

been adversely affected by other countries' subsidies to new industries, and by other countries' subsidies to their exports to compete with our exports in third markets, notably, the EEC export restitutions, as they are called, on agricultural exports. There is broad agreement emerging in Geneva that export subsidies as such should be prohibited, but there is no agreement as to how to formulate that prohibition unambiguously. Nor is there agreement on how that agreement can be policed. We have urged that there must be effective multilateral scrutiny and multilateral machinery to find the facts and to issue the rules. Clearly there is a link here with the more general discussion about dispute management after the MTN.

A more difficult issue is, what rules can we agree about on subsidies which are not export subsidies, that is, which are subsidies paid in relation to export performance. At this stage we do not know what set of rules can be worked out regarding subsidies to encourage plants to locate in particular areas, like our DREE arrangements. Many countries have such programmes, and the problem is to find rules which will help us decide what is to be accepted as being legitimate by way of a development grant, and what are the limits we should accept to avoid creating difficult trade problems for others, either by appearing to be indirectly encouraging exports to an unreasonable degree,