Satisfactory agreement for dealing with problems in the areas of subsidies and countervailing measures is an important MTN objective. To this end, there is agreement to draw on the present GATT rules and procedures with a view to improving their effectiveness by way of elaborating some of their aspects.

A preliminary outline of a possible approach to the subsidy/countervailing duty negotiations is set forth below. This outline is not exhaustive and does not prejudice the final form of a possible agreement.

A. SUBSIDIES

1. Subsidies in general

Subsidies can promote important objectives of national policy. They can also cause or threaten serious prejudice to the trade interests of any other contracting party /in home or other country markets/ by increasing exports or reducing imports. The contracting parties should seek to avoid using subsidy practices in a manner which would cause or threaten to cause serious prejudice to other parties.

/[In this connexion, more detailed guidelines with respect to the use of certain subsidies and counter-measures would be desirable./]

More effective notification, consultation and dispute settlement procedures with respect to problems raised by subsidies would also be desirable.

2. Export subsidies

Recognition that export subsidies may have harmful effects.

Agreement should be sought not to use export subsidies, on non-primary products. To this end, an updated illustrative list of such export subsidies should be developed. /[Together with a definition of export subsidies to be negotiated/, this illustrative list shall guide countries in complying with the commitment not to use export subsidies on non-primary products. The use of such subsidies would, prima facie, result in nullification and impairment, and, in such cases, appropriate international procedures would be followed.
3. Export subsidies on primary products

Agreement that countries should seek to avoid the use of export subsidies for primary products in such a manner as to capture more than an equitable share of the world market. Recognition that commodity agreements may have consequences on the use of export subsidies which could limit the level of export subsidies on the products covered by such agreements.

Recognition that there may be special factors which apply to trade in primary products and, in particular, the use of subsidies in such trade. Agreement that contracting parties should seek to avoid the use of export subsidies for primary products and agreement not to use such subsidies to capture a larger share of a national market or, except as may be otherwise agreed, to maintain such a market share.

For particular agricultural products, specific rules on the use of subsidies and countervailing measures may be developed in a commodity context. In addition, agreement might be developed under which export subsidies would not be used, or would be limited, for specific agricultural products. The use of subsidies in a manner inconsistent with an agreement would result in nullification and impairment of such an agreement.

To the extent that no general understandings can be reached concerning subsidies in the field of primary products, the status quo on countervailing duties in this field would remain.

B. COUNTERVAILING DUTIES

Agreement should be sought whereby a meaningful test of injury under Article VI would be applied in connexion with the imposition of countervailing duties; criteria to be taken into account in determining injury should be defined.

More effective notification consultation and dispute settlement procedures with respect to problems raised by countervailing duties would be desirable.

C. SPECIAL AND DIFFERENTIAL TREATMENT FOR DEVELOPING COUNTRIES

The special situation of the developing countries and their developmental needs should be taken into account.