

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SCM/W/86

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Special Distribution

Committee on Subsidies and Countervailing Measures

DRAFT PROCEDURES CONCERNING COMMITMENTS UNDER ARTICLE 14:5

Proposal by the Chairman

The following draft procedures concerning commitments under Article 14:5 are proposed by the Chairman, on his own responsibility, for consideration by the Committee.

1. The Committee recalls the obligation of all contracting parties, under Article XVI:1 of the General Agreement, to notify their subsidies affecting their exports or imports. The Committee recognizes that signatories to the Subsidies Code should feel especially obliged to comply with this obligation. It therefore expresses its strong expectation that countries seeking accession to the Code will make similar efforts and will submit their notifications under Article XVI:1.

2. If a developing country acceding to the Code elects to enter into a commitment it may wish to state that:

- (a) it will reduce or eliminate its export subsidies when the use of such export subsidies is inconsistent with its competitive and development needs;
- (b) it will consult with the Committee on any export subsidy practice which causes serious prejudice to other signatories in terms of Article 14:3 and 14:4 and will take, as appropriate, a Committee's recommendation into account.

3. Signatories which have reason to believe that a specific export subsidy practice of the acceding country causes them serious prejudice in terms of Article 14:3 and 14:4 or that it is inconsistent with its competitive and development needs shall notify such a practice to the Committee.

4. The Committee shall review the practice and shall make an appropriate decision. If, as a result of its review, the Committee concludes that the practice in question causes serious prejudice in terms of Article 14:4 to the interests of another signatory or that it is inconsistent with the acceding country's competitive and development needs it shall make a recommendation to the acceding country to include such a practice into its commitment, i.e. to eliminate or reduce the subsidy in question or to eliminate its prejudicial effect.

5. The Committee and the acceding country will make all reasonable efforts to complete this procedure within one month of the date of the acceptance of the Code¹. If it proves not to be possible, the Code will nevertheless enter into force for the acceding country in accordance with Article 19:4, it being understood² that the procedure has to be completed as soon as possible thereafter. If, once the procedure has been completed, the acceding country decides not to follow the Committee's recommendation it should notify the Committee accordingly. It is understood that until the thirtieth day following the date of such a notification signatories' rights under Article 19:9 of the Agreement remain unaffected.

¹Signatories recognize that, for the effective application of these procedures, it is indispensable that the Committee promptly arrives at a decision as to whether or not a recommendation should be made to the acceding country. If this process is delayed by differences of views as to whether the conditions of Article 14:4 have been met or on any other issue, the Chairman will consult all interested parties and, taking account of the results of such consultations, will propose an appropriate solution to the Committee.

²A generally applicable deadline may be set by the Committee (i.e. additional 30 days) which may be extended only by the Committee's decision.