I. Organization of the work of the Committee

1. The Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement entered into force on 1 January 1980. On 15 October 1986 the following were the signatories of the Agreement: Australia, Austria, Brazil, Canada, Chile, Egypt, the European Communities, Finland, Hong Kong, India, Indonesia, Israel, Japan, Korea, New Zealand, Norway, Pakistan, Philippines, Spain, Sweden, Switzerland, Turkey, United States, Uruguay and Yugoslavia (subject to ratification). Some signatories do not apply the Agreement in their mutual relations and some other signatories apply it on a provisional basis.

2. The signatories of the Agreement are ipso facto members of the Committee on Subsidies and Countervailing Measures established under the Agreement. During the period under review the Committee has held four meetings, two of which were held under the dispute settlement procedure. The regular meetings of the Committee were held on 22 and 26 April 1986 (SCM/M/31) and on 29 and 31 October 1986 (SCM/M/32).

3. Twenty-two contracting parties and five non-contracting parties have observer status. Furthermore, two international organizations (IMF and UNCTAD) have attended meetings of the Committee in an observer capacity.

II. National legislation and implementing regulations (Article 19:5)

4. As of 15 October 1986 twenty-one signatories have submitted their legislation concerning countervailing duty procedures or made communications in this respect to the Committee (SCM/1 and addenda). Four signatories have not, as yet, made formal notifications to the Committee under Article 19:5 of the Agreement. Some of these signatories made oral statements to the effect that their national legislation did not contain any provisions on the imposition of countervailing duties which would be in conflict with the Agreement.

5. During the period under review, the Committee has examined the countervailing duty legislation of Austria (SCM/1/Add.10/Rev.1), Chile (SCM/1/Add.16/Rev.1), India (SCM/1/Add.25 and Corr.1), Korea (SCM/1/Add.13/Rev.2), Pakistan SCM/1/Add.24), the Philippines (SCM/1/Add.23) and Sweden (SCM/1/Add.2/Supp.1). The Committee also discussed some points related to the legislation of the United States.
6. Some signatories drew the Committee's attention to certain provisions in the domestic legislation of some other signatories which they considered were inconsistent with the Agreement and urged those signatories to ensure the full conformity of their legislation with the Agreement. It was agreed that signatories to which comments concerning their legislation were addressed would consider them. Some signatories reserved their right to revert to particular aspects of the national legislations at a later stage or in the light of their practical implications. The Committee therefore agreed to maintain on its agenda the examination of national legislations.

III. Semi-annual reports on all countervailing duty actions

7. Article 2:16 of the Agreement provides that the signatories shall submit, on a semi-annual basis, reports of any countervailing duty actions taken within the preceding six months. In this relation a standard form for such reports has been worked out (SCM/2). During the period under review, the following reports have been submitted and circulated to the Committee:

(a) reports for the period 1 July 1985-31 December 1985 have been circulated in addenda to SCM/69. The following signatories have notified the Committee that they have not taken any countervailing duty action during that period: Austria, Brazil, the EEC, Finland, India, Israel, Japan, Korea, New Zealand, Norway, Pakistan, Spain, Sweden Switzerland, Turkey, United Kingdom on behalf of Hong Kong, Uruguay and Yugoslavia (Add.1). Countervailing duty actions have been notified by Australia (Add.2); Austria (Add.5); Canada (Add.3)); Chile (Add.2); and the United States (Add.4). No reports have been received from the Philippines and Portugal.

(b) reports for the period 1 January 1986-30 June 1986 have been circulated in addenda to SCM/74. The following signatories have notified the Committee that they have not taken any countervailing duty action during that period: Austria, Brazil, the EEC, Egypt, Hong Kong, India, Israel, Japan, Korea, New Zealand, Norway, Pakistan, Philippines, Sweden, Switzerland, Turkey, Uruguay and Yugoslavia (Add.1). Countervailing duty actions have been notified by Australia (Add.3), Canada (Add.2) and the United States (Add.4). No report has been received from Chile, Finland, Indonesia and Spain.

The Committee has examined these reports. A number of comments on particular cases were made and explanations given. The Committee decided to revert to some of those explanations at its subsequent meetings. A table summarizing the cases where investigations have been opened and provisional or final actions taken during the period 1 July 1984-30 June 1986 is reproduced in Annex I.

IV. Reports on all preliminary or final countervailing duty actions

8. Notifications under these procedures have been received from Canada, the EEC and the United States and circulated in documents SCM/W/96, 97, 101, 102, 103, 105, 118 and 119 + Add.1.
V. Notification of subsidies

9. In accordance with the Decision of the CONTRACTING PARTIES at their twentieth session (BISD, Eleventh Supplement, page 58), contracting parties should submit, every third year, new and full responses to the questionnaire on subsidies (BISD, Ninth Supplement, pages 193-194) and bring these notifications up-to-date in the intervening years. Full notifications have been due in 1984 and updating notifications in 1985 and 1986. The present status of notifications by signatories is reproduced in Annex II.

10. The Committee examined notifications under Article XVI:1 at its meeting of 22-23 April 1986 and 29 October 1986. It noted that by 20 October 1986, all signatories had submitted their full notifications due in 1984. It also noted that the situation regarding up-dating of notifications had deteriorated and a number of signatories had not yet submitted their updated notifications. ................. [to be completed].

11. At its meeting of 4 December 1984 the Committee authorized the Chairman to establish a small group of experts comprised of representatives who had made or would make comments on issues listed in SCM/49 with the task of working out a set of draft guidelines on notifications and submitting them to the Committee for consideration at its October 1985 meeting. At the meeting of 22-23 April 1986 the Chairman informed the Committee that despite intensive discussions the group had been unable to make any progress; some suggestions made in the group even seemed to undermine the existing obligations with regard to the notification of subsidies as confirmed by various decisions of the CONTRACTING PARTIES. Therefore he had to conclude that, for the time being, it would not be useful to continue the work of this group. The group could resume its work when there would be a clear political will to strengthen the rules relating to notification of subsidies.

12. At the meeting of 22-23 April 1986 the Chairman drew the attention of the Committee to the factual note by the secretariat reproducing all decisions by the CONTRACTING PARTIES with respect to notifications under Article XVI:1 of the General Agreement (SCM/W/98). The decisions reproduced in this note are binding on all contracting parties and should be used as guidelines in the preparation of notifications under Article XVI:1.

VI. Group of Experts on the calculation of the amount of a subsidy

13. During the reporting period the Group of Experts on the calculation of the amount of a subsidy had not submitted any new draft guidelines. The draft guidelines on the application of the concept of specificity submitted to the Committee in April 1985 still have not been adopted due to some reservations expressed by the United States.

14. The Group of Experts examined a number of issues (criteria with regard to the distinction between subsidies and other measures with a possible trade distorting effect; export restrictions; indirect subsidies; subsidies granted for research and development purposes; aspects of drawback systems). However, the lack of progress in the Committee with respect to the question of the concept of specificity was adversely affecting the work on some of these issues.
VII. Dispute settlement procedures

15. None of the dispute settlement cases, which since the entry into force of the Agreement in 1980 have been examined by respective panels, has been resolved by the Committee. Consequently the following reports are pending in the Committee:

(a) Report of the Panel on the EEC subsidies on export of wheat flour (SCM/42) submitted to the Committee on 21 March 1983.

(b) Report of the Panel on the EEC subsidies on export of pasta products (SCM/43) submitted to the Committee on 19 May 1983.

(c) Report of the Panel on the US definition of industry concerning wine and grape products (SCM/71) submitted to the Committee on 24 March 1986.

16. The Committee held a special meeting on 14 July 1986 to consider the request by Canada for conciliation under Article 17:1 of the Agreement. This request for conciliation concerned the decision taken by the United States to open a countervailing duty investigation into softwood lumber products from Canada (SCM/73). As the matter remained unresolved, notwithstanding efforts at conciliation, the Committee agreed, at its meeting of 1 August 1986, to establish a panel. The panel has already begun the examination of the Canadian complaint.

17. At its meeting of 1 August 1986 the Committee examined a request from the EEC to undertake conciliation under Article 17:1 of the Agreement pursuant to the EEC complaint concerning a countervailing duty investigation carried out by Canada on boneless manufacturing beef from the EEC (SCM/75). The Committee had heard the different views expressed and encouraged the signatories involved to intensify their efforts to develop a mutually acceptable solution, consistent with the Agreement. As the matter remained unresolved, notwithstanding efforts at conciliation, ............ [to be completed].

18. [To be added]

VIII. Uniform Interpretation and effective application of the Agreement

19. [To be added]

IX. Other activities of the Committee

20. On 26 November 1985 the CONTRACTING PARTIES had addressed an invitation to the Committee to establish a Working Party with the task to examine obstacles which contracting parties faced in accepting the Agreement. At its meeting of 22-23 April 1986 the Committee established the Working Party, the membership of which was open not only to signatories but also to other contracting parties having expressed an interest in accepting the Agreement. The Working Party met on 13 June 1986. It had a first exchange of views and requested the secretariat to prepare a note on the application of Articles 14:5 and 19:9 of the Agreement. This note has been circulated in SCM/W/116 and will be examined by the Working Party at its next meeting.
## ANNEX I

**Summary of Countervailing Duty Actions, 1 July 1984-30 June 1986**

<table>
<thead>
<tr>
<th>Reporting country</th>
<th>Reporting period</th>
<th>Initiation</th>
<th>Provisional Measures</th>
<th>Definitive duties</th>
<th>Undertakings</th>
<th>Outstanding cvd actions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No.</td>
<td>Countries involved</td>
<td>No.</td>
<td>Countries involved</td>
<td>No.</td>
</tr>
<tr>
<td><strong>Australia</strong></td>
<td>1.7.1984-30.6.1985</td>
<td>5</td>
<td>IT NZ(4)</td>
<td>3</td>
<td>GR IT NO</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>1.7.1985-30.6.1986</td>
<td>3</td>
<td>NZ(2) BR</td>
<td>6</td>
<td>NZ(5) BR</td>
<td>-</td>
</tr>
<tr>
<td><strong>Canada</strong></td>
<td>1.7.1984-30.6.1985</td>
<td>2</td>
<td>BR ES</td>
<td>2</td>
<td>BR ES</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>1.7.1985-30.6.1986</td>
<td>1</td>
<td>CE</td>
<td>1</td>
<td>BR</td>
<td>1</td>
</tr>
<tr>
<td><strong>Chile</strong></td>
<td>1.7.1984-30.6.1985</td>
<td>10</td>
<td>AR(3) BR(3) CO KR PE TW</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1.7.1985-30.6.1986</td>
<td>6</td>
<td>AR BR(2) MX PE PT</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tbody>
</table>
### ANNEX I (cont'd)

<table>
<thead>
<tr>
<th>Reporting country</th>
<th>Reporting period</th>
<th>Initiation</th>
<th>Provisional measures</th>
<th>Definitive duties</th>
<th>Undertakings</th>
<th>Outstanding cvd actions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>US</strong></td>
<td>1.7.1984-30.6.1985</td>
<td>60</td>
<td>39</td>
<td>21</td>
<td>6</td>
<td>86</td>
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<tr>
<td></td>
<td>1.7.1985-30.6.1986</td>
<td>43</td>
<td>24</td>
<td>17</td>
<td>1</td>
<td>76</td>
</tr>
</tbody>
</table>

1. Countries or customs territories. The abbreviations used are those adopted by the ISO. AR=Argentina, AT=Austria, AU=Australia, BE=Belgium, BR=Brazil, CA=Canada, CE=EEC, CH=Switzerland, CL=Chile, CN=China, CO=Colombia, CR=Costa Rica, CS=Czechoslovakia, DD=German, Dem.Rep., DE=Fed.Rep. of Germany, DK=Denmark, EC=Equador, ES=Spain, FI=Finland, FR=France, GB=United Kingdom, GR=Greece, HK=Hong Kong, HU=Hungary, ID=Indonesia, IN=India, IR=Iran IS=Israel, IT=Italy, JP=Japan, KR=Korea, LU=Luxembourg, MX=Mexico, MY=Malaysia, NL=Netherlands, NO=Norway, NZ=New Zealand, PA=Panama, PE=Peru, PH=Philippines, PK=Pakistan, PL=Poland, PT=Portugal, QA=Qatar, RO=Romania, SA=Saudi Arabia, SE=Sweden, SG=Singapore, SU=USSR, SV=E1 Salvador, TH=Thailand, TR=Turkey, TT=Trinidad and Tobago, TW=Taiwan, US=United States,UY=Uruguay, YU=Yugoslavia, VE=Venezuela ZA=South Africa, ZW=Zimbabwe

2. Actions taken with respect to the Signatories only.

Note: Numbers in brackets indicate the number of products subject to countervailing duty.
ANNEX II

[Will be the reproduction of the table contained in document SCM/W/120].