1. The Committee held a special meeting on 27 October 1988. The purpose of this meeting was to afford the Committee the opportunity to discuss notifications of subsidies under Article XVI of the General Agreement by signatories of the Agreement. Full notifications had been circulated in addenda to document L/6111. Notifications of changes to these full notifications had been circulated in addenda to document L/6297.

2. The Chairman said that if some signatories needed more time to reply to questions raised at this meeting on their notifications, the Committee would revert to such questions at a special meeting early in 1989 or at its regular meeting in April 1989. He invited signatories who were unable to respond at this meeting to all questions raised, to provide written replies not later than the end of January 1989. In 1989 the Committee would also examine notifications of subsidies by signatories who were not present at the meeting and notifications which had not been received in time for this meeting. In this respect he pointed to the fact that many signatories had not yet submitted updating notifications for 1988.

Hong Kong (L/6111/Add.1 and L/6297/Add.1)

3. No comments were made on these notifications.

Finland (L/6111/Add.2 and L/6111/Add.2/Suppl.1)

4. The Chairman said that a full notification due in 1987 had been received from Finland and circulated in documents L/6111/Add.2 and L/6111/Add.2/Suppl.1; no updating notification had been received so far.

5. The representative of Finland explained that document L/6111/Add.2 provided information on industrial subsidies while document L/6111/Add.2/Suppl.1 contained information on agricultural subsidies. On

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1 The term "Agreement" refers to the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade.
the written question submitted by the delegation of the United States, he said that his delegation had replied in writing to this question.

6. The representative of the United States thanked the delegation of Finland for its prompt reply.

7. The Committee took note of the statements made.

India (L/6222/Add.4)

8. The Chairman said that, while a full notification of subsidies had been received from the delegation of India (L/6111/Add.4), no updating notification had been submitted so far.

9. Since the representative of India was not present at the meeting, the Committee agreed to revert to the notification by India in 1989.

Canada (L/6111/Add.5 and L/6297/Add.8)

10. The Chairman said that a full notification of subsidies by Canada had been circulated in document L/6111/Add.5; an updating notification had been received very recently (document L/6297/Add.8).

11. The representative of Canada said that his delegation had recently submitted a revised notification of subsidies pursuant to Article XVI:1 of the General Agreement. This notification, circulated in document L/6297/Add.8, applied to the period 1985-1986, or more recently where possible, and revised the data covering the period 1984-1985 which had been notified in document L/6111/Add.5 of 26 June 1987. It was not at all clear to what extent certain programmes constituted subsidies within the meaning of Article XVI:1 of the General Agreement. Nevertheless, the Canadian authorities took the obligation to notify subsidies very seriously and had, therefore, made their notifications in a spirit of openness and out of recognition of the need for greater transparency in the use of subsidies affecting trade. In this respect he noted that the Canadian notification of subsidies contained some 46 pages.

12. The representative of Canada made the following remarks in response to written questions submitted by the delegation of Australia. These questions appeared to relate, in part at least, to the earlier notification

1 See document SCM/W/162, page 2.
2 See document SCM/W/167.
3 Written questions submitted by the delegation of Australia regarding the notifications of Canada, the EEC, Japan, Korea and the United States were circulated to members of the Committee in document SCM/W/165. The questions on the notification by Canada appear on pp.15-16 of this document.
by Canada, circulated in document L/6111/Add.5, which had recently been revised. He, therefore, invited the Australian delegation to review this revised notification. By way of general comment on some of the issues raised by the Australian delegation, he said that with respect to agricultural programmes Canada had a good record of notifications. The Canadian authorities were presently preparing a notification covering the period 1986-1987 and any information on programmes in place during that period would be available in due course. At this time, his delegation was not in a position to respond in detail to the questions raised regarding any assistance provided in 1988. The Committee would, of course, be notified in a subsequent notification of programmes in force during the period 1987-1988 and his delegation would be prepared to answer any questions at that time.

13. In response to questions raised by Australia on the Fisheries Prices Support Board, the representative of Canada said that, due to favourable market conditions, no price stabilization payments had been made by the Board since 1986-1987. The extent of the Board's fiscal contributions to the sector in 1985-1986 amounted to only $233,000. The programme applied to any product of the commercial fisheries in Canada. In the past this had included, but had not been limited to, products such as herring, lobster, crab, groundfish and seal pelts. Regarding the method of determining minimum and maximum prices, he explained that the Board analyzed each request for assistance and prescribed a price or prices for fish, equal to some proportion (up to 100%) of: (a) the price prevailing in the previous operating season, or (b) the average price over a base period of three to five years, as deemed appropriate. This base price did not include any previous assistance. He gave the following data on the tonnage and value of fish purchased and sold under the programme during the past five years.

($)000's

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<tr>
<th>Year</th>
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<th>Sales</th>
<th>Net Cost</th>
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<td>Values</td>
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14. The representative of Canada said that in one of its written questions, the delegation of Australia had raised the issue of Federal/Provincial agreements. The delegation of the United States had also submitted some written questions on provincial programmes. These

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1See document SCM/W/162, pp. 1-2.
questions raised the important issue of the scope of the notification requirements under Article XVI:1 of the General Agreement. He noted that the Canadian notifications of subsidies covered federal programmes. By way of concluding remark, he said that the members of the Committee were well aware that the lack of clarity regarding what constituted a subsidy had, in part, been the cause of some divergency of views regarding what was notifiable under Article XVI:1 of the General Agreement. The issue of the notification requirements under Article XVI:1 had been raised as an issue for negotiations in the Uruguay Round and his delegation hoped that these negotiations would result in greater direction regarding the subsidy notification requirements.

15. The representative of Australia thanked the representative of Canada for his replies. While it was desirable that the notifications of subsidies contain data on current programmes, he recognized that it was often very difficult to provide such data. In response to the remarks by the representative of Canada regarding the scope of notifications under Article XVI:1 of the General Agreement, he said that it was indeed important to consider whether programmes administered at the state level in a federation should be notified. However, the specific question asked by his delegation on the Canadian notification did not relate to programmes administered by Canadian Provinces but to joint Federal/Provincial programmes under which the Federal Government contributed to the financing of projects in certain provinces. In the view of his delegation, the fact that the Provinces were also contributing to such projects did not affect Canada's obligation to notify the contribution by the Federal Government under Article XVI:1 of the General Agreement.

16. The representative of the United States explained that the questions raised by his delegation on certain Canadian Provincial programmes related to export subsidies. The first of these questions concerned export support loans and loan guarantees provided by the Ontario Development Corporation. Given that Ontario was one of the larger industrial Provinces of Canada, he considered that it was appropriate for Canada to notify certain Provincial programmes which had an important impact upon production and output in, and exports from, Canada.

17. The representative of Canada reiterated that the question by the United States on certain Canadian Provincial programmes raised the issue of the scope of the notification obligation under Article XVI:1 of the General Agreement. His delegation was prepared to discuss this issue in the appropriate forum. Referring to the previous statement made by the representative of the United States, he sought clarification whether the representative of the United States considered that only export subsidies, or also domestic subsidies granted at the state level should be notified.

18. The representative of the United States said that export subsidies granted by authorities of states or provinces should in any event be notified; the question whether domestic subsidies granted by state governments should be notified could be discussed in the forum referred to by the representative of Canada.
19. The Committee took note of the statements made.

Brazil (L/6111/Add.6 and L/6111/Add.6/Corr.1)

20. The Chairman said that a full notification of subsidies by Brazil had been circulated in documents L/6111/Add.6 and L/6111/Add.6/Corr.1; the delegation of Brazil had not yet submitted an updating notification.

21. The representative of Brazil said that at this time it would be premature for his delegation to submit a revised notification given that his authorities were preparing the new fiscal budget. On the questions raised by the delegation of the United States he said that his delegation would reply in writing.

22. The Committee took note of the statement made by the representative of Brazil.

Turkey (L/6111/Add.7)

23. The Chairman said that a full notification had been received from the delegation of Turkey (L/6111/Add.7) but that so far the delegation of Turkey had not submitted an updating notification.

24. Since the representative of Turkey was not present at the meeting, the Committee agreed to revert to the notification by Turkey in 1989.

Uruguay (L/6111/Add.8 and L/6297/Add.2)

25. The Chairman said that a full notification had been received from Uruguay and circulated in document L/6111/Add.8; an updating notification had been circulated in document L/6297/Add.2.

26. Since the representative of Uruguay was not present at the meeting, the Committee agreed to revert to the notification by Uruguay in 1989.

Chile (L/6111/Add.9 and L/6297/Add.7)

27. The Chairman said that document L/6111/Add.9 contained a full notification by Chile; an updating notification had been circulated in document L/6297/Add.7.

28. Since the representative of Chile was not present at the meeting, the Committee agreed to revert to these notifications in 1989.

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1See document SCM/W/162, page 1.
29. The Chairman said that a full notification by Yugoslavia had been circulated in document L/6111/Add.11; an updating notification had been circulated in document L/6297/Add.5.

30. No comments were made on these notifications.

Korea (L/6111/Add.12 and L/6297/Add.10)

31. The Chairman said that a full notification of subsidies by the delegation of Korea had been circulated in document L/6111/Add.12; the information in this document had been updated in a recent communication from Korea which had been circulated in document L/6297/Add.10.

32. The representative of Korea said that in document L/6111/Add.12 his delegation had provided information on five programmes. The statistical data given in this document covered the period 1986-1987; the notification circulated in document L/6297/Add.10 contained statistical data for the year 1987. The five programmes notified were the Agricultural Price Stabilization Programme, the Foodgrain Procurement Programme, the Sericulture Promotion Programme, the Livestock Price Support Programme and the Export Financing Programme. These programmes were mainly used to stabilize agricultural prices and were not designed to increase production or promote import substitution. In response to the written questions on his delegation's notification submitted by the delegation of Australia he made the following remarks. Regarding the Foodgrain Procurement Programme, he said that its purpose was to moderate price fluctuations and to secure a certain stock of food grain for use in case of emergency. The objective of this Programme was certainly not to maintain domestic prices at a level higher than world market prices. He emphasized that rice production in Korea took place on very small acreages and that more than 88 per cent of the farmers in Korea produced rice. Income from rice production constituted 58 per cent of the gross income of the average farm household. In light of these facts, his Government considered it essential to secure income stability for these farmers. On the need to secure a certain stock of food grain for use in case of emergency, he explained that the self-sufficiency rate in the Korean grain sector was only 41 per cent. His authorities were of the opinion that this programme had no effects on trade.

33. In response to the written questions by Australia on the Livestock Price Support programme, the representative of Korea said that the production of beef was subject to periodic fluctuations. For example, production of cows had varied from 91,000 metric tonnes in 1984 to 151,000 metric tonnes in 1986. The purpose of this Programme was to avoid that these fluctuations in production would result in price instability and

1See document SCM/W/165, pp. 17-18.
not to promote increased production of beef by the use of target prices. Consequently, this programme had hardly any effect on international trade. As a result of the decline in domestic over-production of beef, the Korean authorities had taken certain steps in July 1988 to liberalize imports of beef. By the end of this year they would announce the amount of imports of beef permitted for the year 1989. On the questions raised by the delegation of Australia on payments by the Korean authorities to producers of red peppers and garlic, he said these products were also characterized by important supply fluctuations. Under the Agricultural Price Stabilization Programme the Korean Government stabilized the prices of these products, without, however, promoting an increase in the level of production. The payments made under this programme were flexible and determined by the fluctuations in the level of production. At this time his delegation was not in a position to provide calculations of the effects of the subsidies granted under this programme.

34. On the questions submitted by the delegation of the United States, the representative of Korea said that his authorities would reply in writing. He requested the delegation of the United States to explain what was meant by "duty-drawback on non-physically incorporated inputs".

35. The representative of the United States said that this phrase referred to duty drawback on inputs which were not physically incorporated into the exported product, such as machinery. Duty drawback on non-physically incorporated inputs, which was a subsidy prohibited under the Agreement, had been the subject of a countervailing duty investigation conducted by the United States in 1986 concerning imports of certain stainless steel cooking ware from Korea.

36. The representative of Australia expressed his disappointment about the replies given by the representative of Korea to the questions raised by his delegation. The questions on the Foodgrain Procurement Programme and the Livestock Price Support Programmes related to the trade effects of these programmes. Under the customary procedures for notifications under Article XVI:1 of the General Agreement, contracting parties were required to provide data on such trade effects. This type of data had not been provided by the Korean delegation. On the remarks made by the representative of Korea on the need for food security, he said that the views of his delegation on this issue were well known and that it did not accept this argument as a justification of certain types of subsidies. While he was not disputing that the Korean Government might be pursuing the objectives of food security and price and income stability by granting subsidies, he emphasized that it was not the objective of a programme which

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1See document SCM/W/162, page 3.

determined its effect on international trade. Regarding the subsidies granted to producers of red peppers and garlic, he requested the Korean delegation to provide in writing estimates of the effects of these subsidies.

37. The representative of Korea said that, in the interest of transparency, his Government had notified certain programmes even if it did not consider them subsidies within the meaning of Article XVI:1 of the General Agreement; this applied in particular to the Sericulture Promotion Programme and the Export Financing Programme. In response to the remarks made by the representative of Australia on the need to give data on trade effects, he said that there was a wide range of governmental and private practices which to some extent had effects on trade. The examination of subsidy notifications by the Committee could not cover all such practices.

38. The representative of Australia said that the existing provisions and procedures concerning notifications of subsidies required that the trade effects of subsidies be considered. While it was often very difficult to quantify in an accurate manner trade effects of subsidies, one could nevertheless question sweeping statements of the kind made by the Korean delegation in its notification, which denied that the subsidies granted by Korea had any effect on trade. For example, in the case of the Foodgrain Procurement Programme, the Korean authorities alleged that it "appears to have no adverse effect on international trade." However, given that the notification also provided evidence on substantial expenditures made by the Government of Korea under this Programme, one would expect prima facie that these subsidies had an import-substitution effect. A similar comment could be made on the claim by the Korean delegation that the Livestock Price Support Programme did not affect international trade.

39. The representative of Korea said that it was very difficult to calculate the trade effects of the subsidies granted by his Government. He reiterated that the objective of these subsidies was not to increase domestic production. His delegation would attempt to provide more precise data on trade effects of these subsidies at a later stage.

40. The Committee took note of the statements made.

Switzerland (L/6111/Add.13)

41. The Chairman said that a full notification of subsidies by the delegation of Switzerland had been circulated in L/6111/Add.13 and Corr.1; so far, no updating notification had been received.

42. Since the representative of Switzerland was not present at this meeting, the Committee agreed to revert to this notification in 1989.

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1 See document L/6111/Add.12, page 4.
2 See document L/6111/Add.12, page 8.
Australia (L/6111/Add.14)

43. The Chairman said that the full notification submitted by Australia had been circulated in document L/6111/Add.14; an updating notification would be circulated shortly in document L/6297/Add.9.

44. The representative of Australia, referred to the earlier discussion on the scope of the subsidy notification obligations. In general, his delegation considered that the notification procedures under Article XVI:1 of the General Agreement and the examination of notifications of subsidies in the Committee were important to ensure transparency and to monitor the observance by signatories of their obligations. It followed from Article XVI:1 of the General Agreement and the procedures established for the submission of notifications under this provision that these notifications should be as broad as possible; in case of doubt, a programme should be notified. The notifications of subsidies provided insight into which practices different signatories considered subsidies and were thus relevant to the negotiations in the Uruguay Round Negotiating Group on Subsidies and Countervailing Measures. He welcomed the fact that a number of signatories had notified that they were not granting any subsidies within the meaning of Article XVI:1 of the General Agreement. At the same time, he was concerned about the absence of notifications of certain subsidies, in particular subsidies granted by member States of the EEC. In this connection he said that, in their capacity as contracting parties to the General Agreement, the EEC member States remained subject to the obligations of Article XVI:1 of the General Agreement.

45. The representative of Australia then replied to the questions on the Australian notification which had been raised by the delegation of the United States in document SCM/W/162. These replies appear in document SCM/W/166.

46. The representative of the United States noted that the representative of Australia had said that the Bounty (Metal Working Machines and Robots) Act 1985 placed no restrictions on the markets in which advanced bountiable equipment could be sold. He asked whether there were actual predominant markets in which this equipment was sold.

47. The representative of Australia replied that under this programme subsidies were granted on the production of the subject goods, irrespective of their destination. In practice, most of the goods covered by the programme were sold in the Australian domestic market.

48. The Committee took note of the statements made.

Sweden (L/6111/Add.15)

49. The Chairman said that Sweden had submitted a full notification which had been circulated in document L/6111/Add.15; the Swedish delegation had not yet provided an updating notification.
50. The representative of Sweden said that the notification by her delegation contained two parts; the first part provided information on industrial subsidies and the second part contained information on agricultural subsidies. She regretted that her delegation had not yet submitted an updating notification and expected that such a notification would be provided in the near future. In response to the first question raised by the United States on the Swedish notification, she said that, as explained on page 11 of document L/6111/Add.15, the beneficiaries of the Swedish research and development subsidies were universities, institutes, co-operative research institutes, enterprises and private inventors. This programme was generally available and did not favour a specific industry or group of industries. She added that this programme also provided for repayment obligations once projects were commercially successful. In fiscal year 1985-1986 SEK 455 million had been spent under this programme of which SEK 104 million had been granted to the private sector. In reply to the second question by the United States, regarding the industries benefiting from Swedish Industrial Fund grants, she said that in fiscal year 1987-1988, SEK 57 million had been spent under this programme. Of this total expenditure, 50% had been allocated to the mechanical industry, 15% to the chemical industry, 5% to the foodstuff industry, 15% to other manufacturing industries and 15% to other sectors. She pointed out that under this programme loans had to be repaid if a project had become commercially viable.

51. The representative of the United States requested the representative of Sweden to provide her replies in writing.

52. The Committee took note of the statements made.

Austria (L/6111/Add.16 and L/6297/Add.3)

53. The Chairman said that a full notification by Austria had been circulated in document L/6111/Add.16; an updating notification had been circulated in document L/6297/Add.3.

54. Since the representative of Austria was not present at the meeting, the Committee agreed to revert to these notifications in 1989.

United States (L/6111/Add.17)

55. The Chairman said that, while a full notification by the United States had been circulated in document L/6111/Add.17, the delegation of the United States had not yet submitted an updating notification for 1988.

56. The representative of the United States said that his delegation would provide an updating notification in the near future. Regarding the notification of subsidies contained in L/6111/Add.17, he explained that the

1 See document SCM/W/162, page 4.
United States basically maintained four categories of subsidies. The first category consisted of export credits, insurance and guarantees provided by the U.S. Export-Import Bank and the Foreign Credit Insurance Association. The sole purpose of these export credit subsidies was to maintain the export competitiveness of U.S. goods and services in light of subsidization by foreign governments. The second category consisted of subsidies granted under the Merchant Marine Act of 1936, as amended. However, since 1982, no funds had been appropriated under this Act and no funds were expected to be appropriated in the foreseeable future. The restrictive qualification requirements under this programme effectively precluded subsidized exports of vessels from the United States. The third category of subsidies consisted of a number of export assistance measures in the agricultural sector; the most important programme in this category was the Export Enhancement Programme. This programme was intended to ensure that exports of various agricultural commodities maintained their international competitiveness and was not intended to promote exports. The fourth category of subsidies consisted of various agricultural price support programmes; details of the operation of these programmes had been provided in Part IV of the document L/6111/Add.17).

57. The representative of the United States seconded the comments made by the representative of Australia on the need for broad notifications of subsidies by contracting parties; each contracting party should examine whether it maintained subsidies with potential trade effects and if there was a reasonable chance that such effects could occur, the subsidies should be notified. Regarding the questions on the notification by the United States which had been submitted by the delegation of Australia, he said that his delegation was not yet in a position to reply to these questions. He concluded by emphasizing that the assistance provided by the United States Government through export credit subsidies and the Export Enhancement Programme was only granted to meet foreign subsidized competition.

58. The representative of Australia said that he was looking forward to answers by the the United States delegation to his delegation's questions. Regarding the Export Enhancement Programme, he disagreed with the explanation given by the representative of the United States that this programme was only intended to meet foreign subsidized competition. There was sufficient evidence available demonstrating that this programme had led to increased market shares for exporters from the United States.

59. The representative of Canada echoed the remarks by the representative of Australia on the Export Enhancement Programme.

60. The Committee took note of the statements made.

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1See document SCM/W/165, pp. 12-14.
Philippines (L/6111/Add.18)

61. The Chairman said that a full notification had been received from the delegation of the Philippines and circulated in document L/6111/Add.18; the delegation of the Philippines had not yet submitted an updating notification.

62. Since the representative of the Philippines was not present at the meeting, the Committee agreed to revert to the notification by the Philippines in 1989.

EEC (L/6111/Add.19)

63. The Chairman said that the delegation of the EEC had submitted a full notification of subsidies which had been circulated in document L/6111/Add.19; the EEC had not yet submitted an updating notification.

64. The representative of the EEC said that his authorities would shortly submit an updating notification. His delegation had received written questions on the notification circulated in document L/6111/Add.19 from the delegations of Australia and the United States. Many of the points made by the delegation of Australia were comments rather than specific questions. Insofar as the delegation of Australia had put specific questions, his delegation would reply to these questions in the near future. With respect to the comments made by the delegations of Australia and the United States on the lack of information in the EEC notification on certain programmes, he said that, as illustrated by the remarks of other signatories at this meeting, there was a lack of precise guidelines to determine which measures were notifiable under Article XVI:1 of the General Agreement. Consequently, there was inevitably a certain degree of discretion exercised by contracting parties when notifying their subsidies. His delegation hoped that in the Uruguay Round agreement could be reached on the definition of a subsidy; such an agreement would avoid further controversies as to which programmes should be notified under Article XVI:1 of the General Agreement.

65. The representative of Australia said he was looking forward to receiving, in due course, answers from the EEC to the written questions submitted by his delegation. He reiterated his concern regarding the lack of information on subsidies granted by EEC member States and recalled that, as contracting parties to the General Agreement, they were required to notify their subsidies under Article XVI:1 of the General Agreement. There were, perhaps, political reasons explaining why the individual member States could not submit separate notifications but this did not detract from the fact that the member States had certain obligations under the General Agreement. Some information on aids granted by member States had

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1 See document SCM/W/165, pp. 2-7.
2 See document SCM/W/162, page 2
been provided in the first part of document L/6111/Add.19 but there were important programmes implemented by a number of member States in various sectors, including agriculture, which, if administered by the EEC authorities, would certainly have been notified. With regard to the comment made by the representative of the EEC on the discretion enjoyed by contracting parties under the procedures for the notifications of subsidies, he pointed out that where substantial programmes had a potential effect on trade, they should be notified in the interest of transparency. In this respect he also pointed out that some guidelines for the submission of notifications of subsidies were provided by the procedures adopted by the CONTRACTING PARTIES in the early 1960's. These procedures made it clear that notifications should be broad and that, in case of doubt, a programme should be notified.

66. The representative of Finland requested the delegation of the EEC to provide quantitative data on the subsidies granted by the EEC and its member States to shipbuilding and to the steel sector.

67. The representative of the United States agreed with the representative of Australia that the EEC should notify subsidies granted by its member States, in particular where such programmes were substantial or export-oriented. His delegation considered that notifications of subsidies should in any case include sector-specific direct aid the stated objective of which was to increase competitiveness of a sector. In this respect, he noted that the EEC had not notified certain research and development assistance programmes which were sector-specific and aimed at increasing the international competitiveness of the sectors concerned.

68. The representative of the EEC said that his authorities had attempted to provide as broad a notification as possible; the fact that other signatories were of the view that this notification was not broad enough pointed to the need for an agreement on a definition of what constituted a subsidy. In the absence of a common definition of subsidies it was impossible to reach agreement on the precise scope of the notifications of subsidies.

69. The Committee took note of the statements made.

New Zealand (L/6111/Add.20)

70. The Chairman said that a full notification of subsidies by New Zealand had been circulated in document L/6111/Add.20; so far, no updating notification had been submitted by the delegation of New Zealand.

71. The representative of New Zealand hoped that an updating notification could be made available by his delegation shortly. He noted that the notification circulated in document L/6111/Add.20 already contained, in many instances, information covering the period 1987-1988. The delegation of the United States had asked why the Government of New Zealand had not
reported the existence and subsequent termination of the Meat Producers Board Price Support Scheme. In response to this question, he said that his Government had in the recent years systematically reduced its assistance to all sectors. One aspect of this reduction of governmental assistance concerned the debt burden of the Meat Producers Board which had been the result of the operation of its price support mechanism. This debt burden had amounted to $NZ 1,029 million. In order to remove this debt burden, the Government of New Zealand had decided that $NZ 929 million of this debt which occurred in the financial years 1982-1986, would be underwritten and that the marketing of sheep meat would take place in a competitive environment. This had now been achieved. The lack of reference in document L/6111/Add.20 to the existence and subsequent termination of the Meat Producers Board Price Support Scheme reflected the rather peculiar situation that the actual financial assistance to the domestic producers had occurred during the financial years 1982-1986, although the satisfaction of the debt had occurred in March 1987. No benefits had been paid to farmers after December 1985, which meant that the actual assistance had terminated prior to financial year 1987, the period covered by the notification by New Zealand.

72. The representative of the United States thanked the representative of New Zealand for his reply and requested that this reply be provided in writing.

73. The Committee took note of the statements made.

Norway (L/6111/Add.21 and L/6297/Add.6)

74. The Chairman said that document L/6111/Add.21 contained a full notification received from the delegation of Norway; an updating notification had been circulated in document L/6297/Add.6.

75. The representative of Norway drew the attention to certain recent changes in the subsidy programmes administered by his Government. The employment aids to the textile and garment industry had been granted for the last time in 1986 and in 1987 the customs refund scheme for the shipbuilding industry had been terminated. The total level of assistance granted by the Norwegian government had reached a peak in 1982 and had declined steadily since then. Further reductions of the amount of subsidies were foreseen for 1988 and 1989. In general his Government intended to give less weight to specific production subsidies and to orient its subsidies more towards regional programmes.

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1 See document SCM/W/162, page.3
2 See document L/6111/Add.21, page 23.
3 See document L/6111/Add.21, page 21.
76. The Committee took note of the statement by the representative of Norway.

**Japan** (L/6111/Add.22 and L/6111/Add.22/Corr.1)

77. The Chairman said that a full notification by Japan had been circulated in documents L/6111/Add.22 and Corr.1 but that, so far, no updating notification had been received from Japan.

78. The representative of Japan said that in January 1988 his delegation had submitted a notification of subsidies pursuant to Article XVI:1 of the General Agreement (L/6111/Add.22 and Corr.1). Although the measures reported in this notification were not likely to fall within meaning of the term "subsidy" as used in Article XVI:1, his delegation had notified a variety of price and income support measures in order to contribute to the appropriate operation of the provisions of Article XVI. His Government was studying the questions submitted by the delegation of Australia on Japan's agricultural assistance measures and his delegation would reply to these questions at a later stage. Referring to the questions asked by Australia on the Japanese coal policy, he explained the current basis of this policy as follows. The policy of the Japanese Government with respect to the coal sector was determined not only by energy policy considerations but also by considerations relating to structural adjustment. The most recent eighth Coal Policy Plan had been recommended by the Coal Mining Council on 28 November 1986 and covered the period 1 April 1987 - 31 March 1992. This eighth plan provided for a drastic change of the Japanese coal policy. During the past fifteen years the Japanese Government had attempted to maintain domestic coal production at 20 million tonnes per year. However, recognizing that it was no longer appropriate to continue to try to maintain this level of production, the Coal Mining Council had recommended in 1986 that the domestic production of coking coal be terminated in 1991 and that the domestic production of steam coal be set at a level of about 10 million tonnes per year in fiscal year 1991. Following this recommendation, the Government of Japan was now taking the appropriate measures, including budgetary support, to facilitate a smooth shift to the lower level of domestic production. Concerning operational mines, the Government was taking measures to facilitate the reduction of production while at the same time ensuring the safety of the mines. The Japanese Government attached great importance to measures to deal with the effects of mine closures and unemployment on local communities.

79. The representative of Japan provided the following information on the implementation of the eighth Coal Policy Plan. Since November 1986 three of Japan's major coal mines had ceased to operate and many mine workers had lost their jobs. In spite of the support provided by the central and local

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1See document SCM/W/165, pp. 8-11, for the questions raised by Australia on the notification by Japan.
authorities to facilitate the adjustment process, the implementation of the plan had already caused serious social and economic disruption in certain regions of Japan. The number of major coal mines in Japan had declined from eleven in November 1986 to eight at present. The level of domestic supply had declined from 17 million tonnes in fiscal year 1986 to 14.3 million tonnes in fiscal year 1987. The number of workers employed in the coal mines had decreased from about 23,000 in October 1986 to about 13,000 in June 1988. Under these circumstances, the Japanese Government was applying measures to facilitate a smooth reduction of production by providing assistance to coal producing regions and to workers who had lost their jobs. At the same time, measures were being taken to ensure the safety of coal mines in order to prevent accidents which might result from the reduction of production. The Japanese coal assistance programme was not aimed at maintaining or increasing the domestic production of coal. In this respect, he pointed to the recent drastic increase of imports of coal into Japan from 53 million tonnes in fiscal year 1978 to 96 million tonnes in fiscal year 1987, which represented an increase of 82 per cent. According to the most recent statistics, coal imports had increased by 7 per cent in fiscal year 1987. In view of the data provided on the objective and effects of the coal assistance programme, his authorities considered that it was not a measure falling within the scope of Article XVI:1 of the General Agreement.

80. The representative of Australia said that the assistance provided by the Japanese Government to its coal industry was of great interest to his country and had been the subject of many constructive discussions at a bilateral level. Australia recognized that the Japanese eighth Coal Policy Plan represented a real attempt to deal with restructuring in the Japanese coal industry. His authorities would continue to discuss with Japan the coal plan and its implementation. The Australian authorities recognized the positive steps Japan had in train to restructure its coal industry. Nevertheless, they believed that Japan was under an obligation to notify its assistance measures under the General Agreement. He said that Australia had not singled out Japan by taking this attitude. He also said that the Committee should note that the views expressed by his delegation in respect of Japan were entirely consistent with the attitude it had taken to coal subsidies in the EC.

81. The representative of Japan said his delegation disagreed with the views expressed by the representative of Australia regarding Japan's obligation to notify the measures applied in the context of its coal policy. He would, however, convey these views to his authorities. With respect to the written questions submitted by the delegation of the United States, he said that his delegation had received these questions very recently and was not in a position to provide replies at this meeting. He would convey these questions to his authorities but he also pointed out

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1 See document SCM/W/162, page 3.
that his delegation considered that the programmes referred to in the questions by the United States were not trade distorting and therefore fell outside of the scope of the notification requirements under Article XVI:1 of the General Agreement.

82. The representative of the United States considered that the Japanese Government should have notified its coal industry assistance programme. The purpose of notifications under Article XVI:1 of the General Agreement was not to determine whether a given programme was consistent with the Agreement or countervailable but to achieve transparency with respect to measures applied by contracting parties in the pursuit of social and economic policy objectives. He, therefore, requested the Japanese delegation to report the coal industry assistance measures in its next notification.

83. The Committee took note of the statements made.

Israel (L/6111/Add.23)

84. The Chairman said that document L/6111/Add.23 contained a full notification by Israel.

85. The representative of Israel said that since the previous notification of subsidies by his delegation (L/5603/Add.31), the imports-for-export fund had been terminated. With respect to the remaining programmes notified in document L/6111/Add.23, he said that these programmes were the subject of a declaration made by Israel under Article 14:5 of the Agreement. In reply to one of the written questions submitted by the delegation of the United States, he said that his Government had not notified the exchange rate risk insurance scheme administered by the Israeli Foreign Trade Risk Insurance Corporation because in the view of his authorities this scheme did not constitute a subsidy. The scheme offered an insurance policy covering both exchange risks and cost escalation risks. It was aimed at ensuring exporters against losses which might result when the rate of inflation exceeded the rate of devaluation. On the other questions raised by the delegation of the United States, he said that his delegation would respond in writing.

86. The representative of the United States said that the exchange rate risk insurance scheme of the Israeli Foreign Trade Risk Insurance Corporation had sustained losses during five consecutive years; this fact alone should have prompted the Government of Israel to notify the scheme.

87. The representative of Israel said that if losses had been incurred in the operation of the scheme, this was probably due to some external and internal factors which had prevented the balancing of the programme. One

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1 See document SCM/67.
2 See document SCM/W/162, pp.2-3.
factor was the unforeseen acceleration of the rate of inflation in Israel during the first years of operation of the scheme which upset the calculations of the companies. A second factor were the drastic fluctuations in exchange rates of major currencies. The third factor was the stable exchange rate policy pursued by the Israeli Government which was a major component of the stabilization programme. The purpose of the programme was to make available to Israeli exporters an insurance scheme under which the premium would cover operating expenditures.

88. The Committee took note of the statements made.

Egypt (L/6111/Add.24)

89. The Chairman said that the delegation of Egypt had submitted a full notification on 15 July 1988, which had been circulated in document L/6111/Add.24.

90. Since the representative of Egypt was not present at the meeting, the Committee agreed to revert to this notification in 1989.

Spain

91. The representative of the EEC said that Spain was a member State of the EEC.

92. The Chairman recalled that Spain was still a signatory of the Agreement.

Indonesia

93. The Chairman said that since 1985 no notification had been received from Indonesia.

94. The representative of Indonesia said that in October 1985 his delegation had for the first time submitted a notification of subsidies pursuant to Article XVI:1 of the General Agreement (document L/5603/Add.28). Due to technical difficulties, his authorities had not been able to submit in time the full notification due in 1987. He informed the Committee that his delegation was now in a position to provide the secretariat with a full notification of subsidies and he gave information on the various measures described in this notification.

95. The Committee took note of the statement made by the representative of Indonesia.

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1The full notification by Indonesia has been circulated in document L/6111/Add.25 of 15 November 1988.
Pakistan

96. The Chairman said that no notification had been received from the delegation of Pakistan since 1984.

97. Since the representative of Pakistan was not present at the meeting, the Committee agreed to revert to this matter in 1989.

98. By way of conclusion, the Chairman said that the status of notifications was still far from being satisfactory. He urged those signatories who had not yet submitted (updating) notifications to do so without further delay. The Committee would revert to the issue of notifications of subsidies at its regular meeting in April 1989.

99. The representative of the United States said that, given the numerous occasions on which signatories of the Agreement had emphasized the need to maintain a balance of rights and obligations under the Agreement, it was disappointing that certain delegations had not been present at this meeting. While his delegation had to make an effort to submit its notifications in time, other signatories also had to make efforts to ensure that, in fact, a balance of rights and obligations was maintained.

100. The Chairman said that he agreed with the statement made by the representative of the United States.