

**IMPROVED RULES UNDER THE AGREEMENT ON SUBSIDIES AND
COUNTERVAILING MEASURES – NON-ACTIONABLE SUBSIDIES**

Paragraph 10.2 of the Document on Implementation-Related
Issues and Concerns

Proposal by Venezuela and Cuba

Revision

The following communication, dated 29 November 2002, has been received from the Permanent Mission of Venezuela.

The attached communication concerns a specific area of the Agreement on Subsidies and Countervailing Measures that would need to be clarified and improved. The content of this paper and the ideas and proposals put forward do not fully reflect Venezuela's views, nor should they be regarded as a final position; their objective is to table, as a preliminary step, a general issue which could be defined and detailed in the framework of the negotiations. Venezuela could subsequently present a more detailed paper, on the understanding that clarification of the points raised could benefit the multilateral trading system as a whole.

Non-actionable subsidies are one of the cornerstones of the Agreement on Subsidies and Countervailing Measures (SCM Agreement). Article 8 of the SCM Agreement provides that Members may, under certain conditions specified in the Agreement, apply a series of subsidies aimed at providing assistance for research activities conducted by firms or by higher education or research establishments, assistance to disadvantaged regions and assistance to promote adaptation of existing facilities to new environmental requirements imposed by laws and regulations.

Non-actionable subsidies might be one of the tools needed to implement certain development policies in the framework of the multilateral trading system, under which a country can promote the transformation of its economic fabric, including production diversification and increased value-added output, in a sustainable manner consistent with its national economic and social policy objectives.

Although the application of non-actionable subsidies could have a generally favourable impact on economic performance, these are broadly recognized as being the least trade-distorting category of subsidies under the so-called "traffic-light" approach.

As we all know, the process of reviewing the SCM Agreement, as provided for in Article 31, was conducted in 1999 without any decision being reached on maintaining or amending Article 8 and other provisions of the Agreement. The review process revealed that the current design of non-actionable subsidies does not reflect the specific interests and circumstances of all the Members, thus preventing implementation. The issue could not be addressed at a later stage because of the political climate reigning in the WTO after the Seattle Ministerial Conference.

At the Fourth Ministerial Conference in Doha, the Ministers adopted a proposal, as set out in paragraph 10.2 of the document on Implementation-related Issues and Concerns, that the Members should examine measures aimed at achieving legitimate development goals such as regional growth, technology research and development funding, production diversification and development and implementation of environmentally sound methods of production.

Venezuela believes that the Members should address the issue of non-actionable subsidies in the framework of the current negotiations and could explore the possibility of re-introducing the concept into the SCM Agreement in such a way as to allow its application.

The Members could consider launching an exploratory process with a view to deciding on the types of subsidy that could be included in the category of non-actionable subsidies. A relevant basis for conducting an exercise of this nature might be the categories specified in Article 8 of the SCM Agreement.

Clarifying and improving the rules of the WTO Agreements, and in this particular case the SCM Agreement, should enable us to preserve and improve the core concepts and to achieve a satisfactory balance of Members' interests, rights and obligations. This proposal contains basic elements that are relevant to the development dimension within the multilateral trading system, which is one of the key objectives of the ongoing negotiations. This would help to make better use in the coming years of the advantages offered by the multilateral trading system and to enhance the Members' contribution to the system.
