

WORLD TRADE ORGANIZATION

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G/SCM/Q2/VEN/8

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Committee on Subsidies
and Countervailing Measures

Original: Spanish

SUBSIDIES

Replies to Questions posed by the EUROPEAN COMMUNITIES¹

Regarding the New and Full Notification of VENEZUELA²

The following communication, dated 20 May 1997, has been received from the Permanent Mission of Venezuela.

Question

Can Venezuela explain why it considers that the export scheme for the automotive industry does not constitute a subsidy?

Reply

The provisions of Article 3.1, subparagraph (a) of the Agreement on Subsidies and Countervailing Measures must be considered as establishing the prohibition of "subsidies contingent, in law or in fact, whether solely or as one of several other conditions, upon export performance, including those illustrated in Annex I".

Accordingly, it is important to point out, first of all, that the policy for development of the automotive industry in Venezuela does not constitute an export scheme in itself. Similarly, it must be emphasized that the above-mentioned policy is governed by the Andean Group's Complementarity Agreement for the automotive sector, which was devised as a means of increasing the competitiveness and efficiency of the regional automotive industry.

Secondly, although Resolution No. 001 containing the regulations governing Venezuelan automotive policy stipulates that the added value of exports, measured as an f.o.b. value, is part of the formula for measuring the percentage of subregional purchases, we must point out that consideration of the percentage of added value in exports is optional, that is to say that in no case is it binding on vehicle assembly plants, and for that reason **this scheme cannot be considered to constitute a subsidy within the meaning of the aforementioned subparagraph (a).**

In addition, it is extremely important to point out that this variable has accounted for a progressively smaller percentage share in the calculation of subregional purchases, in the case of those enterprises which at a given point in time may have opted for the use of this mechanism.

¹G/SCM/Q2/VEN/7.

²G/SCM/N/3/VEN + Suppl.1.