP/Q1/SLV/8 - G/SCM/Q1/SLV/8 - G/SG/Q1/SLV/7 - questions from the United States
- G/ADP/Q1/SLV/9 - G/SCM/Q1/SLV/9 - G/SG/Q1/SLV/8 - questions from Mexico

13. El Salvador noted that it would provide written answers as soon as possible.

14. The Committee took note of the notification and questions.

1.1.4 European Union (G/SCM/N/1/EU/2 and G/ADP/N/1/EU/3)

15. Written questions with respect to this notification can be found in:

- G/ADP/Q1/EU/1 – G/SCM/Q1/EU/1 – questions from the United States
- G/ADP/Q1/EU/2 – G/SCM/Q1/EU/2 – questions from the Russian Federation

16. The European Union referred to the changes made to its anti-dumping, anti-subsidy and safeguards procedures in 2014 by virtue of Regulation 37/2013 and the subsequent notification made by the EU to the Committee, which stated that once those changes were consolidated, the outcome would be sent to the WTO. The EU further explained that the notification currently under review was a mere follow-up to its previous notification without any substantive or procedural change.

17. The Committee took note of the notification, questions and statement made.

[1] Relevant deadlines for written follow-up questions and written answers in May and June 2017, respectively, can be found in section 1 of document G/ADP/W/498-G/SCM/W/573-G/SG/W/241.

1.1.5 Japan (G/ADP/N/1/JPN/2/Suppl.8-G/SCM/N/1/JPN/2/Suppl.8)

18. Written questions and answers with respect to this notification can be found in:

- G/ADP/Q1/JPN/16-G/SCM/Q1/JPN/16 – questions from the United States
- G/ADP/Q1/JPN/17-G/SCM/Q1/JPN/17 – replies to the United States[2]

19. The Committee took note of the notification, questions, and answers.

1.1.6 Kyrgyz Republic (G/ADP/N/1/KGZ/3-G/SCM/N/1/KGZ/3-G/SG/N/1/KGZ/3)

20. Written questions and answers with respect to this notification can be found in:

- G/ADP/Q1/KGZ/7-G/SCM/Q1/KGZ/7-G/SG/Q1/KGZ/3 – questions from Mexico
- G/ADP/Q1/KGZ/8-G/SCM/Q1/KGZ/8-G/SG/Q1/KGZ/4 – replies to Mexico[3]

21. The Committee took note of the notification.

1.2 Review of notifications of new or amended legislation or regulations with outstanding written questions

1.2.1 Cameroon (G/ADP/N/1/CMR/1/Suppl.1-G/SCM/N/1/CMR/1/Suppl.1-G/SG/N/1/CMR/1/Suppl.1)

22. Written questions with respect to this notification can be found in:

- G/ADP/Q1/CMR/3-G/SCM/Q1/CMR/3-G/SG/Q1/CMR/3 – questions from the United States

23. Cameroon noted that its capital was still working on the answers which would be submitted to both the WTO and the United States.

24. The Committee took note of the notification and the statement made.

1.2.2 Russian Federation (G/ADP/N/1/RUS/2-G/SCM/N/1/RUS/2-G/SG/N/1/RUS/2)

25. Written questions and answers with respect to this notification can be found in:

- G/ADP/Q1/RUS/7-G/SCM/Q1/RUS/7-G/SG/Q1/RUS/7 and G/ADP/Q1/RUS/7/Corr.1-G/SCM/Q1/RUS/7/Corr.1-G/SG/Q1/RUS/7/Corr.1 – questions from the United States
- G/ADP/Q1/RUS/8-G/SCM/Q1/RUS/8-G/SG/Q1/RUS/8 – replies to the United States

26. The Committee took note of the notification, questions, and answers.

27. The Chair, recalling the Committee's agreed procedures, informed Members that for new legislative notifications to be placed on the agenda of the fall 2017 meeting, they would have to be circulated in all three languages by 11 September 2017. Shortly after that date, the Secretariat would circulate a document informing Members of all legislative notifications to be reviewed at the fall meeting. Pursuant to paragraph 8 of document G/SCM/W/293/Rev.1, any legislative notification in respect of which written answers to written questions had not been provided would be placed on the agenda of the Committee's subsequent regular meeting.

28. India had submitted a new legislative notification which would be on the agenda for review at the October meeting. Written questions concerning new legislative notifications to be reviewed should be submitted to the notifying Member and to the Secretariat by 2 October 2017.

29. For new legislative notifications to be placed on the agenda of the October meeting, they must be circulated in all three languages by 11 September 2017, and written questions concerning

[2] Circulated on 25 April 2017.
[3] Circulated on 27 April 2017.

such notifications should be submitted to the notifying Member and to the Secretariat by 9 October 2017.

30. The Secretariat would circulate the usual triple-symbolled document containing all of the dates and deadlines shortly after the meeting.[4]

31. Some Members had yet to submit any notification concerning legislations. The Chair underlined the importance of these notifications in terms of transparency, and recalled that for many Members all that would be required was a single nil notification. For any Members that conducted countervailing duty investigations but had not yet notified their legislation, it was all the more important for the Committee to have the opportunity to review and ask questions about that legislation. Therefore, the Chair urged all Members that had not yet made a legislative notification to do so as promptly as possible.

32. The Chair referred to the document G/SCM/N/18/Add.43 which contained the latest revision of the list of authorities competent to initiate and conduct investigations within the meaning of Article 25.12 of the SCM Agreement, and invited all Members with such an authority to submit the required notification pursuant to Article 25.12 of the SCM Agreement, or to review and update as necessary their previously-submitted notifications.

33. The Committee took note of the Chair's statement.

2 SEMI-ANNUAL REPORTS OF COUNTERVAILING DUTY ACTIONS (ARTICLE 25.11) – G/SCM/N/313 AND G/SCM/N/313/SUPPL.1

34. The Chair recalled that document G/SCM/N/313 and Supplement 1 had invited all Members to submit not later than 15 February 2017, their semi-annual reports under Article 25.11 of the SCM Agreement of countervailing duty actions taken during the period 1 July through 31 December 2016. Document G/SCM/N/313/Add.1 provided the current status of Members' reporting for that period. Paragraph 1 of the document listed those Members reporting countervailing duty actions during the period. Paragraph 2 listed Members that had notified having taken no countervailing duty action during the period. Paragraph 5 of the document listed the 38 Members that had submitted a one-time notification that they had no investigating authority, had taken no countervailing actions to date, and did not anticipate taking any such actions in the foreseeable future.

35. One-time notifications served a useful transparency function, as they assisted non-active Members to meet their notification requirements in a streamlined way. Any eligible Member that had not already done so thus was urged to submit a one-time notification. The Secretariat was ready to assist any Member in this regard.

36. The Chair also noted that Madagascar had notified the establishment of an investigating authority in document G/SCM/N/202/MDG/Rev.1.

37. Unfortunately, the very large number of Members listed in paragraphs 3 and 4 of the document had not submitted a semi-annual report for July - December 2016. They were urged to do so as soon as possible.

38. Madagascar informed the Committee about the establishment of its national authority in charge of trade remedy investigations and also noted that it was in the phase of preparing its national legislation.

39. No comments or questions were raised concerning the semi-annual reports of Australia, Canada, China, Egypt, the European Union, India, Mexico, New Zealand, Pakistan, Peru, Turkey, and Ukraine.

40. China expressed concern over **Brazil**'s CVD investigation on hot-rolled steel from China. First, the petitioners had failed to provide sufficient evidence to support the initiation. According to Decree No.13.609 dated 21 October 1943, all the evidences and materials originally in a foreign language had to be submitted in sworn translations, yet the investigating authority initiated the

[4] G/ADP/W/498-G/SCM/W/573-G/SG/W/241.

investigation without receiving the translation of those materials. China recalled that simple assertion, unsubstantiated by relevant evidence, could not constitute a basis for the initiation. The petitioners had only submitted sworn translations for 15 programmes out of 43 in total some of which had either been terminated already or not been qualified as actionable subsidies. Second, there was no legal basis for requesting the Government of China to answer questions on the programmes which the responding companies had already confirmed that they were not benefiting from. Third, there were fundamental procedural deficiencies because the investigating authority had invited the Government of China for consultations although the sworn translations had not been submitted by the petitioners.

41. Brazil recalled Article 11.2 of the Agreement, according to which the application shall contain reasonably available information. The application had been submitted with sufficient evidence on the existence of actionable subsidies and the investigating authority had already had the relevant evidence on those programmes without sworn translations. According to Brazil, the mere allegation of exporters that they did not benefit from certain programmes was not sufficient to refrain from asking questions on those programmes. Prior to the initiation, the investigating authority had notified China and offered an opportunity for consultation.

42. With respect to the semi-annual report of the **United States**, Turkey expressed its concern over the investigations on iron and steel products originating in Turkey. In these investigations there had been inconsistencies regarding public body, specificity, benefit calculation and cross-cumulation decisions. Therefore, Turkey had taken those issues to the WTO panel. Turkey invited the United States to take into account the Appellate Body and Panel decisions on cross-cumulation methodology in ongoing investigations and not to cumulate the effects of subsidized imports with the effects of non-subsidized, dumped imports. In addition, referring to Article 27.10(a) of the Agreement, Turkey indicated that as a developing Member, it was expecting the United States to terminate the investigation for Turkey if the per unit subsidization rate was not exceeding the 2 per cent threshold.

43. The United States indicated that the claims on cross-cumulation and the negligibility threshold, which was relevant for developing countries, would be assessed carefully.

44. The Committee took note of all semi-annual reports submitted, and all statements made.

3 PRELIMINARY AND FINAL COUNTERVAILING DUTY ACTIONS: NOTIFICATIONS (ARTICLE 25.11) – G/SCM/N/311, G/SCM/N/312, G/SCM/N/314, G/SCM/N/316, G/SCM/N/317, AND G/SCM/N/318

45. The Chair reported that since the Committee's October 2016 regular meeting, notifications under Article 25.11 of preliminary and final countervailing duty actions had been received from Armenia, Australia, Brazil, Canada, China, Egypt, Kazakhstan, Kyrgyz Republic, Pakistan, Peru, the Russian Federation, Turkey, and the United States. Those notifications were listed in documents G/SCM/N/311, 312, 314, 316, 317, and 318.

46. Kazakhstan expressed its concerns regarding **Canada's** CVD investigation on imports of silicon metal originating in Kazakhstan. First, the initiation of the investigation was inconsistent with Article 11.2 of the Agreement because the application lacked sufficient evidence on the existence of a subsidy, injury and the causal link. The investigating authority had accepted an unsubstantiated application based on mere assertion; and the causal link between the imports and alleged injury was seriously questionable. Although the applicant indicated "KazSilicon" as an exporter causing injury to Canadian domestic industry, it had not operated in 2016 and had never exported silicon metal to Canada. Canadian producers were in a considerably advantageous position because of the existing countervailing duties in force since 2013 and Kazakhstan's share in Canadian market had not changed since 2015, corresponding to 4% of total imports of Canada. The injury suffered by the Canadian domestic producer indicated systemic productivity and efficiency problems which shall not be attributed to imports from Kazakhstan as stipulated in Article 15.5 of the Agreement.

47. Second, Kazakhstan was concerned with the procedural aspects of the investigation. Many pages of the application were left blank due to confidentiality of the information provided. The non-confidential versions of the application and exhibits were vague and did not allow

understanding the substance of the information in line with Article 12.4.1 of the Agreement. In addition, those documents did not include any explanation on why a summary had not been provided. Neither the Government of Kazakhstan nor Kazakhstani producers might effectively defend their interests in the absence of meaningful non-confidential summaries.

48. Canada indicated that it took its obligations under the Agreement very seriously. In that case, the governments of Brazil, Kazakhstan, Malaysia, Norway, and Thailand had been notified in January regarding the properly documented complaint invited for consultations in accordance with Article 13.1 of the Agreement. The complaint had been thoroughly examined by the Canada Border Services Agency (CBSA) to determine whether there had been sufficient evidence to justify the initiation of an investigation in accordance with Article 11.3 of the Agreement. The investigating authority had determined that the complainant had provided information about the subsidies in Kazakhstan which were reasonably available and the decision to initiate the investigation had been fully explained in the statement of reasons issued by the CBSA. If it was understood that the imports of silicon metal from Kazakhstan had not been subsidized or the amount of subsidies was *de minimis*, or the volume of the subsidized imports was negligible, the investigation would be terminated. Canada invited Kazakhstan to fully participate in the investigation and submit its comments in writing to the relevant investigating authority. It was also ready to discuss the issue bilaterally.

49. Kazakhstan also expressed its concerns with respect to the CVD investigation initiated by the **United States** on silicon metal originating in Kazakhstan, although the investigation had been initiated recently and not yet been notified. It noted that the US producer was one of the largest producers in North America and the international market and exports from Kazakhstan were considerably low to compete with the US producers in the US market. One of the respondents in the investigation (KazSilicon) had never exported its product to the US. In addition, the alleged injury to the US domestic industry could not have been caused by imports from Kazakhstan which was too insignificant to cause any adverse effects on US producers. The injury might be result of factors other than allegedly subsidized imports such as dependency on downstream industries like aluminium production which had declined throughout the period of investigation.

50. Kazakhstan also indicated that the application contained a significant amount of confidential information which was excluded from the text of the non-confidential version. Neither non-confidential summaries nor explanations on the reasons for exclusion of those information were provided, which, according to Kazakhstan, was inconsistent with Article 12.4 of the Agreement. Therefore it requested the US to terminate the investigation without imposing any countervailing measures.

51. The United States noted that the investigation had been initiated one month before. The petitioners were only required to provide information that was reasonably available and more definitive facts could be established during the investigation. The investigating authority had found that there had been sufficient evidence to justify the initiation. The United States urged Kazakhstan to continue to participate in the investigation to make its arguments in the course of the investigation and expressed its readiness to meet with Kazakhstan bilaterally.

52. The Committee took note of the notifications and statements made.

4 PROCEDURES FOR REVIEW OF 2017 NEW AND FULL NOTIFICATIONS

53. The Chair recalled that the 2017 new and full notifications were due on 30 June, and thus would be subject to review in special meetings beginning with the one in October 2017. The Committee thus needed to decide on procedures for reviewing those notifications. During the last six notification cycles, the new and full notifications had been reviewed on the basis of the procedures set forth in G/SCM/117, first adopted in 2005. The Chair proposed that the Committee agree to conduct the review of the 2017 new and full notifications on the basis of the same procedures.

54. The Committee so decided.

5 ARTICLE 27.4 EXTENSIONS OF THE TRANSITION PERIOD FOR THE ELIMINATION OF EXPORT SUBSIDIES - 31 DECEMBER 2015 END OF FINAL PHASE-OUT PERIOD AND FINAL NOTIFICATION DUE 30 JUNE 2016 (G/SCM/N/299/…)

55. The Chair recalled that Members that had been granted extensions under Article 27.4 pursuant to the procedures in WT/L/691 were required, under paragraph 2(c) of the procedures, to submit transparency notifications in respect of each year of the final two-year phase-out period, i.e. calendar years 2014 and 2015. The deadline for the notification pertaining to 2014 was 30 June 2015. A reminder to this effect had been circulated in document G/SCM/N/290/INF.

56. To date, Belize, Costa Rica, Dominica, Dominican Republic, El Salvador, Guatemala, Jamaica, Jordan, Mauritius, Saint Lucia, and Saint Vincent and the Grenadines had submitted these notifications, which had been circulated in the G/SCM/N/290 series.

57. Furthermore, given that 2015 was the final year of the two-year phase-out period pursuant to the previously mentioned procedures, the Members with extensions needed to have completed the elimination of their export subsidies by 31 December 2015. They also had to provide a final transparency notification in respect of calendar year 2015 not later than 30 June 2016. A reminder concerning that final round of Article 27.4–related notifications had been circulated in document G/SCM/N/299. The Secretariat circulated a table showing the status of notifications and of actions reported by those Members in documents G/SCM/W/571 and Revision 1. Following the receipt of additional notifications, the Chair had asked Secretariat to prepare a room document indicating the current status of notifications and of actions reported by Members with extensions under Article 27.4.[5]

58. To date, only nine of the beneficiary Members – Belize, Dominican Republic, El Salvador, Grenada, Guatemala, Jamaica, Jordan, Mauritius, and Saint Vincent and the Grenadines – had submitted those final notifications. The Chair reminded other Members with extensions to submit their final transparency notifications as soon as possible. The deadline for the elimination of the export subsidies had been more than one year earlier while for submitting the final notification had been nearly one year earlier. He also underlined the importance of the compliance of the beneficiary Members with the corresponding substantive and transparency obligations.

59. Jordan recalled that its subsidy programmes had been discussed at the Council for Trade in Goods upon Jordan's request for a transitional period until the end of 2018. There was progress at the national level and Jordan was committed to phase out its current programme by the end of 2018 in line with the action plan submitted to the CTG. Jordan would update the Committee on the progress in due course.

60. Barbados informed the Committee that the matter was continuing to receive attention in its capital and a submission would be shared as soon as it was received.

61. Costa Rica stated that its final notification was almost ready and would be submitted soon. The Duty-Free Zone Regime and the Inward Processing Regime had been modified to ensure their compliance with the WTO obligations.

62. New Zealand recalled that all those export subsidies should have been removed by 31 December 2015. An assessment could not be made in the case of other beneficiary Members as they had not confirmed the extent of their reforms. Although there had been some progress since the last meeting of the Committee, there were still ten Members which had not yet provided their final transparency notifications most of which had not made their 2015 notifications either. New Zealand invited those Members to address those transparency deficiencies before the October meeting and requested to keep that issue before the Committee.

63. The United States supported New Zealand's statement and urged the rest of the beneficiary Members to complete their reforms as soon as possible and to submit their final transparency notifications. The US also supported New Zealand's suggestion to keep this item on the agenda for the next meeting.

64. Japan echoed the views raised by New Zealand and the United States.

[5] RD/SCM/29/Rev.1.

65. The Chair noted that the Committee would revert to that issue at the next meeting.

66. The Committee took note of the statements made.

6 IMPROVING THE TIMELINESS AND COMPLETENESS OF NOTIFICATIONS AND OTHER INFORMATION FLOWS ON TRADE MEASURES UNDER THE SCM AGREEMENT

67. The Chair recalled that since the request of the Chairman of the Trade Policy Review Body in spring 2009, the Committee had been discussing, at formal and informal meetings, "ways to improve the timeliness and completeness of notifications and other information flows on trade measures". The substance of those discussions was reflected in the minutes of the previous meetings.

68. The Chair recalled that at Committee's October 2016 meeting a number of Members had indicated their willingness to continue discussions on ways to improve timeliness and completeness of notification obligations under the SCM Agreement, with the notification of subsidies being the most fundamental. In this regard, there were three topics to cover under this agenda item, the status of Members' notifications of subsidies; the Australian suggestion to add a new annex to the document on the status of Member's notifications; and the US proposal regarding a written process for questions and answers under Articles 25.8 and 25.9 of the SCM Agreement.

69. Since 2009, the Secretariat had prepared and updated a background note (G/SCM/W/546/Rev.8) at the request of Members, providing a snapshot of the level of compliance with the various notification obligations under the SCM Agreement since 1995.

70. Unfortunately, compliance with the obligation to notify subsidies remained low. Seventy-nine Members had not made their 2015 new and full subsidy notification for which the deadline had been 30 June 2015. Sixty Members still had not made their 2013 new and full subsidy notification, although the deadline had been nearly four years earlier. Further, fifty-five Members still had not made their 2011 notifications, which had been due almost six years earlier. Many of these Members either had never notified or had done so only in the distant past. The chronic low compliance with this fundamental transparency obligation constituted a serious problem in the proper functioning of the Agreement.

71. The Members that had not yet made their 2015 notifications were: Angola; Antigua and Barbuda; Argentina; Bahrain, Kingdom of; Bangladesh; Barbados; Benin; Bolivia, Plurinational State of; Botswana; Brunei Darussalam; Burkina Faso; Cabo Verde; Cambodia; Cameroon; Central African Republic; Chad; Colombia; Côte d'Ivoire; Democratic Republic of Congo; Djibouti; Egypt; Fiji; the Gambia; Ghana; Guatemala; Guinea; Guinea-Bissau; Haiti; Iceland; Indonesia; Israel; Kenya; Kuwait, the State of; Kyrgyz Republic; Lao People's Democratic Republic; Liberia; Madagascar; Malaysia; Maldives; Mauritania; Mongolia; Morocco; Mozambique; Myanmar; Namibia; Nepal; Nicaragua; Niger; Nigeria; Oman; Pakistan; Panama; Papua New Guinea; Paraguay; Philippines; Rwanda; Saint Kitts and Nevis; Samoa; Saudi Arabia, Kingdom of; Senegal; Sierra Leone; Solomon Islands; South Africa; Sri Lanka; Suriname; Swaziland; Tajikistan; Tanzania; The former Yugoslav Republic of Macedonia; Tonga; Trinidad and Tobago; Tunisia; Uganda; Uruguay; Vanuatu; Venezuela, Bolivarian Republic of; Viet Nam; Yemen; and Zimbabwe.

72. The Chair urged Members that had not yet submitted their notifications to do so, and recalled that the Secretariat continued to be available for enquiries about compliance with notification obligations. The Secretariat had assisted many Members in the past and Members finding themselves unable to comply with their obligations were encouraged to consult the Secretariat. There was a range of resources that delegations could draw upon in working to rectify the situation, including the Secretariat Handbook on Notification Requirements for the SCM Agreement and the two Geneva-based Internship Programmes coordinated by the Secretariat.

73. The United States noted that the Secretariat Report was useful but also disturbing at the same time. Only 38% of Members had notified their subsidies in 2015 which was the lowest since 1998 and 51% of Members had not provided any notification, which was the highest ever. These figures were alarming and all Members had to commit themselves to meet their obligations under the Agreement. The US also indicated that the Secretariat Report did not refer to the quality of the notifications and the US had raised that issue with respect to certain Members which have only notified a few programmes while they had many other programmes to notify. Many Members had

not included sub-central level programmes in their notifications. The US understood that some of the less developed Members might have capacity issues, but there were also large developing countries which had not provided a notification since 1995.

74. New Zealand stated that it expected all Members to make timely notifications and to comply with their obligations under the Agreement. It recognized the challenges that some Members might have but encouraged them to use sources of the Secretariat or other Members' experiences.

75. The European Union added its voice to those of the US and New Zealand. Only 79 Members had fulfilled their notification obligations which was less than the half of the Membership. It was expecting to see an improvement in both the number of the notifying Members as well as the quality of notifications. The EU understood that this was a difficult exercise which required a lot of resource and invited Members to make every effort to have better results in 2017.

76. Canada expressed its concern over the low level of compliance with the notification obligation which was essential for the proper functioning of the Agreement. It encouraged all those Members which had not submitted their notifications to do so in a timely and complete manner.

77. Australia noted that the Secretariat Report was extremely useful and it attached great importance to transparency and the notification process. Without having notifications it became extremely difficult to assess the potential impact of those programmes on Australian producers and exporters. Australia urged those Members which had not submitted their notifications, to do so as soon as possible. This was a resource-intensive process and Australia also had sub-central governments. However, as it was a priority for Australian Government, it made every effort to submit its subsidy notification.

78. The Russian Federation thanked the Secretariat for its efforts to monitor Members' compliance with their transparency obligations. It believed that transparency was an important matter and all Members had to fulfil their obligations equally. The Russian Federation had a complex state structure and although it was time-consuming to gather information from regional authorities and process it to prepare the notification in accordance with the agreed format, it did its best for full compliance with its obligations. Non-compliance by other Members was unacceptable.

79. Chinese Taipei expressed its concerns over the low level of compliance with the notification obligation. It encouraged those Members which had not submitted their notifications to do so, as soon as possible.

80. With respect to the second topic under this agenda item, the Chair recalled that at previous meetings, the Committee had discussed a proposal by Australia to add a new annex to the compendium document which would list all Secretariat calculations of export competitiveness pursuant to Article 27.6.

81. Australia indicated that its suggestion was not burdensome for Members because it was not requiring Members to provide additional information. Australia was seeking to include an annex similar to Annex C about the request for information under Article 25.8. The suggestion would make it easier to locate older documents and facilitate the transparency.

82. India indicated that its position had not changed since the previous meeting and it did not support the proposal by Australia.

83. New Zealand and Switzerland expressed their support for Australian suggestion and noted that it was not burdensome for Members.

84. China noted that since the SCM Agreement did not provide for the submission of written replies by Members to the Article 25.8 questions, the title of Annex C to the Secretariat's background note, "request for information under Article 25.8 of the SCM Agreement", was quite clear. In the third column of the annex, the document numbers of those requests were shown for information which reflected the heading i.e., the notification provided as well as the relevant rules of the Agreement. Therefore to change that heading into replies by the Members receiving request for information was neither legally grounded nor reasonable.

85. Chinese Taipei reiterated its concerns over the low level of compliance with notification obligations and expressed its support for any initiative to enhance transparency.

86. Canada and the United States expressed their support for Australia's suggestion.

87. Australia asked India to clarify the nature of its concerns indicating that its proposal was not targeted at any particular Member. The documents relating to the requests made to the Secretariat for computation pursuant to Article 27.6 were very difficult to find on the website of the WTO and Australia was only seeking a table to make that easier. The proposal did not relate to Article 25.8, but rather to the relevant paragraph in the Secretariat Report. Australia asked India to clarify what its remaining concerns were and stated that it remained open to meet India bilaterally.

88. India stated that it was ready to engage with Australia bilaterally.

89. Thailand added its support to the Australian proposal noting that it would promote transparency without imposing any burden on Members.

90. The European Union expressed its support for the Australian suggestion.

91. The Chair suggested reverting to that issue at the next meeting of the Committee.

92. The Chair recalled that at the Committee's October 2016 regular meeting, a number of Members had indicated their willingness to continue discussions on the proposal from the US (G/SCM/W/557/Rev.1) regarding procedures for questions and answers under Articles 25.8 and 25.9 of the SCM Agreement.

93. The United States recalled that at the previous meeting it had reiterated that the Committee should try to reach consensus on common sense procedures for Members to respond to questions submitted under Article 25.8. The Chair's summary of the current status of Members' compliance with the transparency obligations under the SCM Agreement made clear that this was an ongoing problem and the proposal aimed to address one aspect of it. The suggested solution was not a radical one; rather it was firmly rooted in the accepted practices of the Committee.

94. The US recalled the concerns raised previously by some Members according to which the US proposal would impose an undue burden on Members with capacity constraints, in particular for lesser developed countries. Reflecting on those concerns, the US saw two distinct issues emerging: answers being submitted in writing and adherence to firm deadlines for submitting answers to questions. With regard to deadlines, the US had previously noted its willingness to work with Members to find a pragmatic solution to their concerns.

95. The US recalled that at its October 2016 meeting the Committee had discussed the idea of an informal consultation process that could be implemented in the context of Article 25.8 questions according to which the requesting Member could request to meet with the responding Member to discuss how long it might take to answer the questions. The United States referred to the room document distributed at the meeting and explained that according to the proposal, the answers to Article 25.8 questions would be submitted within 60 days unless otherwise agreed by the requesting and responding Members.

96. The United States invited Members that had raised the issue of capacity constraints during the previous meetings to provide constructive ideas on how the proposal could be improved. The US reiterated that it remained flexible in finding a pragmatic solution that would satisfy the underlying objective – which presumably shared by all Members – of faithfully implementing the requirements of Article 25.9 and more generally, enhancing the exchange of information.

97. India indicated that its position had not changed and recalled its previously-expressed concern that the proposal went beyond the finely crafted balance resulting from the negotiations on Articles 25.8 and 25.9. The word "written" had been included in Article 25.8 but carefully omitted from Article 25.9. Including it in the proposal disturbed the negotiated balance. Proposed time limits for replies to questions received under Article 25.8 needed to be examined in the light of practicability and from the point of view of added burden to developing and least developed

countries. Such timelines might not actually yield effective results. India also noted that the proposal stated that all pending questions would automatically remain on the agenda until a written reply was provided. However, who would determine whether or not a question had been appropriately answered? In any case, Members could always request an item to be placed on the agenda. According to India, the flexibility shown by the United States did not answer the problem presented by several Members. Finally, India indicated that it was going to take the proposal to its capital.

98. Australia remained interested and supportive of the US proposal. The US had usefully identified a gap in the Committee's procedures and the suggested approach had been flexible to accommodate the concerns raised by Members. Greater clarity in that procedure would encourage compliance with the notification obligations and improve the completeness and timeliness of the notifications.

99. New Zealand reiterated its support for the US proposal.

100. Japan supported the US proposal and indicated its intention to constructively engage in further discussion.

101. China recalled its position at the previous Committee meetings. The SCM Agreement neither provided for any written process for Article 25.8 questions nor any specific time frames for the submission of answers. Therefore, the requirements for making such written answers or setting compulsory deadlines would impose newly added substantive obligations on Members for which there was no legal basis. As expressed by many Members during previous meetings of the Committee, this would upset the balance of rights and obligations reflected in the results of negotiations of those articles. The proposal would cause difficulties and challenges for developing Members with capacity constraints. It would increase their workload and distract their focus on preparing the notifications. The proposal, contrary to the original intention, might further delay submissions of notifications.

102. China echoed the view raised by India by noting that any Member could raise any item for the agenda. In addition, it was not clear as to who could judge the appropriateness of the Member's answers to Article 25.8 questions and by which standard the request could remain on the agenda. Under such circumstances, the meeting agenda might be extended by requests for information one after another, which might result in the continued accumulation or even perpetuation of agenda items.

103. China reiterated the importance of transparency and its hope to have discussions in a down-to-earth manner. It invited all Members to do their best to fulfil their transparency obligations in accordance with the Agreement.

104. Canada expressed its support for the proposal which would lead greater clarity and predictability to the Committee's work on transparency.

105. Brazil shared the concerns expressed by India and China and noted that it was ready to engage in further discussion with all Members.

106. The European Union reiterated its support for the proposal and thanked the US for its flexibility. It remained ready to engage in further discussions on that topic.

107. Chinese Taipei reiterated its support for the proposal.

108. Venezuela added its voice to the concerns raised by Brazil, China and India. The assessment of its capital on the proposal was still ongoing and it reserved its right to come back with additional comments.

109. Mexico understood the concerns raised by China and India. If Members continued to look for the obstacles which prevented them from complying with transparency obligations it would be very difficult to achieve their objectives. As a developing Member, Mexico was very interested in making progress on that matter. The opposing Members could prepare a counter-proposal which would enable the Committee to make progress towards greater transparency and timely notifications.

110. The Russian Federation noted that there was a room for improvement in terms of completeness of notifications, meeting deadlines for their submission and timely responses by Members. The Russian Federation welcomed the efforts to find a balanced solution on those issues. In general, Russia did not oppose to the establishment of deadlines for replies to written questions but Members should take due account of the problems faced by Members with complex state structure and allocation of budget funding. Russia was ready to consider the idea of having informal consultations to reach an agreement on the deadlines. It should be considered in detail in terms of available administrative resources and timing.

111. The United States noted that the draft language had been submitted recently and Members needed to look at it more closely. There was clearly a fundamental problem regarding the implementation of Articles 25.8 and 25.9. Finally, the US echoed the idea raised by Mexico and invited the opposing Members to submit a counter-proposal.

112. The Chair encouraged Members to give further thoughts on the US proposal and to make counter-proposals. He also invited them to engage in bilateral discussions on that matter and stated that it appeared that Members wished to continue discussions on those issues at the next regular meeting of the Committee.

113. The Committee took note of all the statements made.

7 CONSTANT DOLLAR METHODOLOGY FOR GRADUATION FROM SCM ANNEX VII(B)

114. The Chair recalled that, pursuant to the Doha Ministerial Decision on Implementation-Related Issues and Concerns (document WT/MIN (01)/17, paragraph 10.1), Annex VII (b) to the SCM Agreement listed Members until their GNP per capita reached US$1,000 in constant 1990 dollars for three consecutive years. As of 1 January 2003, the methodology set forth in G/SCM/38, Appendix 2 had applied for making those calculations. In accordance with that Decision, since then the Secretariat had circulated annual notes in document series G/SCM/110 updating the GNP per capita figures for the Members listed in Annex VII (b) based on that methodology. The most recent version, Addendum 13, had been circulated in 2016. The Secretariat would circulate updated calculations during the summer, when the necessary World Bank data became available.[6]

115. The Committee took note of the Chair's statement.

8 PERMANENT GROUP OF EXPERTS

116. The Vice Chair recalled that the term of office of Mr Welber Barral as a member of the Permanent Group of Experts was expiring and the Committee should elect a new member to replace him.

117. The Secretariat had received four nominations to fill this vacancy, all by the announced deadline: Ms Lanye ZHU from China, Mr Jaemin LEE from Korea, Ms Marina Foltea from Moldova, and Ms Tsai-yu LIN from Chinese Taipei.

118. The Chair had asked the Vice-Chair to serve as the Chair for this issue, given that his delegation was one of those that had nominated an expert to fill the PGE vacancy.

119. Following the call for consultations, however, some issues had been identified regarding one of the CVs received, and since it had not been possible to resolve the matter, the Vice Chair had decided to suspend the consultations. Members had been informed about the suspension of consultations on 13 March 2017. For that reason, the Vice Chair had no basis to make a recommendation for the election of the nominees and the issue would be taken up by the next Chair of the Committee.

120. Moldova regretted the impasse of the negotiation process and counted that the ongoing consultations would help moving things forward. Due to lack of agreement among Members, often the process of PGE election had taken a very long time leaving the expert role uncovered. Moldova reiterated the importance of the principle of inclusiveness of smaller Members, respecting the

[6] G/SCM/110/Add.14 was circulated on 11 July 2017.

meritocracy criteria, availability of the candidates and an equal balance between Members. The selection process entailed consultations by the Chair in order to find a compromise on the candidates. Moldova urged Members to have a pragmatic approach towards the selection process considering the wide scope of the WTO subjects to be covered by their delegates and the time required. It also encouraged Members to agree on the PGE candidates within a reasonable time-frame.

121. According to Moldova, Members should pay more attention to make the PGE operational to exercise its mandate set out in Article 24 of the Agreement. Members needed to ensure full capitalization of the PGE potential, which could be used for dispute settlement cases on subsidies and countervailing measures. Qualified, impartial, transparent and available experts to offer consultations to Members and a new strategy to increase the role of the PGE were needed. PGE candidates should be assessed not only based on their knowledge of the subsidies and countervailing measures but also on the meritocracy criteria, their willingness and availability to make the PGE operational.

122. The Committee took note of all of the statements made.

9 REQUEST FROM CHINA TO THE UNITED STATES PURSUANT TO ARTICLE 25.8 OF THE SCM AGREEMENT (G/SCM/Q2/USA/70) – ITEM REQUESTED BY CHINA

123. China indicated that it had noticed some of the steel subsidy policies of the United States and submitted a request in accordance with Article 25.8 of the Agreement. China invited the US to explain whether those steel subsidy policies had specificity and whether the US had included them in its subsidy notification.

124. The United States noted that it had received the questions recently and would provide preliminary answers.

125. With respect to the first programme, the Pension Benefit Guaranty Group, the US indicated that no government funds had gone to the Pension Benefit Guarantee Corporation (PBGC). The PBGC provided insurance for pensions in exchange for the payment of a fee and if a company went out of the business it would take over the responsibility and make the pension payments to workers. In fact, the PBGC facilitated the restructuring of an industry because in the absence of it there might be hesitancy in letting a company to go bankrupt.

126. The second programme raised by China, the Continued Dumping and Subsidy Offset Act of 2000, which was also known as the Byrd Amendment, had already been terminated. The US recalled that that legislation had also been litigated at the WTO.

127. With respect to state and local subsidies, the US indicated that one or two of the programmes had been already notified. Some of the programmes were about worker training or building skills of workers which were common in many of the States. Very often, if not always, those programmes were not limited to particular industries and were widely available for various companies and industries. Finally, the US noted that it would provide written replies by the time of the October meeting of the Committee.

128. China stated that it would be pleased if the US could provide written replies. Noting that the Byrd Amendment was 15 years ago, it recalled a previous statement by the US in which the US indicated that even if it had been 10 years ago a subsidy programme should be notified as Members might have an interest to know about it.

129. The Committee took note of all of the questions and statements made.

10 QUESTIONS FROM THE UNITED STATES AND THE EUROPEAN UNION TO CHINA PURSUANT TO ARTICLE 25.8 OF THE SCM AGREEMENT (G/SCM/Q2/CHN/70) – ITEM REQUESTED BY THE EUROPEAN UNION AND THE UNITED STATES

130. The United States recalled that it had been concerned with the lack of transparency of China's industrial subsidy regime since 2001. It had raised questions to China under the old

Transitional Review Mechanism, pursuant to Article 25.8 of the Agreement, under the normal Committee procedures and also counter-notified subsidy measures under Article 25.10.

131. It had raised questions and counter-notified numerous possible steel subsidy measures in China as steel was a vital sector in the US. China, however, had not notified a single subsidy programme during its WTO membership.

132. The growth of the steel industry in China had been remarkable since China had become a WTO Member. Its steel capacity had grown approximately 580 per cent since 2001 and it accounted for half of the global steel production. The growth of capacity in China had outpaced the growth in demand. Its steel capacity exceeded domestic demand by over 400 million tons.

133. In a market economy, when capacity outpaced demand, the owners of that capacity were threatened by financial loses which forced them to reduce capacity or exit from the market. In a market economy, when there was excess capacity in an industry it would be difficult to obtain commercial financing for even more capacity investments. However, those fact patterns did not appear to apply in China.

134. The financial crisis in 2008 had led to a severe drop in global demand for steel. In China, however, the financial crisis had not affected the increase in capacity. Steel capacity in China had gone up substantially by over 440 million tons or 160 percent since 2009. The capacity increase since 2009 was more than the total capacity of the US, Japan, India, and Brazil combined.

135. Ministry of Industry and Information Technology of China and many market analysts agreed that China's steel demand had peaked, and it had been declining since 2013.

136. It was not surprising that China's excess production had spilled over to export markets while there was insufficient domestic demand. China's exports had grown from less than 5 million tons to over 100 million tons between 2001 and 2016 which had led to a rise in trade remedy cases around the world against Chinese steel products.

137. According to China, the tremendous growth in capacity and exports had been accomplished without a single specific subsidy while a superficial examination of the annual reports of several of the largest steel companies in China indicated the otherwise. In those reports, under the title of "government subsidies" or "government grants", many of China's top steel companies listed dozens of government-funded projects through the provision of grants.

138. The Article 25.8 questions co-submitted by the European Union and the US asked about 160 government subsidies or government grants listed in the annual reports of six of the largest steel companies in China. The US recognized that all those listed programmes might not be notifiable under Article 25, but certainly there were more than the three non-specific programmes which China had claimed previously.

139. According to steel company annual reports, several of China's steel companies had also received government equity infusions which were not surprising given that most of the largest steel companies in China were government-owned. While it was possible that none of the government equity infusions had provided a benefit to the recipient companies, the US and the EU had asked China to explain whether those government investments could be commercially justified.

140. The European Union reiterated that compliance with the notification obligations under Article 25 of the Agreement was crucial for the effective work of the Committee. Those obligations existed to ensure that Members had knowledge on their domestic subsidy regimes as well as an understanding on the effects of those subsidies. The submission of a subsidy notification was a step to meet the obligations under the Agreement but not sufficient without complete information on all specific subsidies. In this respect, the EU drew Members' attention to China's notifications which had not been complete as regards to subsidies administered either at sub-central level or in relation to particular sectors, including steel. The purpose of the questions was to ask China to provide information regarding those subsidies received by the Chinese steel companies as well as explanations as to why they had not been notified so far.

141. Japan noted that within the perspective of transparency it was beneficial to strengthen the implementation of the notification obligations and it supported the discussions in this regard.

142. China indicated that it had received the questions prior to the meeting. It had noticed the concerns of the US and the EU and would reply them upon careful verification. China did not have specific subsidy policies for the steel industry at the moment. As stated at a previous regular meeting of the Committee, China's existing supportive policies to the steel industry, which were not targeted at the steel industry alone, could be mainly divided into three categories: (i) those aimed at encouraging environmental protection and energy conservation; (ii) those supporting technological research, development, and innovation; and (iii) those aimed at facilitating enterprises' structural adjustments. Those policies were neither implemented for the steel industry nor contingent upon export performance. Many of them fell into the traditional category of non-actionable subsidies in the WTO history which reflected the real efforts made by China to address the global overcapacity and industrial restructuring.

143. In terms of the three categories referred by China, the United States indicated that the policies regarding environmental protection and energy conservation might not be specific. However, as the policies on research and development were often specific, the US would be interested in details of the government grants provided under the R&D programmes. According to the US, the structural adjustment subsidies would be specific under any circumstances unless those programmes were for all companies operating in all sectors, which would be unusual.

144. The US also noted that there were programmes that would not fall under the three categories referred by China, such as the programme entitled "Key Industry Rejuvenation and Technology Modification". According to the US, "Key Industry" indicated that there was a selection of certain industries. Similarly, there was a programme called "Cold-Rolled Sheet Production Line Interest Subsidy" which seemed to be related to the production of cold-rolled steel sheet not to environmental protection or R&D.

145. China stated that it would verify those questions and would have a response as soon as possible.

146. The Committee took note of all of the questions and statements made.

11 NON-NOTIFICATION BY CHINA OF ALLEGED SUBSIDIES CONTAINED IN THE 2014, 2015 AND 2016 REQUESTS BY THE UNITED STATES UNDER ARTICLE 25.10 OF THE SCM AGREEMENT (G/SCM/Q2/CHN/51, PLUS G/SCM/Q2/CHN/51/CORR.1; G/SCM/Q2/CHN/53; G/SCM/Q2/CHN/59) – ITEM REQUESTED BY THE UNITED STATES

147. The United States indicated that while it had become routine for the US to highlight China's poor notification record, it had become routine for China to claim that it respected and fully adhered to its transparency obligations under the Agreement which was undermined by the facts.

148. The US recalled that China had submitted only three subsidy notifications in sixteen years all of which had been submitted well beyond the deadline for the periods covered and all had been grossly incomplete. For the first time since its membership, China had provided its first subsidy notification of its sub-central measures the previous year and its notifications represented a very small fraction of the subsidy measures at both central and sub-central level. China's subsidy notifications had failed to cover important industry sectors such as steel, aluminium and fisheries and had not included subsidies for all of its provinces. Finally, China had padded its notification with programmes that could hardly be considered as subsidies under the Agreement, such as programmes for poverty alleviation, HIV medications, and preferential tax treatment for endangered animals that benefited a government entity.

149. The US recalled that it had repeatedly expressed its concerns over China's poor notification record in the Committee. Given the important role of central and sub-central governments in pursuing industrial policies in China, Members had a keen interest in obtaining a complete understanding of China's subsidy regime, especially in those sectors experiencing overcapacity. China, however, continued to resist providing the level of transparency envisioned by the Agreement by denying critical information on its subsidy policies.

150. The lack of transparency was exacerbated by the fact that China had not published its subsidy measures in a single official journal or made translations available, although it had agreed to do so when it had become a Member which added another layer of darkness to an already opaque subsidy regime.

151. The US noted that it had repeatedly tried to work bilaterally but China refused to meet and discuss those measures. Therefore, to provide some degree of transparency, the US had submitted numerous requests for information under Articles 25.8 and 25.10 and had counter-notified over 470 subsidy measures providing full, translated copies of each of them. China's approach to the submissions made by the US under Articles 25.8 and 25.10, however, was very troubling because it refused to provide any written replies to those questions. It had provided partial oral responses with little effort and resisted to answer questions under normal Committee procedures concerning well-documented subsidy programmes. In addition, China had taken the position that if it had not notified a subsidy programme, it would not answer any questions on it.

152. The US stated that it failed to see how that approach fit in with the transparency obligations of the Agreement. This approach left the US with many unanswered questions concerning the operation of subsidy programmes in China; in particular, the interaction among dozens of legal measures coming from various government entities at both the central and sub-central levels.

153. China itself had admitted that problem in the context of its Trade Policy Reviews. The US noted that according to Article 25.3 of the Agreement, "the content of notifications should be sufficiently specific to enable Members to evaluate the trade effects and to understand the operation of the subsidy programmes."

154. The US referred to the Programme No.42 in China's subsidy notification which was corresponding to Item No.35 in the US' fisheries counter-notification. While Programme No.42 was about the tax benefits for fishermen under certain projects, Item No.35 in the counter-notification was about the total income tax exemption for deep-water fishermen. The counter-notification referred to 2011 State Administration of Taxation which was not mentioned in China's notification and all the references made in China's notification were to legal measures dated before 2011.

155. The US recalled that China argued that Programme No.47 in its subsidy notification was the same with Item No.42 in the fisheries counter-notification although there was no reference to fisheries in the notification. It was unclear to see what sectors were actually benefiting from the notified programme. China had also claimed that Programme No.55 in its notification was the same with Items No.30 and 31 in the counter-notification. However, the cited legal measures and even the titles of the programmes were completely different. Similarly, while the Programme No.84 in China's notification was same with Items No. 36 and 37 of the counter-notification, there was no reference to fish in the notification.

156. Since China had refused to meet the US to discuss those issues on a technical basis, the US felt itself obligated to raise those questions. The US recognized that it was every Member's right to decide the degree of government intervention in its economy. Every Member also had agreed that its subsidies were subject to WTO rules and to the transparency obligations that were central to the proper functioning of the Committee. It had been unfortunate that the US had repeatedly had to resort counter-notification mechanism but China's latest notification demonstrated that hundreds of measures were not notified by China. The US reiterated its willingness to meet bilaterally to discuss the specifics of the measures in its Article 25.10 submissions.

157. The US urged China to abide fully by its subsidy notification obligations under the SCM Agreement, and stated that it was ready to work with China to take concrete steps to move rapidly toward a subsidy notification that would present the full picture of its subsidy regime in a clear and transparent manner.

158. China believed that the purpose of counter-notification under Article 25.10 of the SCM Agreement was to promote timely fulfilment of Members' notification obligation. Although the US had kept on submitting such requests, much content of which had been overlapped, when preparing its notifications, China had done its utmost to provide clarification and explanation at the previous regular meetings of the Committee. Following the submission of its subsidy notifications at both the central and sub-central level in October 2015 and July 2016, China had believed that those efforts had been able to address the majority of the concerns raised by the US.

159. With respect to steel, China had repeatedly stressed at previous meetings that it did not have specific subsidies for the steel industry. Therefore, the US requests noting that China had never notified its steel subsidy policies were groundless. In its subsidy notification in documents G/SCM/N/220/CHN, G/SCM/N/253/CHN, and G/SCM/N/284/CHN, China had incorporated some of the subsidy policies related to steel industry, which were not policies for steel industry in particular but rather related with the steel industry, such as Programme No. 72, "the Incentive Fund for Energy-Conserving Technology Upgrading and the Special Fund for Clean Energy" which had been notified as a sub-programme of Programme No. 79, "the Special Fund for the Development of Circular Economy." Since other policies were not specific, they had not been included in subsidy notifications. China called Members to understand its subsidy policies on the basis of its subsidy notifications and to exchange ideas based on those notifications.

160. China indicated that it had verified the relevant contents in the counter-notification submitted by the US in document G/SCM/Q2/CHN/59 regarding its fishery policies and noted that the majority of the contents were overlapping with G/SCM/Q2/CHN/52 submitted by the US in April 2015. In the previous meetings, China had already provided clarifications on those programmes. China requested the US to provide details regarding the programmes, which were not overlapping according to the US, so that China could verify and provide clarifications. China also noted that it would actively consider incorporating more fisheries programmes into its new subsidy notification.

161. With respect to China's explanations that the counter-notified programmes were overlapping with the programmes notified by China, the United States noted that while there were 44 counter-notified measures, China had talked about four or five of them. Even if there had been an overlap for four or five measures, there would be 40 measures that China had to notify. Although the US had identified a lot of boat building programmes at the provincial level, there were no fishery boat building programmes in China's notifications. Due to the difficulties to work on those issues under the Committee setting, the US invited China to work bilaterally.

162. China reiterated that the majority of its subsidies related with fisheries had already been notified and overlapping. China had talked about four or five programmes to give examples on the overlapping programmes; otherwise it would take too much time. Finally, China indicated that it needed more clarification from the US to make its notification more perfect.

163. The Committee took note of the statements made.

12 NON-NOTIFICATION BY CHINA OF ALLEGED SUBSIDIES UNDER THE INTERNATIONALLY WELL-KNOWN BRAND PROGRAMME (G/SCM/Q2/CHN/71) – ITEM REQUESTED BY THE UNITED STATES

164. The United States indicated that the focus of its fifth counter-notification was China's Internationally Well-known Brand Programme. That issue went back to 2008, when the US had asked for dispute settlement consultations regarding the Famous Export Brand Programme (FEBP) which had been alleged to be a prohibited export subsidy under the Agreement.

165. The statement of evidence had included more than 90 legal measures that had established and implemented the FEBP at the central and sub-central levels of government. The central level measures had laid out the parameters of the programme which had been implemented at the sub-central levels in a variety of ways.

166. Following the consultations, the US and China had conducted settlement discussions for several months. Towards the end of 2009, China had terminated or amended many of the measures at issue and demonstrated that the remaining programmes had expired or been no longer in effect. A mutually agreed solution had been signed in December 2009 in which China had confirmed "that no export-contingent benefit [would] be provided to entities in China under any measures contained in the consultation request or any subsequent related measure."

167. Following that agreement, the US had begun to see legal measures at the central and sub-central levels establishing the Internationally Well-Known Brand Programme. The relevant central government legal measure had stated that the FEBP had been "adjusted and perfected" and that the title Famous Export Brand would be changed to Internationally Well-Known Brand.

168. While the export-related eligibility criteria had been removed from the central level measure, very similar export-related eligibility criteria had been included in the sub-central measures.

169. In China's most recent subsidy notification regarding sub-central level programmes, the FEBP was notified by many sub-central governments although it had been effectively terminated in 2009. Notifying a programme after seven years from its expiration was not particularly helpful in furthering the transparency objectives of the Agreement.

170. While many of the Famous Export Brand measures had been notified after the termination of the programme, neither the central nor sub-central notifications of China had included the measures implementing the Internationally Well-known Brand Programme which had become effective more recently. Those actions did not appear to provide Members with the level of transparency envisioned by the Agreement and indeed raised questions as to the brand programmes currently in place and whether they were consistent with the rules of the Agreement regarding export subsidies.

171. China stated that it had received the counter-notification prior to the meeting and would provide reply upon careful verification.

172. The Committee took note of the statements made.

13 ELIMINATION OF EXPORT SUBSIDIES FOR TEXTILES AND APPAREL BY INDIA PURSUANT TO ARTICLE 27.5 OF THE SCM AGREEMENT - ITEM REQUESTED BY THE UNITED STATES

173. The United States recalled its view, based on the Secretariat's calculations, that the Indian textile and apparel sector had reached export competitiveness no later than 2007. Therefore, India had had an obligation – at least since 2007 – to gradually phase out export subsidies provided to numerous products in the textile and apparel sector, meaning that the eight year phase-out period had ended and all export subsidies to India's textile sector should have been terminated. While India's recently released Foreign Trade Policy for 2015-2020 recognized the need to terminate certain programmes, unfortunately it did not establish any procedural framework for doing so and appeared to target 2018 as the operative date for termination. Following its expected graduation from Annex VII, India would be obligated to terminate all of its export subsidies to all sectors. The US urged India to eliminate those export subsidies benefited by the textile and apparel industries as a first step.

174. The US had made clear to India that it would welcome further dialogue on these issues in the context of their continued bilateral engagement and indicated that it was content to wait for the updated Annex VII calculations.[7]

175. India stated that it was committed to meeting its obligations under the SCM Agreement in time, and to engage constructively in the clarification of the obligations under Articles 27.5 and 27.6, in particular the definition of product, the coverage of tariff lines, where and when export competitiveness was reached and when the eight year phase-out period would begin. India considered that since the information on export competitiveness had been provided in 2010, India would have to phase out the export subsidies after 2018. As mentioned by the US on the Merchandise Exports from India Scheme, many of the schemes were in the nature of remission or refund of duties on inputs used in exported goods, which were not export subsidy schemes and some of which had been discontinued. A number of them had been removed from or rationalised in the Foreign Trade Policy of 2015-2020. Further, while the government had not set out any procedures regarding domestic content requirements, domestically manufactured goods were entitled to apply for subsidies, as per the SCM Agreement. India renewed its commitment to meet bilaterally with the US and proposed to remove this item from the agenda of the future meetings as it had been discussed several times.

176. The United States recognized that some of the programmes at issue were duty-drawback-like programmes and there might be a legal issue whether they were technically export subsidies. However, there were other programmes which appeared to be export subsidies benefited by the

[7] G/SCM/110/Add.14 was circulated on 11 July 2017.

Indian textile and apparel sector. With respect to the various legal questions referred by India, it would be better to wait for the updated Annex VII calculations.

177. The Committee took note of the statements made.

14 ENHANCING FISHERIES SUBSIDIES TRANSPARENCY - ITEM REQUESTED BY THE UNITED STATES

178. The United States recalled that it requested that agenda item to discuss ways of improving and enhancing the transparency of fisheries subsidies and had circulated an informal room document consisting of seven questions to guide the discussion. It clarified that those questions were submitted in the context of the discussions made during previous Committee meetings and it had no intention to submit them to the Rules Negotiating Group.

179. As a general matter, the US asked what other information might be needed to assess the trade and resource impacts that a fishery subsidy might have. Previously the US had suggested (i) catch data by species; (ii) status of the fish stocks; (iii) fleet harvesting capacity; (iv) conservation and management measures; and (v) total imports/exports per species.

180. Catch data and the status of the fishery being targeted was important for the US to monitor the status of the targeted fishery and generally not to subsidize the harvesting of depleted stocks which would likely lead to even more fish to be harvested.

181. The US recognized the point made about the difficulty of linking a subsidy to any one fishery in certain circumstances and welcomed ideas on addressing that issue. It understood that defining "harvesting capacity" was difficult and asked whether there was a practical approach to that issue which might provide valuable information.

182. The US also asked whether any of the relevant international fishing organizations could help Members to fill in some of the information gaps regarding the catch data and status of stocks and fleet capacity. The WTO was not a fishery management organization and might not have the expertise to evaluate management plans, but if harvesting a particular fish stock was going to be subsidized it would be critical to have a management regime to prevent overfishing.

183. Under the regular notification obligations of the Agreement, information on the trade effects of a subsidy was requested. While the reasoning behind that requirement was understandable, Members found it difficult to answer. Therefore the US asked whether there was concrete information that could be provided such as imports and exports, which might shed light on possible trade effects.

184. The US noted that its ultimate goal was to ensure that the notifications provided greater transparency on fisheries subsidies programmes and allowed a better understanding of the operation of notified programmes.

185. New Zealand noted that the discussions held in the Committee showed that progress could be made on that issue in parallel to the negotiations. With respect to the first question raised by the US, New Zealand agreed that those types of information were important in assessing the trade and resource impacts of fisheries subsidies. It underlined the importance of information on imports and exports of related species which would help establishing a picture of the status of fish stocks, fishing fleets, catches and impacts on markets. As much support to the sector was provided in the form of subsidies beyond those defined in the Agreement, enhanced transparency in that area would be helpful.

186. With respect to the third question raised by the US, it was relevant to recall the FAO Code of Conduct on Responsible fishing, which talked about how 'states should ensure that timely, complete and reliable statistics on catch and fishing effort were collected' and where relevant, report them to regional organisations. New Zealand certainly strived to do that, and it employed a variety of methods including daily and monthly catch reporting by fishermen supported by government monitoring and compliance systems.

187. With respect to the fifth question, New Zealand indicated that even if methods of measuring fishing capacity varied amongst the Membership, it would seem only logical for an assessment to be undertaken before and after the provision of capacity enhancing subsidies. Without this, how else was it known that such support was necessary? And how else was it known whether the support had met its policy objective?

188. Regarding the sixth question, New Zealand noted that the basic question was whether there was any management at all. It was hard to imagine fisheries subsidies not being harmful where there was no fisheries management. Another basic question was whether the fishery had open access. If anyone was free to enter the fishery then overcapacity and overfishing was again a likely outcome, even without subsidies. Beyond that, the type and effectiveness of the fisheries management system was all relevant to understand the context of fisheries subsidies programmes.

189. Finally, with respect to the seventh question, New Zealand was of the view that the types of information mentioned by the US together with imports and exports should be helpful in assessing the trade impacts of fisheries subsidies. An appropriate level of detail was also important in all those types of information. Simply reporting at a high level, such as a general species level, might be unhelpful if there were several stocks being fished and some of them were shared with other Members.

190. The European Union indicated that it was supportive of any reasonable measures that would help greater and strengthened transparency and it remained open and ready to discuss that issue in the context of fisheries subsidies, in particular. The lack of transparency in notifications was a general problem in the WTO and it was not unique to fisheries subsidies. Although the US noted that the informal room document had been submitted only for the purposes of the Committee, the topic was also related to the ongoing discussions in the NGR. The EU recalled the joint proposal made by Australia and the EU on the issue of notification and transparency of fisheries subsidies, which had been on the table during the last Ministerial meeting of the WTO yet led to nothing.

191. Canada remained interested in exploring ways for improved transparency on harmful subsidies to the fishery sector and therefore it continued to engage in constructively in the negotiations. It was relevant to point out the link between transparency and disciplines, more specifically, the nature and scope of any disciplines on fisheries subsidies and what information would be required in order to implement and enforce them. It was still considering the questions raised by the US, but in the meantime it might be helpful to identify some relevant external resources for guidance when considering the ways to improve transparency in fisheries subsidies. Canada acknowledged that the data on fishery subsidies varied among Members but there were guiding principles contained in the FAO Code of Conduct on Responsible Fishing, and certain regional fishery management organizations also could provide similar guidance. National fisheries authorities could be helpful in informing Members about their practices on data and information collection which in turn could lead enhanced transparency.

192. Australia was still considering the questions raised by the US. It would be useful for the Committee to consider transparency aspects of fisheries subsidies and what the role of the Committee could be in enhancing notification obligations. Obviously, that would also be helpful in the context of ongoing negotiations. Members needed to focus on the subsidy, the role of the WTO, and where there were existing data obligations in other organizations, not to duplicate data requirements. Given that there were ongoing negotiations, it would be useful to see what was practicable, implementable, and tailored to the fishery sector.

193. Brazil shared the concerns over transparency and noted that it had been engaged in the work in the WTO for enhanced disciplines. However, it had serious doubts about the role of the Committee and was also concerned about possible duplication of work, in the NGR and in other international organizations. It shared the point raised by Canada about the link between transparency and disciplines and noted that it was not supporting the discussion on transparency without having a discussion on the disciplines. Although it saw merit in the points raised by the US, Brazil was of the view that the appropriate forum to discuss those issues would be the NGR.

194. Argentina indicated that its capital was still considering the document submitted by the US. Noting the importance of transparency on fisheries subsidies, it took note the clarification made by the US that the document had been submitted only for the Committee work.

195. India noted that the issue of transparency and enhanced notification of fisheries subsidies had been discussed at the NGR and echoed the views expressed by Brazil and others that the duplication of work should be avoided. India had already supported transparency-plus outcomes in fisheries subsidies but the principle of S&DT, which had been mandated in several Ministerial Declarations, needed to be respected. According to India, the problem was lack of will to notify and adding more details to the WTO notification format would not prompt new notifications. India was notifying its fisheries subsidies regularly and requested other Members to fulfil their obligations rather than seeking to expand them.

196. Japan noted that it had received the US submission recently and would make comments if necessary.

197. The United States understood that the questions had been submitted late and there had to be further consultations. It was expecting to continue discussions on the topic.

198. The Committee took note of the statements made.

15 SUBSIDIES AND OVERCAPACITY (G/SCM/W/572 PLUS G/SCM/W/572/REV.1) – ITEM REQUESTED BY CANADA, THE EUROPEAN UNION, JAPAN[8], AND THE UNITED STATES

199. The European Union indicated that it strongly believed in the importance of the WTO and the Committee in particular, to continue analysing the links between subsidies and creation of excess capacity in various sectors. For that reason, along with Canada, Japan and the United States, it had submitted a paper entitled "Role of Subsidies in Creating Overcapacity and Options for Addressing This Issue in the Agreement on Subsidies and Countervailing Measures" which was a follow-up to a previous paper in document G/SCM/W/569 that had been discussed at the October 2016 meeting of the Committee.

200. G20 Leaders had recognized in 2016 that industrial overcapacity had become a major problem for the global economy as it was one of the key causes of the distortions in international trade. They had also highlighted the importance of collective action in addressing the issue of overcapacity and recognized that subsidies and other types of support from governments or government sponsored institutions could cause market distortions and contribute to global excess capacity. The Committee should play a central role in addressing government support contributing to overcapacity and complement other fora dealing with other factors contributing to overcapacity such as the Global Forum on Steel Excess Capacity facilitated by the OECD. The Committee was a unique forum to discuss that agenda item, while other fora such as the Global Forum might more affectively look into other factors contributing to overcapacity in certain industries. The Committee had the capacity, expertise, and powers to explore the extent to which subsidies contributed to overcapacity. According to its analysis, the more the state functioned as a leading economic actor retaining a significant role in resource allocation, the more prominent the role of subsidies as a major contributor to overcapacity and the less relevant the role of market forces was.

201. The range of subsidies that might be provided by the state was enormous reaching from providing support to kick-start companies in preferred industries to providing input at below market prices to economically non-viable companies in the strategic sectors. The problem was that once overcapacity was created and domestic demand was not big enough to accommodate it, it was often exported to the detriment of the competing industries in other countries. At this point, the distortion of international trade was felt most severely and the Agreement did not offer any sufficient remedy. Therefore, the Committee should look at the ways to make such subsidies be subject to more stringent disciplines.

202. The difficulty in analysing the situation was compounded by the lack of sufficient information regarding subsidy programmes of Members. The overall state of subsidy notifications was deplorable which required the attention of the Committee when discussing the subsidies and their contribution to overcapacity. The EU was expecting to hear Members' views on that issue in view of the clear call for collective action by the Heads of States of the G20.

[8] At the beginning of the meeting Japan requested to be included as one of the co-sponsors of this item.

203. The United States noted that the role of subsidies in the creation and maintenance of overcapacity was a complex issue. Governments often identified strategic industries to create and promote, which entailed significant government financing in the form of subsidized lending and equity contributions. When the government also owned and controlled the leading industrial enterprises and banking entities, and used them to favour and grow the identified strategic industries, those industries became uncoupled from supply and demand signals, and the discipline of the market diminished.

204. In the same way, when strategic industries with economically unsustainable capacity began to fail, governments sought to maintain employment, production and capacity by forgiving debt, rolling-over loans, converting debt to equity or providing new equity, without restructuring the failing companies such that they could operate profitably and their capacity was in line with market demand. Consequently, despite a drop in demand, production and capacity were maintained and might even be increased which could lead to the excess production being exported and severe disruptions in international trade flows. Therefore, although those subsidies might not be prohibited under the Agreement, their distortive impact could be similar to export subsidies. For that reason, they should be considered for more stringent disciplines. The first step for Members under the existing rules was to be more transparent in their provision of subsidies and to implement the transparency obligations under the Agreement more conscientiously.

205. Canada supported the paper as a reflection of its broader concerns over the pressing situation of global manufacturing overcapacity which had become a major problem for the global economy through trade and market distortion it caused. While the Global Forum on Steel Excess Capacity was making an important contribution, meaningful solutions required collective action across many international fora. In addition, in order to be effective it was essential that the efforts be aimed at addressing the underlying causes of excess capacity including the subsidizations and government interventions. The WTO and the Committee in particular, were uniquely situated to support discussions on the role subsidies played in contributing to overcapacity, and to address them. Canada expected that Members would give a thorough consideration to the aim of the paper which was to encourage the discussion among Members to address subsidies contributing to global overcapacity. It urged Members to engage constructively in those discussions and to make the full use of the expertise and capacity of the Committee to find lasting solutions to the global overcapacity problem.

206. Japan noted that market distortive subsidies had been recognized as one of the causes for global overcapacity by various international fora including G20 Leaders' Summit and the Ministerial Meetings. Japan was of the view that it was important for Members to deepen the discussions on the necessity to strengthen the current subsidy deregulations. In this regard, it was important for each Member to comply with the existing notification obligations. Japan also emphasized that the joint proposal did not intend to discuss the overcapacity problem itself, but instead to discuss the necessity to strengthen subsidies disciplines by taking into account the overcapacity problem. Since the problem of overcapacity was also present in various industrial sectors other than steel, the Committee was the appropriate forum to discuss the subsidies disciplines and subsidies in general.

207. Israel believed that industrial overcapacity had become a major problem with serious negative consequences stemming from the distortions it caused on international trade. Therefore, this was an opportunity for the Committee to address that issue through a focused and detailed debate. Israel highlighted that the discussions could be beneficial for and could also benefit from a parallel discussion held in different fora.

208. Australia had preliminary comments on the paper submitted by the co-sponsors. It shared the concerns over global overcapacity problem which was real and the impacts of which were seen in the Australian market as well. Although there were other fora that were looking at overcapacity in specific sectors, the Committee, which had the expertise, could appropriately conduct parallel work. As a preliminary comment, Australia indicated that it was not clear what the options were for addressing the issue and the way that the co-sponsors were looking to take this exercise. Australia shared the view that transparency was a vital first step to understand what was happening in the market. Therefore it was concerned with the declining compliance with the subsidy notification obligation.

209. Mexico recalled that it had expressed its concerns over the issue of overcapacity jointly with the European Union, Japan and the United Stated at the October 2016 meeting. One of the major effects of those subsidies was the artificial increase in supply at the international level and the market distortions it created. As it had become difficult to maintain the existing situation, it became necessary to find ways to cope with it. In this regard, it was important for Members to contribute to understand what had happened and then they could take actions to avoid the situation getting worse to the detriment of the correct functioning of the market. Mexico agreed with the idea that the objective was to identify the contribution of certain subsidies on overcapacity which was full of with challenges, and a fundamental step forward would be to increase transparency.

210. Mexico reiterated its readiness to have a discussion in the Committee as well as in other international fora with the participation of those countries that had been affected by the overcapacity and those others that had contributed to the existing situation.

211. Korea noted that overcapacity had become a major problem in the global economy and G20 Leaders in Hangzhou had recognized the need for collective action to deal with the issue which had let to the creation of the Global Forum to address overcapacity in the steel sector. The EU's proposal was meaningful as the discussion on the potential relationship between subsidies and overcapacity within the mandate of the Committee could complement the work of the Global Forum. Despite different views on how and to what extent subsidies should be discussed, Members could build a common understanding on the potential role of the Committee through an open-minded dialogue.

212. As the EU's proposal indicated, transparency was one of the most crucial elements to facilitate informed discussions; therefore great emphasis had been given on information sharing in the Global Forum. In this regard, Korea encouraged Members to join efforts to enhance transparency, including through implementation of the notification obligations under the WTO.

213. The Russian Federation reiterated its view that industrial overcapacity was one of the major problems of the global economy that distorted international trade and welcomed the efforts to overcome it, in particular within the Global Forum on Steel Excess Capacity. Collective action was needed to address the challenges arising from overcapacity and subsidies were not the only face of the problem. Other causes should be equally addressed to be able to get a result from the efforts.

214. For instance, another major factor contributing to overcapacity was trade protectionism. Broad use of trade-restrictive measures, in particular trade remedies, was a reaction to market failures arising from the excess capacity which exaggerated those failures at the same time. Reactive measures negatively affected trade flows and hampered competition. As a result, the exporters subject to such measures also suffered from global excess output and had to seek compensation for the loss of export markets. For that reason, trade-restrictive measures were not a lesser factor boosting overcapacity compared to subsidies. Looking into subsidies only would be a one-sided approach which was unlikely to be effective.

215. According to the Russian Federation, Members should first draw an all-inclusive picture of the strategy to tackle excess capacity. In this regard, the first thing to do was to pick all the fruit from the Global Forum. The Russian Federation was hoping that the first report of the Global Forum to the G20 Ministers would highlight all the elements of the problem and afterwards Members could see how they could use the venues of the Committee as well as other Rules Committees to eliminate the negative effects of excess capacity.

216. Turkey was still examining the paper. The issue had different angels and Turkey was fully aware that Members were dealing with the overcapacity problem in different fora. Turkey requested the co-sponsors to clarify what was meant by more stringent disciplines and how Members could deal with the problem within the disciplines of the Committee.

217. China recalled its previous statement made at the beginning of the meeting and reiterated that the Committee was not the proper forum to discuss overcapacity and subsidies were not the major cause of it. It echoed the views of the Russian Federation and reiterated that overcapacity was a global, periodic and structural problem and the root cause of overcapacity was not subsidies but the slow recovery of the global economy as well as the sluggish demand conditions since the

international financial crisis in 2008, which was also confirmed by the G20 Leaders previous year in China. The overuse of trade remedies made that situation even worse. Focusing on only subsidies ignoring other important elements would not help to solve the problem but would lead Members to an erroneous direction and cause a rise in protectionism.

218. With respect to the view that subsidies were not the major cause of the overcapacity, the European Union indicated that market forces such as decrease in demand might also play an important role in contributing to overcapacity. However, the relevance of market forces diminished sharply when the state functioned as the leading economic actor and retained a significant role in resource allocation. Under such a scenario, subsidies became the dominant contributor of excess capacities because governments pursued their policies without taking supply and demand properly and adequately into account when making their decisions. As the EU had indicated previously, the co-sponsors were proposing to address only the subsidies within the Committee. Other factors, such as the demand conditions, would be addressed in other fora, including the Global Forum. The EU also noted that they had received overwhelming support and since the Committee met only twice a year there was a need for a concrete course of action. As suggested by Korea, it would be an open dialogue among Members which was necessary for confidence to engage in further discussions. One step would then follow the other. The EU also agreed with others underlying the need for greater transparency through notifications.

219. China noted that the WTO was not based on majority and only less than ten Members had spoken on that topic. It was premature to draw any conclusion that an overwhelming majority had agreed to discuss the overcapacity issue in the Committee. It reiterated its position noting that subsidies were not the main cause for overcapacity but the lack of demand was. There were other factors but the market factor was the most important one compared to the so-called subsidy factors. Finally, China reiterated that since the issue was not within its terms of reference, it should not be discussed in the Committee.

220. The Chair noted that there were divergent views including on the potential role that the Committee could play and encouraged the co-sponsors to reach out other Members to find a common ground and to explore what kind of role the Committee could play.

221. The Committee took note of the statements made.

16 OTHER BUSINESS

16.1 Support Measures for the Construction of a New Cement Facility in Quebec, Canada – Item Requested by the United States

222. The United States indicated that it had a number of concerns about support provided by governmental entities for the development of a new cement facility in Port-Daniel-Gascons, Québec.

223. First, although a facility at that site had been under consideration since the 1990s, it had never attracted sufficient commercial investment. According to press reports, non-governmental participants in the project had explained that the official support made the project possible which indicated that commercial financing had not been available previously perhaps because the project had been too risky and high financing charges had made the project economically unfeasible.

224. Second, the magnitude of the support was quite significant, a half billion dollars in loans and equity investment all by government-owned entities.

225. The US was concerned that both the government and company officials involved in the project had indicated that a significant amount of the plant's subsidized production would be exported to the US. The creation of a new cement producer with nearly half a billion dollars in government funds which would focus on exporting much of its production to the US could have serious and troubling consequences for the US cement producers. The US asked the Governments of Canada and Québec to demonstrate that those support measures were on commercial terms and not contingent to *de facto* export performance. The US also expected Canada to notify those support measures to the Committee as soon as possible if they met the definition of a specific subsidy.

226. Canada noted that it was a strong supporter of the rules-based trading system and continued to take its obligations under the Agreement very seriously. Although the measures in question were under the per-view of the Québec Government, the Government of Canada was confident that they were fully consistent with its international obligations. Canadian and the US officials had met bilaterally in the past to discuss the US' concerns and Canada would make itself available to the US to discuss the issue.

227. The Committee took note of the statements made.

17 DATE OF NEXT REGULAR MEETING

228. The Committee decided to hold its next regular meeting during the week of 23 October 2017, with the exact date to be confirmed in due course. As usual, that meeting would be immediately preceded by a special meeting for review of subsidy notifications.

18 ELECTION OF OFFICERS

229. The Chair informed Members that consultations as regards the selection of the new chair of the Council of Trade in Goods (CTG) and the chairs of the Committees under the CTG were still under way. The Chair suggested that the Secretariat send a fax once the CTG has completed its work, indicating the Chair identified by the CTG. The new Chair would be deemed to be elected by the Committee absent any objection.[9] The Chair proposed to postpone the election of a Vice-Chairperson until the new Chair was appointed.[10]

230. The meeting was closed.

[9] On 22 May 2017 a fax was sent conveying to the membership the appointment of Ms Ieva Baršauskaitė (Lithuania) by the CTG as the Chair of the Committee. No objection was received and the Chair was deemed to be elected by the Committee.

[10] On 11 July 2017, Ms Ieva Baršauskaitė, the Chair of the Committee, sent a fax to the membership conveying the appointment of Mr Dick K.Y. Mak (Hong Kong, China) as the new Vice-Chair of the Committee. No objection was received and the Vice-Chair was deemed to be elected by the Committee.