Sub-Group III-A

ADDITIONAL PROVISIONS ON EXPORT SUBSIDIES

Proposal by the delegations of Denmark, the United Kingdom and the United States of America

Attached is a proposed text of additional provisions dealing with export subsidies prepared by the delegations of Denmark, the United Kingdom, and the United States of America. This text was developed by the three delegations after extensive consultations with other contracting parties and is offered as a compromise solution to this problem which it is hoped will prove generally acceptable. It is contemplated that, in addition to the attached text, the Working Party report would clarify the relationship to the text of Article XV:9(a), the question of the lack of previous export history for the purpose of determining an equitable share, and the question of tax exemptions on exported products.

1. The CONTRACTING PARTIES recognize that the granting by a contracting party of a subsidy on the export of any product may have harmful effects for other contracting parties, both importing and exporting, cause undue disturbance to their normal commercial interests and may hinder the achievement of the objectives of this Agreement.

2. Accordingly, contracting parties should seek to avoid the use of subsidies on the export of agricultural products and other primary commodities. If, however, a contracting party grants any form of subsidy which operates to increase the export of any agricultural product and other primary commodity from its territory, such subsidy shall not be applied in a manner which results in that contracting party having more than an equitable share of world export trade in individual markets for that product, account being taken of the shares of the contracting parties in such trade in the product during a previous representative period, and any special factors which may have affected or may be affecting such trade in the product.

3. A system for the stabilization of the domestic price or of the return to domestic producers of an agricultural commodity or fisheries product, independently of the movements of export prices, which results at times in the sale of the commodity for export at a price lower than the comparable price charged for the like commodity to buyers in the domestic market, shall be considered not to involve a subsidy on export within the meaning of paragraph 2 of this Article, if the CONTRACTING PARTIES determine that

(a) the system has also resulted, or is so designed as to result, in the sale of the commodity for export at a price higher than the comparable price charged for the like commodity to buyers in the domestic market; and
(b) the system is so operated, or is designed so to operate, either because of the effective regulation of production or otherwise, as not to stimulate exports unduly or otherwise seriously prejudice the interests of other contracting parties.

4. Furthermore, no contracting party shall grant directly or indirectly any form of subsidy on the export of any product not mentioned in paragraph 2 which subsidy results in sale of such product for export at a price lower than the comparable price charged for the like product to buyers in the domestic market. Subject to the provisions of paragraph 5(b) below, contracting parties shall give effect to the provision of this paragraph at the earliest practical date but not later than 1 January 1958.

5. (a) No contracting party shall extend the scope of any subsidization of the kind described in paragraph 4 beyond the scope existing on 1 January 1955, by the introduction of new or the extension of existing subsidies.

(b) If any contracting party considers itself unable to give effect to the provisions of paragraph 4 in respect of any particular product or products by 1 January 1958 it shall, not later than 1 October 1957, give notice in writing to the CONTRACTING PARTIES of the circumstances requiring their continuation on a temporary basis. The CONTRACTING PARTIES shall review annually any subsidies thus maintained and may make recommendations to the contracting parties with a view to their progressive elimination. Such notice shall be accompanied by a full analysis of the subsidies in question and the circumstances justifying them. In making their recommendations, the CONTRACTING PARTIES shall decide whether any temporary adjustments should appropriately be made in the application to the contracting party of the provisions of paragraph 4. In reaching their decision the CONTRACTING PARTIES shall give due consideration to the needs of economic development and to any special problems of a temporary nature of the contracting party.

6. The CONTRACTING PARTIES shall review the operation of the provisions of this Article from time to time with a view to examining its effectiveness, in the light of actual experience, in promoting the objectives of this Agreement and avoiding subsidization seriously prejudicial to the trade of contracting parties.

Notes

The Australian representative has also proposed:

1. that the words "agricultural products" in paragraphs 2 and 3 be replaced by "primary products";

2. that the words "non-agricultural product" in line 2 of paragraph 4 be replaced by "product which is not a primary product";

3. the following interpretative note:
"For the purposes of this Article 'primary product' means any product of farm, forest, fishery, or any mineral, in its natural form or which has undergone such processing as is customarily required to prepare it for marketing in substantial volume in international trade."

The Italian representative has proposed:

1. that a definition be given to the term "agricultural products";

2. that the criteria in the last sentence of paragraph 5(b) should include account of the injury which the decision of the CONTRACTING PARTIES may cause to the trade of other contracting parties.