

Doha Round Negotiation Issues on Subsidies

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Doha Mandate

- negotiations aimed at clarifying and improving disciplines under the ADA and ASCM
- preserving the basic concepts, principles and effectiveness of these Agreements
- taking into account the needs of developing and least-developed participants
- aim to clarify and improve WTO disciplines on fisheries subsidies

Subsidies Rules Negotiations: What is cooking



- Expand prohibited subsidies
- Disciplines on natural resource pricing
- Improving the provision on ‘export competitiveness’
- Acceptance of specific methodologies for determination of benefit
- Improvements in cvd investigation procedure
- Disciplines on fisheries subsidies

Expanding Prohibited Subsidies

- US has proposed expanding the list of prohibited subsidies to include ‘intrusive govt. interference in the marketplace’
 - Art. 6.1 subsidies
 - Subsidies which have forestalled industry restructuring
 - Creation and maintenance subsidies – steel sector specified.

Pricing of natural resources: Importance

- Access to raw materials crucial particularly when they are exhaustible and unique to a region
- Countries tend to protect the use of natural resources in the exercise of their sovereign rights
- However any restriction on availability of raw material creates disadvantages for countries that are heavily resource dependent

Natural Resources: What is on the table

- Rules proposed to discipline three practices:
 - Controlling availability of raw material to users outside the country – targeting export restrictions on natural resources
 - Making raw material available to domestic users at preferential rates
 - Maintaining a dual pricing structure: one for exports and one for domestic
- Addition to prohibited list of subsidies: (EC, TN/RL/GEN/135 2006): Article 3.1 (c)
 - *the provision, by virtue of government action, of goods to domestic production on terms and conditions more favourable than those generally available for such goods when destined for export*

Natural Resources: Negotiating Text (i)

- Article 2(c):

If, notwithstanding any appearance of non-specificity resulting from the application of the principles laid down in subparagraphs (a) and (b), there are reasons to believe that the subsidy may in fact be specific, other factors may be considered. Such factors are: use of a subsidy programme by a limited number of certain enterprises, predominant use by certain enterprises, the granting of disproportionately large amounts of subsidy to certain enterprises, and the manner in which discretion has been exercised by the granting authority in the decision to grant a subsidy. In the case of subsidies conferred through the provision of goods or services at regulated prices, factors that may be considered include the exclusion of firms within the country in question from access to the goods or services at the regulated prices. In applying this subparagraph, account shall be taken of the extent of diversification of economic activities within the jurisdiction of the granting authority, as well as of the length of time during which the subsidy programme has been in operation

Natural Resources: Negotiating Text (ii)

- Where the price level of goods or services provided by a government is regulated, the adequacy of remuneration shall be determined in relation to prevailing market conditions for the goods or services in the country of provision when sold at unregulated prices, adjusting for quality, availability, marketability, transportation and other conditions of sale; provided that, when there is no unregulated price, or such unregulated price is distorted because of the predominant role of the government in the market as a provider of the same or similar goods or services, the adequacy of remuneration may be determined by reference to the export price for these goods or services, or to a market-determined price outside the country of provision, adjusting for quality, availability, marketability, transportation, and other conditions of sale. (Proposed addition to Article 14(d))

Improving the provision on export competitiveness

- Article 27.6 addresses the situation when export reached.
- What happens if subsequently, export competitiveness lost?

CVD investigations

- Limiting the subsidy to the amount of benefit found to exist.
- Detailed provision on expense and allocation

Fisheries Subsidies: Who has what interest

- US, New Zealand, Australia etc are seeking general prohibition on fisheries subsidies – top down approach
- Japan, Korea etc. resisted negotiations. Appear willing to live with bottoms up approach

- Broad prohibition
- Narrow categories of general exception
- S&D provisions

Broad prohibition

- Subsidies for vessel construction, repair and modification
- Subsidies for operating costs of vessels and of in- or near-port processing activities
- Subsidies for certain infrastructure
- Income support
- Price support for products of marine wild capture fishing
- Subsidies in respect of overfished fisheries

General exceptions

- Subsidies exclusively for improving fishing or service vessel and crew safety
- Subsidies exclusively for:
 - (1) adoption of gear for selective fishing techniques;
 - (2) adoption of other techniques aimed at reducing the environmental impact of marine wild capture fishing;
 - (3) compliance with fisheries management regimes aimed at sustainable use and conservation
- Subsidies for vessel decommissioning or capacity reduction programmes

S&D

- Broad prohibition not applicable to LDCs
- Broad prohibition not applicable to developing countries in general, but ...
 - subject to certain conditions being met
- Further transfer of distant water fishing access rights not treated as prohibited subsidy, instead being treated as S&D !!!

Thank you