

SUBSIDIES

Requests Pursuant to Article 27.4 of the Agreement
on Subsidies and Countervailing Measures

Comments and Further Questions from ECUADOR Regarding COLOMBIA¹

The following communication, dated 18 June 2002, has been received from the Permanent Mission of Ecuador.

STATEMENT BY THE DELEGATION OF ECUADOR

COMMITTEE ON SUBSIDIES AND COUNTERVAILING MEASURES

Mr Chairman,

We consider it essential to make a few specific comments on the replies by Colombia, particularly with regard to its interpretation of the Doha mandate:

- (1) The Doha mandate on implementation expressly refers to the special situation of certain developing countries, for which the procedures set forth in document G/SCM/39 must be followed.
- (2) The above-mentioned document G/SCM/39, in describing the programmes that may be lawfully extended, specifies the requirements that certain developing countries must fulfil, stating that their share of world merchandise export trade must not be greater than 0.10 per cent and that their total gross national income must be at or below US\$20 billion each year.
- (3) Colombia does not come within these specific criteria of document G/SCM/39, not even on the interpretation of paragraph 10.6 of the Doha Decision on Implementation-Related Issues and Concerns, since it would be straining belief to regard it as being at a similar stage of development, when it exceeds by four times the maximum established for gross national income, while its share of world trade is 100 per cent higher than those countries that do come within these criteria and have duly requested an extension.

¹ G/SCM/N/74/COL and G/SCM/N/48/COL-G/SCM/N/60/COL-G/SCM/N/71/COL.

- (4) It is the duty of this Committee to ensure the observance of these specific implementation criteria, since not to do so would entail a serious systemic imbalance and serious damage to the economies of small developing countries such as Ecuador, which does fulfil these requirements, but which does not have such programmes.
- (5) Consequently, it is absolutely clear that the mandate on implementation should be applied case by case and country by country, so that only those which fulfil the conditions agreed by the Members may be granted an extension.

Furthermore, I should like to place it on record that the replies are not satisfactory and that this Committee would be issuing a blank cheque if it were to authorize extensions when the goods that would benefit are not clearly identified. Thus, with regard to document G/SCM/Q3/COL/7 of 11 March 2002, concerning Colombia's reply No. 3 to Australia, in which it states that the sectors that benefit under the Free Zone Regime include "food", and concerning Colombia's reply No. 3 to Japan, which states that the main beneficiary sectors of the Special Import-Export System (SIEX) are "those producing food", we should like to point out a further concern to this committee, namely that they are including agro-industrial goods that cannot be covered by the Agreement on Subsidies and Countervailing Measures but by the Agreement on Agriculture.

In view of the above-mentioned factors we do not believe that Colombia fulfils the basic requirements for its request for the extension of the Free Zone Regime and the SIEX programmes to be considered. I should like to make it clear that it gives us no pleasure to express such opposition with regard to a country with which we have excellent relations, which is our partner in the Andean Community and with which we share long-standing and strong bonds of friendship. However, the fact is that we are here in the WTO to respect the multilateral agreements so as to ensure predictability for a fair international trading system, and not to do so, especially in this case, would cause severe damage to our economy, since we would lose foreign markets and investment opportunities, in addition to the devastating impact that Colombian subsidies would have on our domestic market.

With regard to the Transport Compensation Mechanism, the request for whose extension has been submitted under Article 27.4 of the Agreement on Subsidies and Countervailing Measures, we shall give our opinion in due course since we are now analysing the computation of competitiveness carried out by the Secretariat at our request. However, we should like to point out that Columbia is now submitting a list of industrial products that would benefit under this Mechanism, whereas in document G/SCM/Q3/COL/8, of 12 March 2002, Colombia, in reply 6 to the questions posed by Canada, stated that "non-traditional industrial and agricultural exports (other than coffee, petroleum and emeralds) are eligible", that is to say, all its exports except for coffee, emeralds and petroleum, which Colombia does not regard as traditional. And yet it now says the opposite in reply 3 to our questions, stating that it is submitting a "list of industrial products", whereas Annex 2 to which its reply includes agricultural products. It is clear therefore that this matter requires a more detailed analysis and it is our intention to continue, in a constructive manner, to seek transparency, for which the fullest possible information is required; it is to that end that we shall submit further questions.

Thank you, Mr Chairman.

QUESTIONS TO COLOMBIA

COMMITTEE ON SUBSIDIES AND COUNTERVAILING MEASURES

1. It would be appreciated if Colombia would submit a complete list, to at least four digits (tariff heading), of all the products (including agricultural products) for export to any destination that benefit or may benefit from its three export subsidy programmes, namely the Free Zone Regime (ZF), the Special Import-Export System for Capital Goods and Spare Parts (SIEX) and the Transport Compensation Mechanism (TCM).

2. In document G/SCM/Q3/COL/7 of 11 March 2002 Colombia states in reply 3 to Australia that the sectors that benefit from the free zones include "**food**"; in Colombia's reply to question No. 3 from Japan it is stated that the main industries receiving benefit from the SIEX include "**those producing food**"; and in document G/SCM/Q3/COL/8 of 12 March 2002 Colombia states in reply No. 6 to Canada that **non-traditional ... agricultural exports** other than coffee, petroleum and emeralds are eligible under the Transport Compensation Mechanism. We should be grateful therefore if Colombia would reply to the following questions:

- (i) Why is Colombia including agricultural products in its request for an extension to the three export subsidy programmes under the Agreement on Subsidies and Countervailing Measures (ASCM)? We should be grateful if it would explain its reasons for so doing.
- (ii) Why is it seeking an extension of these subsidies under the Agreement on Subsidies and Countervailing Measures for agricultural products within its three programmes (ZF, SIEX and MCT), which must have existed on or before 1 September 2001, in accordance with the special procedures of document G/SCM/39, whereas it had notified the Committee on Agriculture, by means of document G/AG/N/COL/26 of 28 May 2001, "that it did not apply any export subsidies between 1 January and 31 December 1999 or between 1 January and 31 December 2000"?
- (iii) On what WTO legal provision does Colombia base its view that export subsidies for agricultural products are covered by the Agreement on Subsidies and Countervailing Measures, and request extensions to these subsidies for agricultural exports when, according to its commitments under the Agreement on Agriculture, it is obliged to reduce such subsidies?
- (iv) Does Colombia not consider that such an extension would be tantamount to reintroducing export subsidies, broadening their scope and extending them to agricultural products through the Agreement on Subsidies and Countervailing Measures, which is in contradiction with the commitments to reduce export subsidies under the Agreement on Agriculture? We should also be grateful if Colombia would explain the reasons on which its reply is founded.

3. We should be grateful if Colombia would provide full details of the countries to which the products that benefit or may benefit under the MCT are or may be directed, since that programme, according to Colombia, "is a measure designed to encourage exports to countries that do not have direct transport services".
