

WORLD TRADE ORGANIZATION

RESTRICTED

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Committee on Anti-Dumping Practices
Committee on Subsidies and Countervailing Measures

Original: English

NOTIFICATION OF LAWS AND REGULATIONS UNDER ARTICLES 18.5 AND 32.6 OF THE AGREEMENTS

Questions Posed by UNITED STATES Regarding the Notification of the EUROPEAN COMMUNITIES¹

The following communication, dated 8 April 1999, has been received from the Permanent Mission of the United States.

1. Please explain the rationale for including an interest component in the calculation of the benefit from a grant that is expensed during the investigation period. On what basis is it appropriate to assume that the beneficiary would have had to borrow the money at the beginning of the period and repay it at the end? Where a subsidy is provided later in the period rather than earlier, does your calculation still include interest for the entire period?

2. Paragraph E(f)(ii) states that the question of whether a private investor would have put money into the company in the same situation in which the government provided equity should be addressed on a case-by-case basis, *taking account of the Commission's practice as regards State aid policy in this area and the practice of the Community's main trading partners*.

Please explain what is your State aid policy in this area and how it might impact your calculation of the amount of subsidy. Explain in general the relationship between your State aid policy and your countervailing duty policy.

3. For non-recurring subsidies, paragraph F(a)(ii) calls for increasing the amount of the subsidy by the average amount of interest which the recipient would expect to earn on the non-depreciated amount of total grant over the whole period of allocation. This has the effect of calculating a rate of subsidization which does not change over the course of the allocation period. Given that the recipient receives a greater benefit from having the money at its disposal earlier in the allocation period rather than later, please explain why it is appropriate to have an unchanging subsidy rate over the course of the allocation period. On a net present value basis, how do the amounts countervailed under your methodology compare with the face value of the original subsidy?

¹ G/SCM/N/1/EEC/2/Suppl.2