

Export-Promoting Subsidies, Countervailing Threats, and the General Agreement on Tariffs and Trade

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Abstract

This article reviews the provisions regarding export-promoting subsidies in the General Agreement on Tariffs and Trade (GATT) and in the GATT Subsidies Code and summarizes data on the use of countervailing duties adopted to offset such subsidies. The nature of the subsidies that have been countervailed by the United States, the most frequent user of such duties, is also analyzed, along with the effect of the duties, classified by target country and industry. It becomes evident that the developing countries have most often been the target of such measures, and the implications for trade policies in these countries are discussed. It is concluded that import liberalization with currency adjustment is preferable to trade protection offset by export subsidies, which are frequently then the target of countervailing duties. Rules on domestic subsidies, about which there is less clarity in the GATT, must be established, and the distinction between subsidies and shifts in comparative advantage must also be clarified in the GATT law. These are issues which can be advantageously addressed by developing countries in the current multilateral trade negotiations.

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