MINUTES OF THE MEETING HELD ON 29 APRIL 1992

Chairman: Mr. G. Salembier (Canada)

1. The Committee held a special meeting on 29 April 1992. 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/6630. Notifications of changes, for 1991, to these full notifications had been circulated in addenda to document L/6805, and for 1992, in addenda to document L/6973.

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 its regular meeting in October 1992. 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 July 1992. In 1992 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 1991, and that to date only three updating notifications for 1992 had been received. He said that there seemed to have been established a system of ignoring the specific requirement of making such notifications each year, and accordingly signatories submitted notifications when it was convenient. He emphasized the importance of complying with these notification requirements, and encouraged signatories, in future, to make each required notification early in the year in which it was required.

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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.
Hong Kong (L/6630/Add.1, L/6805/Add.1 and L/6973/Add.1)

3. No comments were made on these notifications.

Australia (L/6630/Add.2 and L/6805/Add.7)

4. The Chairman that a full notification due in 1990 had been received from Australia and circulated in L/6630/Add.2, and an updating notification for 1991 had been received and circulated in L/6805/Add.7.

5. No comments were made on these notifications.

Turkey (L/6630/Add.3)

6. The Chairman said that a full notification had been received from Turkey and circulated in L/6630/Add.3. No updating notification had as yet been received.

7. The representative of Turkey said that Turkey's notification in L/6630/Add.3 provided detailed information on export incentive measures, the manner and incidence of their implementation, as well as figures reflecting the amounts and effects of the subsidies. The main aim of the export incentive system was to eliminate in part, if not entirely, the adverse effects of high domestic inflation, the shortage and high cost of financing and the relatively high corporate tax rate. Turkey had taken great steps towards modifying its incentive system to generally accepted levels by abolishing various measures. Turkey had either abolished or suspended all of the direct cash grant incentives: payments from the Resource Utilization Support Fund (RUSF) had been abolished in 1986, as well as Tax Rebate payments in 1988; payments from the Support and Price Stabilization Fund (SPSF) had been suspended in February 1992. In addition, the corporate tax exemption rate had been significantly reduced and modifications in the export credit system had been made.

8. She said that the incentive measures currently in force could be grouped in two categories: export credits and corporate tax exemption. With regard to the first, the main aim of the annual programmes concerning incentives for exports since 1988 had been encouraging exports through a system of export credits and insurance. This would also be the main aim of the programme for 1992. For example, various export credit schemes, namely, Pre-shipment Export Credit, Foreign Trade Companies Rediscount Credit, Buyer's Credit Scheme and Revolving Export Finance Credit, were carried out by the Export Import Bank of Turkey, which was Turkey's export credit agency. These credit schemes were designed to meet the financial needs of exporters in order to achieve the export level laid down in the programme for 1992, and thus the growth rate, with a minimum of foreign credit. The interest rates of the credits differed according to their periods. In practice, the volume of these export credits was very limited, in comparison to the total volume of exports. Regarding corporate tax exemption, this system was granted only to companies and not
to businesses operated by individuals. It was designed mainly to encourage exports through companies and to institutionalize this process. She said that Turkey had been taking steps towards phasing out this exemption system. Significant reductions in the exemption rates had been made since 1989. The exemption rates for 1992 were 8 per cent. Turkey would continue to review this system in line with her development needs, and this incentive would also be eliminated in a reasonable period of time. She underlined that her country attached great importance to the requirements of GATT rules and regulations and also took into consideration the rights and obligations provided in the Subsidies Code in deciding on these export incentive measures. This would continue to be the case after the conclusion of the Uruguay Round.

The Committee took note of the statements.

Canada (L/6630/Add.4)

9. The Chairman said that a full notification had been received from Canada and circulated in L/6630/Add.4. No updating notification had as yet been received. The United States had submitted written questions in SCM/W/264.

10. The representative of Canada, in responding to the United States' questions, said that generally his Government did not publish national data concerning the distribution of benefits across industrial sectors under the programmes mentioned in Question 1 in SCM/W/264. However, a document had been submitted for the GATT Trade Policy Review exercise on the contributions and grants in the manufacturing sector on a one-time basis. This information should thus be available from the secretariat. He said that any Canadian company in the processing or manufacturing industry was eligible for participation in the these programmes. To date, the sectors which had availed themselves of these programmes were the automobile parts and components industry, fisheries and forestry, medical equipment and machinery, software, advanced processing technology, ready-to-wear, and marine technology.

11. Regarding Question 2, he said that it was due to an administrative oversight that these two programmes had not been notified. Regarding the first programme, the Agreement had been extended for one year and had now been terminated without a substitute. As to the second, this had just been renewed. Its main purpose was regional development, diversification of industry in the Quebec area, support for infrastructure in applied research and development, job creation and manpower training; it was consonant with the general tenor of the Government's policies to promote economic and social development. The Agreement applied to all sectors of industrial development with emphasis on projects designed to bring about improved exploitation of the competitive advantage of the Quebec region. The federal contribution would not exceed Can$160 million, while Quebec's contribution would not exceed Can$140 million.
12. The representative of the United States thanked Canada for its quick response to the questions.

The Committee took note of the statements.

Chile (L/6630/Add.5 and L/6805/Add.6)

13. The Chairman said that a full notification had been received from Chile and circulated in L/6630/Add.5, and an updating notification for 1991 had been received and circulated in L/6805/Add.6. The United States had submitted written questions in SCM/W/265.

14. The representative of Chile said that regarding Question 1 in SCM/W/265, Chile had not considered it necessary to notify the duty drawback programme because this was not a subsidy; it was merely a simplified procedure for reimbursing tariffs on imported inputs for the benefit of small and medium-sized exporting industries. In abstract terms, such payments would constitute an outright grant, but in practice, one would not find any product that had zero imported inputs in an economy as open as Chile's, where imports accounted for 30 per cent more than the gross domestic product. Regarding Question 2, the tax exemption programme for stamps and seals required for export financing and promissory notes had not been notified because it was in conformity with GATT provisions. It was an exemption from indirect taxes which did not exceed those levied in respect of the distribution and production of like products when sold for domestic consumption. In fact, it was an indirect domestic tax on any sale or transaction document, including credit operations, whether domestic or foreign.

The Committee took note of the statements.

Japan (L/6630/Add.7 + Corr.1, and L/6805/Add.2)

15. The Chairman said that a full notification had been received from Japan and circulated in L/6630/Add.7 and Corr.1, and an updating notification for 1991 had been received and circulated in L/6805/Add.2. The United States had submitted written questions in SCM/W/268.

16. The representative of Japan said that as his delegation had only recently received the questions from the United States, he could not respond formally at the present time, but would make some comments on these questions. Regarding Questions 1 and 2, Japan had not notified these programmes because in its view, they did not fall within the category of subsidies under Article XVI:1. In Japan's view, those assistance programmes did not operate directly or indirectly to increase imports or to reduce exports. He would report these questions to his authorities in Tokyo. Regarding Question 3, his authorities would provide information on the first two programmes, but he was not sure what the United States was referring to regarding the Scientific Computer Research Association.
17. The representative of the United States thanked Japan for its preliminary responses and said that his authorities would provide clarification of the question concerning the Scientific Computer Research Association. Regarding Questions 1 and 2, he asked Japan whether it construed these programmes not to be subsidies by reason of the fact that they had no trade effects, or for some other reason.

18. The representative of Japan said that Japan believed that these subsidy programmes would not have trade distortive effects, i.e., would not increase exports or reduce imports. This was his Government's position, but he would report the United States' questions on these programmes to his authorities.

The Committee took note of the statements.

19. The Chairman said that a full notification had been received from Norway and circulated in L/6630/Add.8 and Corr.1. No updating notification had as yet been received. The United States had submitted written questions in SCM/W/270.

20. The representative of Norway said that his country had been actively engaged in reducing support to industry in recent years, and the Government was continuing a critical review of transfers to industry. For example, there were no longer specific transfer programmes aimed at supporting the textile sector; aid to shipbuilding had been reduced; state-owned companies, notably in the steel sector and the defence industry, had been restructured or dismantled. In the Revised National Budget the stated aim of the Government was: to reduce the extent of transfers to industry; to change the direction of remaining support to industry to neutral support schemes; and to give priority to support which most effectively contributed to the attainment of regional and industrial development goals. As to the United States' questions in SCM/W/270, he said that regarding Question 1, the capital-related subsidies in the Norwegian Industrial Fund (NIF) had two components: interest rate subsidies on loans, which made up approximately half of the total amount of NOK 187.8 million; and grants to cover losses on loans, which made up the remaining half. These loans were granted to firms over the whole range of the manufacturing industry, with no specific industry or producer accounting for a disproportionate share of the total lending. A listing of the industries which were granted loans in 1988 showed some 30 different industries, that is, the whole spectrum of industries as represented in the national account statistics. This further implied that the subsidies were spread throughout the economy, leaving the individual enterprise with a negligible amount of subsidy. Resulting from the diversified structure of loantakers, grants to cover losses on loans were also more or less evenly spread among the same range of industries, with no particular industry being singled out.

21. Regarding Question 2, he said that for 1988, the firms receiving grants in this category were eight state-owned companies, mainly in the coalmining and the iron and steel sectors, located in the north of Norway.
Thus, the main rationale for these subsidies were regional considerations, i.e. to maintain settlement in scattered districts. Since 1988 several of these firms had either been privatized and worked on commercial conditions, or had been shut down. As a result, this type of subsidy had been sharply reduced since the time of the notification.

22. Regarding Question 3, he said that the Swedish-Norwegian Industrial Fund was an independent foundation established in 1981 in accordance with a bilateral protocol between Norway and Sweden, and was different from the Norwegian Industrial Fund. Its purpose was to support co-operative projects between Swedish and Norwegian firms to encourage [technical] or market-oriented development. The support given was either as loans or as contributions with repayment in the form of royalties. The amount referred to in Norway's notification was the Norwegian contribution to the capital stock of this Fund in 1988. The total agreed amount of the Fund was SKR 250 million.

23. Regarding Question 4, he said that the policy objectives of the regional investment grants were to support the development of productive and competitive industries through establishment of new firms or through development or restructuring of existing firms. The degree of support was a function of the resulting number of new employees, geographical disadvantages and female job opportunities. The aim of the grants to company development was to stimulate creativity and competence-building in regional firms in order to enhance ability to utilize new technology and knowhow. The beneficiaries were small and medium-sized companies in geographically disadvantaged regions. The main activities financed were feasibility studies, training and market research. Regarding the capital-related subsidies through the Regional Development Fund, this item covered the difference between the funding cost of the Regional Development Fund and the interest received by the Fund in its operations, i.e. an interest rate subsidy. In 1989 the interest rate on loans from RDF was 11.5 per cent, and the funding rate varied between 11.5 per cent and 13.2 per cent, resulting in a modest interest rate subsidy. Regarding Question 5, he said that the main purpose of the research referred to was to support scientific and industrial research within the Universities (10 per cent), independent research institutes (60 per cent) and, to a minor degree, industries (30 per cent) often in co-operative programmes. About 300 students a year received grants under this scheme to terminate their doctor's degree.

24. The Chairman encouraged Norway to provide in writing to the Committee the additional information contained in Norway's statement, perhaps as part of an updating notification.

The Committee took note of the statements.
New Zealand (L/6630/Add.9)

25. The Chairman said that a full notification had been received from New Zealand and circulated in L/6630/Add.9. No updating notification had as yet been received.

26. No comments were made on this notification.

Finland (L/6630/Add.10)

27. The Chairman said that a full notification had been received from Finland and circulated in L/6630/Add.10. No updating notification had as yet been received. The United States had submitted written questions in SCM/W/267.

28. The representative of Finland apologized for the delay in his country’s updating notification for 1991 and said that the information had just arrived and would be submitted shortly to the secretariat. Regarding the notification in L/6630/Add.10, he said that on the industrial side the subsidies were concentrated on promotion of export marketing, mainly for small and medium-sized enterprises, on energy technology and conservation, on guarantees for loans to small and medium-sized enterprises, technological research and development, and export credits in conformity with the OECD guidelines. Regarding agricultural subsidies, he said that the emphasis was on export subsidies which were due to the target price system for the main agricultural products: dairy products, pork, beef, cereals and eggs. These export subsidies accounted for about 80 per cent of the total amount of agricultural subsidies; the remaining 20 per cent had the purpose of promoting regional policy and facilitating agricultural production in areas where conditions were semi-Arctic but where the maintenance of agricultural production and population were important for demographical reasons.

29. Regarding Question 1 in SCM/W/267, he said that the reason for Finland’s assessment that the grants were marginal was that the main beneficiaries of these grants and loans were small and medium-sized enterprises, whereas the bulk of Finland’s exports were in woodworking, heavy metal and construction, where such firms were very few. Also, the total amount of these loans and grants amounted to about 0.17 per cent of the total value of exports. Regarding Question 2, he said that for grants and loans for technological research and development, the total funding in 1991 for the Technological Research and Development Centre was about 40 per cent for industrial research and development grants and regional programmes, 29 per cent to industrial research and development loans, 23 per cent to applied technical research, and 8 per cent to space activities. His delegation had submitted in writing to the United States more complete figures and more detailed breakdowns.

The Committee took note of the statements.
30. The Chairman said that a full notification had been received from Switzerland and circulated in L/6630/Add.11, and an updating notification for 1992 had been received and circulated in L/6973/Add.2. The United States had submitted written questions in SCM/W/273.

31. The representative of Switzerland said that the notification in L/6630/Add.11 contained all the relevant information on government support programmes in force as of the end of 1989. Additional information on these programmes was contained in the recently published report under the GATT Trade Policy Review. Regarding Question 1 in SCM/W/273, she said that the Export Risk Guarantee (ERG) Scheme had been established under federal law with the aim of creating and safeguarding employment opportunities and promoting foreign trade. Similar instruments were used by all industrial and newly industrialized countries. Guarantees under the Scheme were confined to political risk, which comprised the risk for failure of public purchasers or guarantors to pay, and to transfer problems due to measures taken by the importing country. Risks of insolvency of private debtors was not covered by the ERG Scheme. The Scheme's activities were based on the principle of financial independence. Thus, in case of a budgetary deficit of the ERG, the Government provided loans to cover the annual deficit; these loans were repayable and interest-bearing at market rates. There was no financing of general ERG losses through the Budget of the Swiss Confederation. The Swiss ERG Scheme was presently under consideration in the export credit group of the OECD, together with similar schemes of other OECD countries. This exercise was being carried out with a view to increasing transparency and to forming a basis for realistic risk-based premia structures and for reduced differences in premia.

32. As to the activities of the Swiss Office for Trade Promotion - what her delegation assumed was meant by the United States' reference to the "Swiss Trade Office" - these included participation in fairs, the organization of sales missions abroad and the invitation of foreign customers to Switzerland. Services provided by this office included a trade information system, legal services and specific support to small and medium-sized companies, i.e. training, motivation and export co-operation. It was an independent institution established in 1927. The Government contributed roughly one-fifth of the budget which amounted in 1989 to Sw F25 million. The Government's contribution was destined for collective services and not for activities of individual firms or specific marketing assistance for specific products.

33. Regarding Question 2, she said that the support of the Swiss Government to applied research was contained in the notification (L/6630/Add.11) on page 35 under the heading "promotion programmes and encouragement of applied research". Her delegation assumed that the question focused on the projects approved by the Commission for the Promotion of Scientific Research. The legal basis for subsidies granted
by this Commission was notified as Federal Order of 5 December 1987 on the funding of applied research and development during the period 1988-1991 and the Federal Order of 16 December 1987 on the funding of technological co-operation in Europe for the period 1988-1991. These programmes had expired and had been replaced by new programmes which had been notified in the updating notification (L/6973/Add.2). Both orders were listed in the full notification (L/6630/Add.11). Projects submitted to the Commission were jointly prepared by the industry and non-profit institutions, namely higher educational establishments and the Government. The projects under these programmes were concentrated on activities at the precompetitive level and the results were made publicly available. The contribution provided by the Swiss Government could represent up to 50 per cent of the cost of a project, but funds were disbursed only to non-profit institutions, namely universities, and were used to finance salaries of post-graduate researchers. In 1989 this amounted to Sw F21 million. Part of the funds under these programmes were used also for the Swiss participation in research programmes of the European Community.

The Committee took note of the statements.

Austria (L/6630/Add.12, and L/6805/Add.4 + Suppl.1 + Corr.1)

34. The Chairman said that a full notification had been received from Austria and circulated in L/6630/Add.12 and an updating notification for 1991 had been received and circulated in L/6805/Add.4 + Suppl.1 + Corr.1. The United States had submitted written questions in SCM/W/262.

35. The representative of Austria said that regarding Question 1 in SCM/W/262, in 1991 354 enterprises in more than 20 different sectors had been supported by the Research and Development Fund for the manufacturing sector. In principle, there were no limitations as to sectors or size of enterprises. The Fund supported R&D-related investment and wage costs of basic research, applied research, development and R&D infrastructure. Regarding Question 2, she said that R&D in Austria was at an internationally modest level. The aim of the Innovation and Technology Fund (ITF) was the promotion of industrial R&D and the acceleration of the innovation process in the enterprise sector. Enterprises in the following industries participated: chemicals, stone quarrying and earth processing, ferrous and non-ferrous metals, metal processing, machinery, electrical equipment, vehicles and transport machines, and mechanical equipment. The sectoral distribution of payments corresponded approximately to their overall economic weight. The R&D section of ITF typically supported precompetitive projects up to the pilot stage, whereas the technology section promoted the first application or introduction of new technology in the production process. Regarding Question 3, she emphasized the importance of small and medium-sized enterprises for the Austrian economy, and noted that support for these firms was not limited to producers. In 1991, 8850 enterprises belonging to industry, crafts and services - financial, retail, tourism and transport - had been supported. In principle, any firm could apply for aid within this framework. Regarding
Question 4, she said that the preferential loan programmes under the Österreichische Investitionskredit AG were shown on page 12 of the notification (L/6630/Add.12) under the heading "TOP-scheme".

The Committee took note of the statements.

Sweden (L/6630/Add.14)

36. The Chairman said that a full notification had been received from Sweden and circulated in L/6630/Add.14. As the notification had been received in February 1991, it could be considered also as an updating notification for 1991. No updating notification for 1992 had as yet been received. The United States had submitted written questions in SCM/W/272.

37. The representative of Sweden pointed out that Sweden had not notified its subsidies to the agricultural sector in L/6630/Add.14. It was anticipated that this would be done in the updated notification later in 1992. Regarding Question 1 in SCM/W/272, he said that precompetitive research included applied research up to, but not including, the creation of the first prototype. Regarding Question 2, the Micro-electronic Programme no longer existed as it had been abolished in 1989. The Information Programme consisted mainly of R&D. Normally a number of firms co-operated in projects which were carried out by research institutes. The support was given on a precompetitive level. Regarding Question 3, aid in the area of energy research had been altered since the notification and was now mainly grants to universities and institutes. Regarding Question 4, Sweden's support for state-owned industries was zero, as the latter operated on commercial grounds under the same conditions as private companies. In addition, a privatization programme was currently underway for these companies. Regarding Question 5, the SAAB 2000 aircraft programme was not granted any aid; the Government's participation was purely on commercial grounds, just like any private investor. Regarding Question 6, he said that in practice there was no difference between write-off loans and grants. Regarding Question 7, the Industrial Development Fund was constructed with conditional repayments in the form of royalties to the Government. A contract was drawn up between the Fund and the company specifying the size of the royalty as a percentage of the income from future sales of products originating from the project concerned.

The Committee took note of the statements.

Korea (L/6630/Add.15)

38. The Chairman said that a full notification had been received from Korea and circulated in L/6630/Add.15. As the notification had been received in April 1991, it could be considered also as an updating notification for 1991. No updating notification for 1992 had as yet been received. Written questions had been submitted by Australia in SCM/W/241 and by the United States in SCM/W/269. Korea has provided written responses in SCM/W/274 to the questions from Australia.
39. The representative of Korea said that as the questions from the United States had been received only recently, he would try to reply to those questions at the present meeting. Regarding Question 1 in SCM/W/269, he said that there seemed to be a misunderstanding, because the relevant part of Korea's notification read "consistent with the generally available commercial prime rate", rather than "generally consistent with ...". The term "consistent with the generally available commercial prime rate" meant that it was the same as the commercial prime rate. The prime rate was applied to trade financing because the payment was generally secured by letters of credit providing the credit worthiness of the borrowers. The percentage of exporters which had access to credit at the prime rate was not relevant because of the reasons he had just mentioned. In any event, there were no figures for this. Regarding Question 2, he said that since payment of loans for construction exports was generally made on an instalment basis, there was no substantive problem in applying the standard terms and conditions for general export loans to construction exports. Regarding Question 3, he said that the maturities for loans for preparing exports of agricultural and marine products varied according to the time of production and the purpose for which items were prepared; different loan maturities were applied to different categories. For example, loans for the purchase of agricultural products from households had a maturity of 90 days, while loans for inventory financing had maturities of between 120-240 days, due to the different purpose of the loans and the products. Regarding Question 4, he said that there was no benefit as regarded the interest rate; however, importers and exporters could borrow money more easily from the banks through the export financing facility than through other loan facilities, since the repayment for most trade financing was secured by letters of credit. An equivalent financing scheme was also provided to domestic traders by discounting commercial paper which was issued in relation to domestic transactions. Regarding Question 5, he said that there was no technology programme in Korea called the "5-Year High Technology Programme", and asked the United States to make this question more specific.

40. The representative of Australia said that he had not yet seen Korea's written responses to Australia's questions. He therefore reserved the right to return to this item at a future meeting.

The Committee took note of the statements.

Yugoslavia (L/6630/Add.16)

41. The Chairman said that a full notification had been received from Yugoslavia and circulated in L/6630/Add.16. As the notification had been received in April 1991, it could be considered also as an updating notification for 1991. No updating notification for 1992 had as yet been received.

42. No comments were made on this notification.
United States (L/6630/Add.17 and Corr.1)

43. The Chairman said that a full notification had been received from the United States and circulated in L/6630/Add.17 and Corr.1. As the notification had been received in April 1991, it could be considered also as an updating notification for 1991. No updating notification for 1992 had as yet been received. Written questions had been submitted by Australia in SCM/W/235 and 242, and the United States had responded in writing to those questions in SCM/W/275.

44. The representative of Australia thanked the United States for its written responses; however, since there had not been sufficient time for his authorities to complete their analysis of these responses, he reserved Australia’s right to return to this item at a future meeting.

The Committee took note of the statements.

Philippines (L/6630/Add.18)

45. The Chairman said that a full notification had been received from the Philippines and circulated in L/6630/Add.18. As the notification had been received in April 1991, it could be considered also as an updating notification for 1991. No updating notification for 1992 had as yet been received.

46. No comments were made on this notification.

Egypt (L/6630/Add.19)

47. The Chairman said that a full notification had been received from Egypt and circulated in L/6630/Add.19. As the notification had been received in April 1991, it could be considered also as an updating notification for 1991. No updating notification for 1992 had as yet been received.

48. No comments were made on this notification.

EEC (L/6630/Add.20)

49. The Chairman said that a full notification had been received from the EEC and circulated in L/6630/Add.20. As the notification had been received in May 1991, it could be considered also as an updating notification for 1991. No updating notification for 1992 had as yet been received. Written questions had been submitted by Australia in SCM/W/247 and by the United States in SCM/W/266.

50. The representative of the EEC said that he could offer some answers to some of the questions put by Australia. Regarding Question 1 in SCM/W/247 on subsidies to coal in the Community, he could not offer additional figures to those contained in L/6630/Add.20. However, as to the other
questions on coal, the category "Other Direct Aid" consisted of special amortization schemes which under national laws were applicable to the coalmining sector, or R&D aid having a cost-release effect on current production costs. In 1989 the Commission had also authorized some member States under existing state aid rules to adopt specific measures for the coal industry, reflecting the decline in the value of the fixed assets of certain firms. Regarding Question 3, he confirmed that the amount of aids listed in the notification detailed all assistance in the relevant period. The financial assistance under the German "Kohlepfennig" system was listed in the table (L/6630/Add.20, page 4) under the heading "Indirect" aid to current production, and the financial assistance in relation to the German "Huttenvertrag" was under the heading "Direct" aid. Regarding Question 4, he confirmed Australia's understanding regarding the Spanish "OPICO" system (Office for Compensation of the Electricity Industry). Regarding Question 5 on the compatibility of aid to the coal industry with the Common Market and the function of these aids and consequent security of supply, the Commission recognized that Community coal, as distinct from imported coal, had a rôle to play in a Community policy for the security of supply, and that it was thus economically justifiable, within reasonable limits, for this contribution to be remunerated. This contribution was implicitly mentioned in the relevant decision taken under the ECSC (European Coal and Steel Community) Treaty where one of the defined objectives was improved competitiveness of the coal industry helping to ensure greater security of supply. While diversification of sources of supply and the substitution of different sources of energy were of great importance, the traditional nature of the coal aid schemes made it necessary to return as soon as possible to long-term economic viability in the industry. Although the need to avoid the social problems linked with restructuring had been recognized by the Commission, the situation in which it was necessary to grant aid to the coal industry - the restructuring and hence the adaptation of the industry - had to cease once the restructuring process was complete. Therefore, systems for providing aid to the industry were strictly monitored and authorized only if they contributed to the overall objective mentioned above. The term "new capacities" under the relevant Community Decision was not restricted either to additional production capacity or to new production capacity displacing existing capacity. In the process of the reinforced restructuring of the industry, and in view of the often large difference at Community level between costs and revenues, it had meant - in a few cases where a new mine project had been notified to the Commission - the replacement of existing capacity at a reduced output and lower production costs than previously.

51. Regarding Question 6 on the possible trade effects, in general coal imports were unconstrained in several member States. Over the previous decade, coal supplies from non-EEC countries had almost doubled and were expected to reach 131 million tonnes in 1992. One out of every three tonnes was today supplied from non-EEC sources, which allowed for the conclusion that both the coal demand growth and reduction in EEC coal capacity in recent years had been covered by external sources of coal. Over the past 15 years the international coal scene had been characterized
by an oversupply situation due to the penetration of new coal-producing countries on the market with substantial coal reserves at relatively low production costs. The increase in worldwide production capacity had exceeded the increase in demand with the consequence of sluggish price development coupled with a depreciating US dollar. Energy conservation efforts, translated into the coupling of economic growth and electricity growth within the Community and the rising sensibility for the environment, ensured that coal demand growth in the EEC remained at a lower rate than in other parts of Europe or of the world. Regarding the other questions put by Australia, he said that he was not in a position to add any further clarification to what was contained in the Community's notification.

52. Regarding the questions put by the United States (SCM/W/266), he said that in the Community's view the programmes mentioned by the United States did not operate in the manner described in Article XVI:1 of the General Agreement; therefore, the Community had not notified them in L/6630/Add.20. This was of course without prejudice to the question of whether such programmes did constitute subsidies within the meaning of Article XVI, or to the question of whether the programmes the Community had notified operated in the manner described in Article XVI:1.

53. The representative of Brazil said that he did not understand the comment by the Community as to the possibility of replying to the other questions in Australia's submission (SCM/W/247). He asked if these replies would be forthcoming.

54. The representative of the EEC said that he had taken note of Brazil's question. He would report it to his authorities and would ask whether any further answer to those questions was possible.

55. The representative of Australia said that his delegation, like Brazil, was interested to know whether the Community would provide replies to the other questions put by Australia, which the Community had not as yet taken up, in particular with respect to agriculture. His delegation hoped that members of the Committee would respect the process by which questions were submitted and replies given. Regarding the responses given thus far on coal, he asked the Community whether it would provide these replies in writing. As to the reply to Question 1 which requested information on coal subsidies in member States, he asked if the Community was saying that it was unable to provide figures, and if so, why.

56. The representative of the EEC said that he would report Australia's statement to his authorities and would see what could be done. As to the replies given orally at the present meeting, these would be supplied in writing.

The Committee took note of the statements.
57. The Chairman said that a full notification had been received from Brazil and circulated in L/6630/Add.21/Rev.1 and an updating notification for 1991 had been received and circulated in L/6805/Add.5. The United States had submitted written questions in SCM/W/263.

58. The representative of Brazil said that due to the fact that the questions from the United States had been received only recently, his authorities had been unable to prepare written replies; however, he would make some preliminary responses. As to Question 1 in SCM/W/263, Brazil had not notified the SUDENE programmes, in force for some years, because the programmes did not qualify to be notified under the terms and provisions of Article XVI:1 of the General Agreement, especially as interpreted by the Subsidies Code. Regarding Question 2, his understanding was that Brazil had not notified other programmes because no subsidy in the sense of Article XVI:1 was being granted at present. Should his Government's official replies to these questions be different, he would immediately so notify the Committee and the United States. He recalled that Brazil was still a developing country bearing all the consequences that this condition entailed, and therefore it was entitled to the special treatment provided in Article 14 of the Code. Brazil had engaged in an intensive programme to reduce all subsidies that could be considered to be trade-distorting both in the industrial and in the agricultural sectors, as was reflected in Brazil's most recent notification under Article XVI:1.

59. The representative of the United States thanked the Brazilian delegate for his preliminary comments and reassured him of the United States' recognition of his Government's efforts to reduce subsidization in Brazil. The Committee took note of the statements.

Israel (L/6630/Add.22)

60. The Chairman said that a full notification had been received from Israel and circulated in L/6630/Add.22. As the notification had been received in October 1991, it could be considered also as an updating notification for 1991. No updating notification for 1992 had as yet been received.

61. No comments were made on this notification.

India (L/6630/Add.23)

62. The Chairman said that a full notification had been received from India and circulated in L/6630/Add.23. As the notification had been received in November 1991, it could be considered also as an updating notification for 1991. No updating notification for 1992 had as yet been received.
63. The representative of India confirmed that the notification in L/6630/Add.23 included the changes in India's subsidy régime and subsidy programmes that were made during 1991. Thus, the notification described the status of these programmes as of November 1991. However, he drew the Committee's attention to certain subsequent changes that had been made in the course of the presentation of the Indian budget on 29 February 1992, whereby the export assistance programme mentioned in the second indent of this notification - the Eximscrips - had been abolished with effect from 1 March 1992. India would submit its updating notification for 1992 later in the year and would include this change in it.

The Committee took note of the statements.

Uruguay (L/6630/Add.24)

64. The Chairman said that a full notification had been received from Uruguay and circulated in L/6630/Add.24. As the notification had been received in November 1991, it could be considered also as an updating notification for 1991. No updating notification for 1992 had as yet been received.

65. No comments were made on this notification.

Colombia (L/6630/Add.25)

66. The Chairman said that a full notification had been received from Colombia and circulated in L/6630/Add.25. As the notification had been received in January 1992, it could be considered also as an updating notification for 1991. No updating notification for 1992 had as yet been received.

67. The representative of Colombia said that the programme notified in L/6630/Add.25 dated from 1967 when import substitution programmes coexisted with export promotion. This programme had been intended to correct an anti-exporting bias; it was now more than 20 years old and had recently been changed. The special import and export régime that applied to capital goods included exemptions for import licenses, import deposits, surtaxes, etc. which had later been eliminated from the Colombian economy. Thus, the actual impact of the programme was less, because a number of these components had been eliminated as the market became more open and export-oriented. The exemptions that now applied to capital goods affected only tariffs, which had been reduced to a considerable extent, and to the sales tax. Thus, it could be said that the 1990 notification was valid also for 1991.

The Committee took note of the statements.
Pakistan (L/6630/Add.26)

68. The Chairman said that a full notification had been received from Pakistan and circulated in L/6630/Add.26. As the notification had been received in April 1992, it could be considered also as an updating notification for 1991. No updating notification for 1992 had as yet been received.

69. No comments were made on this notification.

Indonesia

70. The Chairman said that he regretted to note that as yet, no notification had been received from Indonesia. He understood, however, that Indonesia intended to submit a notification shortly.

71. The representative of Indonesia said that his country's notification was underway and would be submitted by the end of May 1992. The delay had been due to technical reasons.

The Committee took note of the statements.

72. The representative of South Africa, speaking as an observer, said that his delegation was surprised by the fact that the United States had submitted questions (SCM/W/271) on South Africa's notification (L/6630/Add.6). The measures to which the United States referred were measures which South Africa had taken to assist its exporters in strenuous international trading conditions and had been designed to counter trade and economic sanctions imposed against South African exports. It was true that these measures, which had been taken because of sanctions, had not been notified to the GATT. Most of these economic measures were still being maintained, and in some instances, where national measures had been terminated, sanctions were still being maintained by sub-national authorities. Until such time as trading conditions were normalized, South Africa would, acting in its national interest, be forced to apply certain measures to try to counter the effects of the unilateral actions of certain contracting parties. Notwithstanding the fact that not all economic measures against South Africa had been terminated, South Africa had ceased to apply some measures which had been taken to counteract sanctions. Further notifications would be reviewed in the light of this situation.

73. The Chairman thanked the delegation of South Africa for volunteering information to the Committee where none had been required.

74. The representative of the United States said that his understanding was that as an observer, South Africa had no obligation to provide this information to the Committee. He said that the questions had been presented due to an oversight, and he thanked South Africa for the information provided.
75. The Chairman, in concluding the meeting, said that the status of notifications was still far from being satisfactory. He therefore again urged those signatories who had not yet submitted the required notifications to do so without further delay. The Committee would then revert to the issue of notifications of subsidies at its regular meeting in October 1992.

The Committee took note of the statements.