

WORLD TRADE ORGANIZATION

RESTRICTED

G/SCM/Q2/KOR/13

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(97-4219)

**Committee on Subsidies
and Countervailing Measures**

Original: English

SUBSIDIES

Questions from the EUROPEAN COMMUNITY Regarding the Updating Notification of KOREA¹

The following communication, dated 30 September 1997, has been received from the Permanent Delegation of the European Commission.

Korea submitted on 10 July 1997 its updating notification of subsidy programmes to the WTO pursuant to Article XVI:1 GATT 1994 and Article 25 of the WTO Subsidies Agreement. The European Communities would like to obtain clarification on a number of issues on the notified schemes as described below.

The Community considers that Korea is not a developing country and that it therefore, cannot invoke the provisions of Article 27 of the Subsidies Agreement. Even if Korea was in a position to invoke special and differential treatment for developing country Members, the Community considers that Korea has violated the provisions of Article 27 of the Subsidies Agreement.

I. NOTIFIED SUBSIDY PROGRAMMES

(a) Reserves for export losses

Although Korea stated in its full notification and in its reply to questions from the Community that this programme would be phased out in conformity with the provisions of Article 27 of the WTO Subsidies Agreement, Korea states that the total amount of subsidies increased from KPW 255 to KPW 386 (100 million). It should be stressed that Korea explicitly stated that the amount of subsidy for this programme would not be increased (G/SCM/Q2/KOR/9, page 6). Even if Korea could invoke the special treatment under Article 27, the Community considers that this increase constitutes a violation of Article 27.4. This Article provides that "a developing country shall not increase the level of its export subsidies". In this respect, the Community requests Korea to clarify why the total amount of subsidy was increased.

¹G/SCM/N/25/KOR.

(b) Reserves for overseas market development

Although Korea stated in its full notification and in its reply to questions from the Community that this programme would be phased out in conformity with the provisions of Article 27 of the WTO Subsidies Agreement, Korea states that the total amount of subsidies increased from KPW 285 to KPW 478 (100 million). It should be stressed that Korea explicitly stated that the amount of subsidy for this programme would not be increased (G/SCM/Q2/KOR/9, page 6). Even if Korea could invoke the special treatment under Article 27, the Community considers that this increase constitutes a violation of Article 27.4. This Article provides that "a developing country shall not increase the level of its export subsidies". In this respect, the Community requests Korea to clarify why the total amount of subsidy was increased.