The Working Party directed its attention to the following questions:

- subsidies
- countervailing measures and anti-dumping duties
- state trading
- liquidation of non-commercial stocks and disposal of surpluses
- general exceptions.

In presenting this progress report I would plead with members of Working Party III to bear in mind that it is not intended to present all views in detail, but to give the contracting parties an overall picture of the problems that face us so that in the course of the recess they may study the points outstanding, review their position in the light of the situation and return to the meetings in January prepared to bring to a conclusion the task we have set ourselves.

I. SUBSIDIES

The problem of subsidies has been sub-divided under four headings:

- direct export subsidies
- other export incentives
- domestic subsidies
- countervailing measures and anti-dumping duties.
A. Export subsidies and other export incentives

After a general discussion in the Working Party the examination of this subject, and of the closely related other export incentives, was referred to a sub-group, and contracting parties are in possession of the progress report (W.9/102) which I made to the Working Party as Chairman of that sub-group. It will be seen from the report that the sub-group has succeeded in clarifying the issues and eliminating some minor divergences without however doing away with the principal differences of viewpoints. The discussion of the report has shown clearly the existence of three major tendencies represented by:

1. those who would like to see in the Agreement a total prohibition of export subsidies;

2. those who wish to retain the present text although they might be prepared to accept certain amendments;

3. those who favour a prohibition with exceptions of varying nature. To this group belong also representatives who, while favouring a total prohibition, or desiring the retention of the present provisions, are disposed, in a spirit of compromise, to agree to a prohibition with exceptions in well-defined cases.

The positions of delegations in the first two groups were sufficiently clear and simple as to require very little explanation. The Working Party therefore devoted most of its time to a discussion of the varying proposals of countries mentioned in the third group who held an intermediate position.

Delegations will find in the report of the Chairman of Sub-Group III-A (W.9/102) a discussion of the principal differences of opinion that emerged. Without repeating what is said there, I want to stress that the issues on which the most important differences remain were as follows:

1. Whether any exceptions to a rule against subsidies should make a distinction among different classes of commodities; more specifically, whether manufactured goods should be treated differently from agricultural commodities or primary goods.

2. Whether any exceptions permitted should be limited to subsidies which do not take more than a fair share of the market, subsidies which do not involve offers at below world market prices, or a combination of these two criteria.

3. Whether export incentives other than direct subsidies should be covered by the rules.
4. Whether a transitional period should be permitted before the new rules come into effect, and

5. Whether the prior concurrence of the Organization should be required before an exception is allowed.

B. Domestic subsidies

The present Article XVI includes in its terms domestic as well as export subsidies which have the effect of increasing exports or decreasing imports. Therefore, the subject of domestic subsidies was incidentally covered in the discussion of proposals to maintain this text either without change or as part of an enlarged article on subsidies. The principal proposal in this field is that of the Australian delegation (W.9/88) which would make internal subsidies the subject of negotiation. This proposal will have to be examined at a later stage.

C. Anti-dumping duties and countervailing measures

The principal proposal in this field was that of New Zealand (L/270/Add.1) which would

(a) permit the imposition of quantitative restrictions in certain cases instead of countervailing duties,

(b) enable a contracting party to take countervailing action for the protection of another contracting party without action by the Organization.

The discussion has shown that there is considerable division between the delegations on this proposal.

The Government of the Netherlands has proposed orally that if the contracting parties should find that dumping or subsidization of exports causes or threatens serious injury to an industry in the territory of a contracting party resort to anti-dumping or countervailing measures should be made obligatory upon importing contracting parties. This proposal has also found its opponents and its adherants and will have to be debated further.

Other proposals to amend the provisions relating to countervailing measures with regard to tax reimbursement on exported products were deferred for consideration at a later stage.

In view of the fact that Article VI is also being dealt with in Review Working Party II, any proposals on this subject will be referred to that Working Party.
II. LIQUIDATION OF NON-COMMERCIAL STOCKS AND DISPOSAL OF SURPLUSES

The discussions in the Working Party of these two questions were frequently linked. Two proposals have been submitted, one by the Chilean delegation (L/272/Add.1) dealing with non-commercial stocks, and one by the Australian delegation (W.9/78) dealing with both matters. Although the lack of instructions on the part of a number of delegations made a substantive discussion impossible, some consideration was given to the question of whether the two subjects should be discussed separately or together. The consensus of the Working Party appears to be that the two subjects should be separately treated. After the chairman of the Sub-Group had made his progress report, the representative of the United States made a statement on the intentions of his government with respect to the disposal of agricultural surpluses, and indicated the type of consultations they envisaged in this matter. Several members of Working Party III asked that the United States statement be reproduced so that it could be thoroughly discussed. The United States statement has been reproduced in document W.9/117.

III. GENERAL EXCEPTIONS

Proposals have been presented by Denmark, Germany, Norway and Sweden for the deletion of Part II of Article XX. Others have expressed agreement with the proposal but would retain sub-para. (a) dealing with measures essential to the acquisition or the distribution of products in general or local short supply. Others would keep part II in an amended form. Several delegations indicated that it would be difficult to take up a position on this matter until the nature of the proposed new obligations under the Agreement were clearer than at present and therefore expressed the wish that the discussion take place later in the Session.

IV. STATE TRADING

The Danish proposal (L/273), involving the incorporation into the General Agreement of the provisions of Article 31 of the Havana Charter plus a paragraph requiring contracting parties to report annually on their state trading operations, received a quite thorough examination. A proposal by the Australian delegation was submitted too late for any discussion and will be examined in forthcoming meetings.

The major provisions in the Danish proposal which are not already covered by the General Agreement are indicated in the Progress Report of the Chairman of Sub-Group B (W.9/99):

1. the obligation to negotiate with the object of limiting protection afforded by export and import monopolies;

2. the obligation upon contracting parties, even in the case of unbound items, to make public, or notify the Organization of, the maximum import duty as defined in the Danish proposal which will apply for the product concerned;
3. the application to export, as well as import monopolies of the obligation to negotiate;

4. the requirement that due account be taken of the fact that some state monopolies are established and operated mainly for social, cultural, humanitarian or revenue purposes;

5. the submission of annual reports on state trading operations to the Organization.

The Secretariat has prepared an analysis of the state trading provisions which are at present in the General Agreement and this has been annexed to the report of the Chairman of the Sub-Group.

Although not all delegations have received instructions from their governments there has been some support for the Danish proposal as a whole and some delegations would appear to favour the incorporation into the Agreement of one or more of the points of the proposal.

Other delegations have expressed preference for the provisions of the Agreement in their present form. Further, some delegations have not been able to take a position because they had not received instructions from their governments.