

A new template for notifying subsidies to the WTO

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of the International Institute for Sustainable Development (IISD)
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Prepared by:

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ABBREVIATIONS AND ACRONYMS

2006\$	U.S. dollars at their year-2006 value
AoA	Agreement on Agriculture
ASCM	Agreement on Subsidies and Countervailing Measures
CPC	Central Product Classification
CSCM	WTO Committee on Subsidies and Countervailing Measures
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GSI	Global Subsidies Initiative
HS	Harmonized Commodity Description and Coding System
IISD	International Institute for Sustainable Development
ISIC	International Standard Industrial Classification of all Economic Activities
OECD	Organisation for Economic Co-operation and Development
Rev.	Revision
SITC	Standard International Trade Classification
Ver.	Version
UNSD	United Nations Statistics Division
WCO	World Customs Organization
WTO	World Trade Organization

Introduction

The Agreement on Subsidies and Countervailing Measures (ASCM) is the first multilateral agreement to establish disciplines on its members' use of subsidies. In addition to setting out an internationally agreed definition of a subsidy, it provides a means for countries to examine other countries' subsidies programs in a transparent way.

Transparency is a foundation stone of the Agreement. Under Article 25 of the ASCM, countries are obliged to submit notifications describing the essential features of all specific subsidies, as defined in Articles 1 and 2 of the Agreement. They are also obliged to report any and all other subsidies that operate directly or indirectly to increase exports of any product from, or to reduce imports of any product into, the territory of the Member granting or maintaining the subsidies — a pre-existing obligation established in Article XVI:1 of the 1947 (now "1994") General Agreement on Tariffs and Trade (GATT).

One of the reasons why negotiators included this requirement was to level the playing field between large and small, rich and poor countries. The framers of the ASCM knew that if countries did not share information on their subsidies, providing enough information at least for others to be able to probe further, the ability of one country to challenge another's subsidies would be skewed towards those countries with the largest resources and international presence, who are best able to monitor what is happening in the rest of the world.

These high hopes have not been achieved. In 1999, the WTO Secretariat signalled that compliance with the obligation to provide new and full notifications was too low, both in terms of the number of Members submitting notifications and the timeliness of those notifications. Reporting rates were especially low in the early years following implementation of the ASCM on 1 January 1995. Ultimately, 70 out of 119 Members submitted new and full notifications for 1995, only 12 of which were presented in a timely manner.

Although notifications became slightly more standardized over time, guided by a questionnaire drawn up by the Secretariat and approved by the WTO's Committee on Subsidies and Countervailing Measures, the reporting rate dropped substantially in subsequent submissions. For 1998, only 35 notifications were submitted (of which just 3 were on time). The situation today was summed up by the WTO in its *World Trade Report 2006* (WTO, 2006, p. 111): "[I]n most years, information is only available for less than half of the WTO Membership."

The reasons for the poor reporting performance of many WTO Members have been partly systemic, owing to the way the WTO operates, and partly to issues specific to subsidies and the disciplines placed on them. A fundamental flaw in the reporting requirement is that although it is obligatory, sanctions for non-compliance or poor compliance are weak. This encourages convergence towards the lowest minimum standard of reporting and discourages countries that might otherwise welcome a higher standard of reporting from putting more resources into their own data-collection and reporting efforts.

Under Article 26, one WTO Member can submit written questions to another Member, querying a subsidy that it has notified, or even one that it has *not* been notified. This procedure has been used numerous times, and has helped to some extent to make up for the deficiencies of the notifications pursuant to Article 25. But it is laborious and unsystematic.

Fear of self-incrimination is also probably behind the low and incomplete reporting rates, but also behind the tendency for countries to invert the original intent of the Article 25 requirement. The ASCM's language is very clear in the stress it puts on notifying *specific*

subsidies, as defined by Articles 1 and 2. The injunction referencing GATT Article XVI:1 is more ambiguous, referring to “subsidies that operate directly or indirectly to increase exports ... or ... reduce imports”, but a practical reading of this clause, and the additional words “of any product”, suggest that what the drafters of the ASCM had in mind were not general subsidies for investment in research and development, or subsidies for the promotion of good hygiene in factory canteens.

Does the less-than-complete state of reporting really matter? We believe it does.

There are some in the trade community who argue that some reporting is better than none, and who are confident that, through time, the standard of reporting will improve. This is not an unreasonable view. Certainly the percentage of WTO Member States that have submitted notifications is rising, and the clarity and completeness of the notifications continues to improve.

But we would make two points. First, in the absence of a systematic reporting format, the ability to quickly scan and understand different countries’ subsidy schemes is reduced. The authors of the *World Trade Report 2006* (p. 112), in their chapter on the incidence of subsidies, were quite frank about this:

In general, the quantitative information provided in the notifications is characterized by a lack of clarity and consistency, for instance as regards the unit and/or the currency of measurement that have been used. The impression also arises that not all programmes are reported consistently, as programmes may suddenly disappear and re-appear in notifications. Compiling the information contained in the notifications thus required a significant amount of interpretation and the analysis presented of those data should be read with caution.

Second, without a method for eliciting information on all specific subsidies, countries can continue, simply through omission, to get away with avoiding reporting information they would rather not divulge. Again, to quote the *WTR 2006* (Box 13, footnote 1): “It cannot be concluded that Members who do not provide any information on subsidies for a specific year do not grant any subsidies in that year.” Currently, the reader of the notification has no way of knowing from the notification whether to interpret the absence of any subsidies to a sector or product as meaning that none are provided or that the notifying country simply decided not to report them.

Development of a new model for better compliance

Our proposed new template for WTO subsidy notifications is designed to address these various problems. It is organized around a **Summary Table** that standardizes how the information on the reported subsidies is arranged, and a **Notification Annex**, for reporting details of the notified programmes.

Our proposed Summary Table format, we believe, would enable more subsidy schemes to be reported in the same number of pages than the current format used by most WTO Member States, while also improving certain presentational aspects. The table can be used as a quick reference, but also as a basis for comparing subsidy programs among countries.

Setting out the key information on each subsidy programme also enables the information to be arranged in a logical order, according to internationally agreed classification schemes for recipient industries or products, and possibly of subsidy types. An important side benefit of codifying the subsidy information is that it should also facilitate the development of searchable databases of subsidy notifications — a potential value added of the notifications that has heretofore been difficult to realize.

The classification of subsidies according to a comprehensive and hierarchical (i.e., with several levels of specificity) industry or commodity classification scheme would also facilitate another important feature of this alternative approach: the explicit reporting of the absence of subsidies to specific sectors or products. Making the reporting of the absence of subsidies mandatory need not be burdensome, and the use of a hierarchical classification well serves that purpose. If a country provides no subsidies available to its agricultural sector, for example, all it has to do is indicate the single-digit or single-letter code for agriculture in the table and write “no specific subsidies provided”. Ambiguity over the dividing line between “general” or “specific”, as defined by ASCM Article 2, means that subsidies that are not general but are available to several sectors may require some means of avoiding double-counting. This problem, discussed later, is inherent to any subsidy notification.

The model subsidy notification template presented herein should be seen as the first step towards a multilateral, multi-stakeholder process for improving the current system of subsidy notification.

INFORMATION REQUIREMENTS

The starting point for any proposed improvement on the WTO's subsidy notification system should, naturally, be the ASCM itself, and any information requirements agreed to among the WTO's Members. Article 25, Paragraph 3 of the ASCM states that "... without prejudice to the contents and form of the questionnaire on subsidies, Members shall ensure that their notifications contain the following information:

- (i) form of a [*sic*] subsidy (i.e. grant, loan, tax concession, etc.);
- (ii) subsidy per unit or, in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy (indicating, if possible, the average subsidy per unit in the previous year);
- (iii) policy objective and/or purpose of a subsidy;
- (iv) duration of a subsidy and/or any other time-limits attached to it;
- (v) statistical data permitting an assessment of the trade effects of a subsidy."

The questionnaire referred to in the text was one that was to be drawn up by the Secretariat and approved by the Committee on Subsidies and Countervailing Measures. The most recent version of the "Questionnaire Format for Subsidy Notifications under Article 25 of the Agreement on Subsidies and Countervailing Measures and under Article XVI of GATT 1994", issued in November 2003, is provided in Annex 1 in full. In brief, it envisages WTO Members reporting all the information requested in the ASCM, plus several additional items:

- 1. The title of the subsidy programme.
- 2. The period covered by the notification.
- 3. The policy objective or purpose of the subsidy, or both.
- 4. Background on and the legislation or other authority under which it the subsidy is granted.
- 5. The administrative form of the subsidy (e.g., grant, loan, tax concession).
- 6. To whom and how the subsidy is provided.
- 7. The per-unit subsidy, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy.
- 9. The duration of the subsidy.
- 10. Statistical data permitting an assessment of the trade effects of the subsidy.

In designing an alternative template for notifications, we have neither widened nor reduced the amount and data requested in the current questionnaire, with one exception: we would drop the requirement to provide data under Item 10 (statistical data).

For Item 10, the WTO questionnaire currently asks Members (“To the extent possible, relevant and/or determinable”) to furnish statistics on the production, consumption, imports and exports of the subsidized product(s) or sector(s):

- (a) for the three most recent years for which statistics are available;
- (b) for a previous representative year, which, where possible and meaningful, should be the latest year preceding the introduction of the subsidy or preceding the last major change in the subsidy.

In practice, few Members provide this information. That should come as no surprise as it adds to the reporting burden and increases the likelihood that a subsidy will be questioned or challenged by another country. However, the questionnaire contains an opt-out clause, which states: “information on the specific nature and scope of such statistics is left to the judgement of the notifying Member.”

Statistics on imports and exports are, in any case, normally available from other public sources. Statistics on production and consumption would be useful, but if actually provided for every subsidized product or sector would imply the reporting of a tremendous amount of data, not all of it of significant value.

The other important change we propose is to divide up the reporting of the information into two parts: a summary table and a separate section containing details on the particular programs — what we call the “Notification Annex”. The summary table would provide readers with a quick scan of a country’s subsidies, and allow the information to be provided in a systematic way, amenable to digital storage and retrieval. In the table, each subsidy (or declaration of non-subsidization) would be codified, using internationally agreed codes for classifying the subsidized products or sectors, and for how the subsidy is provided (Item 6).

The Notification Annex would provide information that elaborates on what is provided in the Summary Table.

THE SUMMARY TABLE

The proposed Summary Table (Exhibits 1 and 2; see pages 19-21), which would preferably be located in the first few pages of the notification, would contain the following fields (columns):

- A product or sector code
- The level of government responsible
- A code indicating whether the subsidy is specific to a particular region
- The type of subsidy
- The title of the subsidy program (abbreviated if necessary)
- The target beneficiary
- The duration of the program
- The amount of the subsidy

These fields (columns) are described in greater detail below.

Columns 1-2: Product or sector codes

General Rule No. 6 of the WTO Questionnaire states that, “To the extent that subsidies are provided on the basis of specific products or sectors, notifications of those subsidies should be organized by product or sector.” It does not provide any further guidance, however, on what organizational scheme to follow. In practice, countries have tended to organize the information in the same way that responsibility for different sectors is distributed among their different Ministries. Besides making the information contained in different Members’ notifications more difficult to compare and aggregate, it more easily obscures the distinction between absence and omission of a subsidy.

To address the first problem, the GSI proposes that WTO Members organize the information by either benefiting product or sector, using an internationally agreed commodity or industry classification scheme. Doing so would also address the ambiguity over whether a reporting Member does not subsidize a particular product or group of products, or has merely not notified the subsidy, by obliging Members to make a positive declaration regarding subsidy status for all tradable products.

Choosing a reference classification system

There are several classification systems that have been developed at the international level that could be used for this purpose. Broadly, these systems divide into two groups: those based on products (or “commodities” in the language of some systems) and those based on economic activity. Each has intrinsic advantages and disadvantages.

The three leading classification systems relating to products are:

- The Harmonized Commodity Description and Coding System (HS), maintained by the World Customs Organization.
- The Central Product Classification (CPC), maintained by the United Nations Statistics Division.
- The Standard International Trade Classification (SITC), maintained by the United Nations Statistics Division.

Although all three of these classification systems more or less follow a similar broad structure, starting with products of primary agriculture, fisheries and forestry, and progressing

through minerals and metals and then manufactured goods, they differ importantly in the documentation of their descriptions, level of detail, and process and frequency of updating. An important difference between the CPC and the other two classification systems is that it includes non-transportable goods and services, as well as transportable products.

The main classification system based on economic activities that enjoys wide international currency is the International Standard Industrial Classification of all Economic Activities (ISIC). Its hierarchical structure classifies activities of producing units according to similarities in the character of the goods and services produced, the uses to which the goods and services are put, and the inputs, processes and technologies of production.

Table 1 shows the key characteristics of the three product-based and one activity-based classification systems discussed above. All of these systems are related to one another through correspondence tables, which the United Nations Statistics Division (UNSD) has helpfully created in order to facilitate correlating data from one classification system with those of another. However, because of the delays inherent in completing such work following a revision or update, these correspondence tables exist only for the older versions of the classification schemes, and are not yet available for the newer versions.

Another characteristic of the classification systems is their structure. All have either four or five levels of aggregation, but differ considerably in their numbers of units at the most-detailed level. Generally, the product classification systems have an order of magnitude greater number of units than the economic activity classification systems.

Among the three leading classification systems organized by product, the SITC (Rev. 3) is probably the least useful for subsidy classification purposes because of the infrequency with which it is updated. The HS is the classification system on which most WTO Member' tariff schedules are based, and therefore familiar to trade delegates. It is also ultimately translated into more languages than the classification systems maintained by the UNSD, since the HS has to be applied by customs agents. But its commodity descriptions are often difficult for a non-practitioner to interpret, requiring recourse to the WCO's extensive *Explanatory Notes* (which for most people must be purchased). The CPC, too, is used by the WTO, but mainly as a reference for scheduling commitments relating to services. It is written in plain language, and versions in French and Spanish (which, with English, are the other two official languages of the WTO) are available on the UNSD's web site.

The main classification system organized by economic activity, ISIC, shares many similarities with the CPC — notably, being written in plain language, also covering services, and being available in all three official languages of the WTO. The UNSD has also produced an extensive set of "Explanatory Notes" to help in its interpretation and application.

The question of which classification system would be best suitable for organizing information on subsidies cannot be answered categorically. From the perspective of the WTO and its Members, which are interested primarily in the effects of subsidies on trade in, and prices of, particular goods and services, classification by product is more useful than classification by economic activity. However, those responsible for preparing their national subsidy notifications to the WTO usually must obtain detailed information on subsidy programmes from colleagues working in other ministries, who may find relating subsidy programmes to economic activities easier than to products. This possible preference for classification by economic activity appears to be supported by the tendency of the notifications received to date to organize the information according to sector (industry, agriculture, etc.), especially in

respect to non-specific subsidy programmes¹ (i.e., those that cover more than one sector) and regional programs.

Table 1. Key characteristics of the leading international classification systems for products and economic activities

Classification system	Custodian	Basic Unit	Structure	Latest update	Correspondences with	No. of units at most-detailed level
CPC Ver.1.1	UNSD	Product	Section, Division, Group, Class, Subclass	2002	HS 2002, ISIC Rev.3.1	2096 (of which roughly half are for goods)
CPC Ver.2	UNSD	Product	Section, Division, Group, Class, Subclass	Expected 2007	HS 2007 CPC Ver.1.1 ISIC Rev.4	Not known (of which roughly half are for goods)
ISIC Rev. 3.1	UNSD	Economic Activity	Tabulation category, Division, Group, Class	2002	CPC Ver.1.1	298
ISIC Rev. 4	UNSD	Economic Activity	Section, Division, Group, Class	2006	CPC Ver.2	420 (of which 182 for production activities)
HS 2002	WCO	Product	Section, Chapter, Heading, Subheading	2002	CPC Ver.1.1 SITC Rev. 3	over 5000
HS 2007	WCO	Product	Section, Chapter, Heading, Subheading	2007	None yet	over 5000
SITC Rev. 3	UNSD	Product	Section, Division, Group, Subgroup, Item	1986	HS 2002	3121

Sources: U.N. Statistical Division (<http://unstats.un.org/unsd/cr/family1.asp>) and World Customs Organization (www.wcoomd.org/ie/En/Topics_Issues/topics_issues.html).

To better understand the differences among how a particular subsidy programme would be treated under the various classification systems, it is useful to examine a concrete programme, say a per-unit subsidy to manufacturers of butter.

Under HS 2002, the programme would be classified as follows:

- Section: I – Live Animals; Animal Products
- Chapter: 04 — Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included
- Heading: 04.05 — Butter and other fats and oils derived from milk; dairy spreads
- **Sub-heading: 0405.10 - Butter**

¹ General programs are defined here as those covering more than one sector, in relation to the sector classification used, but that still contain specific subsidies.

Under CPC Ver.2, it would be classified as:

- Section: 2 — Food products, beverages and tobacco; textiles, apparel and leather products
- Division: 22 — Dairy products
- Group: 229 — Other dairy products
- Class: 2294 — Butter and other fats and oils derived from milk
- **Subclass: 22941 — Butter and other fats and oils derived from milk of cattle**

Under SITC Rev. 3, it would be grouped under a different one-digit heading, but be classified under a similar, four-digit subgroup:

- Section: 0 — Food and live animals
- Division: 02 — Dairy products and birds' eggs
- Group: 023 — Butter and other fats and oils derived from milk
- **Subgroup: 023.0 — Butter and other fats and oils derived from milk**

Classification under ISIC Rev.4² would follow a very different logic, working down from manufacturing through to the specific four-digit class for “Manufacture of dairy products”.

- Section: C - Manufacturing
- Division: 10 - Manufacture of food products
- Group: 105 - Manufacture of dairy products
- Class: 1050 - Manufacture of dairy products

Although “class” is the lowest level of ISIC, the UNSD’s explanatory notes identifies numerous activities under each class, and in the case of 1050 identifies separately “Manufacture of butter”. For the purpose of subsidy reporting, Members could agree to add an additional two digits, corresponding to these “sub-classes”, much as they have done when using “ex outs” to go to a higher level of precision than offered by the 6-digit, subheading level of the HS.

The differences among these classification systems are more than semantic, but matter less at the detailed than at the higher levels. That is to say, the differences between a product-based classification and an activity-based classification in this example is that in the former the butter subsidy would end up being grouped with other products of agriculture, whereas in the latter it would be grouped with other manufactured products.

Consider a second type of measure, a temporary wage subsidy available to manufacturing industries establishing new plants in a particular region. Such subsidies fall into the grey area between specificity and non-specificity discussed in Article 2.2 of the ASCM. It is not possible to apply a product-based classification system, such as the CPC or the SITC, to this kind of subsidy, except at a very aggregate level, since the associated programme is “horizontal” — i.e., related to broad activities (manufacturing), not to specific products. The same issue would arise in respect of subsidies that are provided to small and medium-sized enterprises (SMEs), activities in mountain areas, start-up companies, and such like. These types of subsidies are better captured by an activity-based classification system, such as ISIC. This suggests that it might make sense to use a product-based classification system for

² ISIC Rev. 4, which as of November 2006 was in the final stages of editing (<http://unstats.un.org/unsd/cr/registry/isic-4.asp>), provides a closer representation of current economic reality than the previous version of ISIC (for example, it has 420 “Classes” of activities, versus 298 in ISIC Rev.3), and is more comparable to other regional activity classifications in use around the world.

reporting product-specific subsidies, and an activity-based classification for reporting activity-based subsidies, especially those that could be regarded as non-specific.

Applying a reference classification system

Organizing information on reported subsidy programmes with reference to a product- or activity-based classification system would offer three advantages. First, it would help structure the notifications, making the information more systematic. Second, it would serve as a kind of checklist when preparing the notification. And third, and most importantly, it would provide a mechanism for ensuring that, for each and every sector, WTO Members positively declare whether or not they provide a subsidy.

The third advantage is best explained through an example. Suppose, for the sake of simplicity, a WTO Member has three subsidy programmes. Programme A provides a production subsidy for coal and lignite. Programme B provides loan guarantees to manufacturers of automobiles. Programme C provides tax credits on investments made by SMEs, excluding producers of primary products and semi-processed foodstuffs. Using CPC Ver.2, the first two programmes could be reported as follows:

CPC 01111-04930	No subsidies
CPC 11010-11030	Production subsidy
CPC 11040-25090	No subsidies
CPC 26110-49942	Tax credit for investment
CPC 26110-49112	No specific subsidies
CPC 49113-49113	Loan guarantee
CPC 49114-49942	No specific subsidies

Note that in this example programme C is reported across a wide range of products. Alternatively, it could be grouped with other non-specific programmes in a separate table, or classified under an ISIC code, or both.

Column 3: Responsible level of government

Article 25 of the ASCM states that “Members shall notify any subsidy ... granted or maintained *within their territories*” (emphasis added). “Within their territories” has been taken to include subsidies granted or maintained by sub-national units — *Länder*, *départements*, prefectures, provinces, regional governments, states, etc. — and not just by the central or federal government. Although, to date, few WTO Members have reported subsidies beyond those provided by the central government, some have, and it therefore makes sense at least to include an identifier in the notification record that enables a reader to quickly see at what governmental level within a country a subsidy is being provided. These identifiers would be GC for the central government, and whatever alpha-numeric code is used by the reporting Member to designate the sub-national unit in question. To aid readers, the reporting Member could include a link to a web site which described the codes or abbreviations they use, or attach them to the notification.

The WTO’s questionnaire also asks that the agency or authority responsible for implementing the subsidy be indicated. This kind of information can be useful, particularly for tracking down additional information on a subsidy, but it is of secondary importance compared with regional scope. We suggest that this reporting requirement be relegated to the Notification Annex.

Column 4: Regional designation

Many government support programmes are targeted at particular economically disadvantaged regions within the territory of the government responsible, or are designed in such a way that they can be used by any beneficiary who meets certain objective criteria. A regional programme can be specific or general. In the table, programmes that are specific to a geographic sub-unit of the responsible level of government would be identified in this field by the letter “R”. All other programmes would be given a designation using the hyphen symbol (“-”).

Column 5: Form of the subsidy

There are many types of subsidies with different characteristics that Members currently notify. However, the categories that are used in the current notifications do not adhere to any particular classification system or nomenclature for subsidies, as none currently exists at the international level. Most Members refer to what may be called the “administrative form” of a subsidy — i.e., the mechanism through which it is provided. The most common forms mentioned are grant, loan, and tax concession, which are the three forms explicitly mentioned in the ASCM (Article 25.3(i)) and WTO questionnaire.

While the various ways in which support is provided have different budgetary implications, and may have a bearing on the nature of the benefit to the recipient³, these differences matter much less to trading partners, who are more interested in whether a support measure is tied to export performance, production levels, the use of intermediate inputs (goods or services consumed in production) or value-adding factors (factors that are not consumed in production).

So, given the lack of an internationally agreed classification system, we have created one (Annex 5). This system, which has been informed by classification systems used in Australia and by the OECD, gives primacy to the target economic stage of production, and only secondarily to administrative form. Like the classification systems used for products and economic activities discussed above, it assigns codes that increase in numbers of digits with increasing specificity. The first- and second-level divisions correspond roughly to the categories used in estimating an effective rate of assistance (ERA). The third-level divisions generally distinguish the form of the subsidy, and the fourth-level divisions (where applicable) whether the support measure is open-ended or limited.

Since there has not been international agreement on a full-fledged classification scheme for support, the one offered here can only be considered indicative of what could be possible. But we would maintain that there is an urgent need to reach such agreement, for more reasons than WTO subsidy notifications alone.

Column 6: Programme name

The title or name of the subsidy program should appear in the summary table in a WTO official language. However, in the Notification Annex the programme name should be provided in the original language, as well as its translation, in order to more easily identify the programme in the budget or other official documents of the Member economy.

³ Information on the mechanism through which the subsidy is provided can have a bearing on the variability of the subsidy through time and the uncertainty surrounding its estimated value. A grant to productive capital, for example, has a fixed value. By contrast, a subsidy that is tied to a capital investment, but is provided through a deduction on the recipient firm’s income tax, will vary in its value to particular firms, depending on their actual tax liability.

Column 7: Target beneficiaries

In some cases, governments impose criteria on subsidy eligibility, such as limiting the recipients to firms below a certain size threshold, or to producer-owned co-operatives. Column 7 is provided to allow such additional information to be reported. The content of this field in the summary table should be precise and concise, and the use of modifiers such as “certain” or “selected” (e.g. certain shipbuilding companies) would be appropriate when the description of the beneficiaries is long. Additional detail can then be provided in the Notification Annex.

Columns 8 and 9: Duration of the subsidy programme

In past notifications, WTO Members have used different date formats to specify the duration of their support programs. We suggest here that a standard date format be adopted that can be easily sorted, such as the year, followed by the month and then the date. We would also suggest dividing the field into two: beginning date and end date. Thus, a subsidy programme that began on 1 October 2005 would be transcribed as 20051001. Similarly, one that is scheduled to end on 30 June 2008 would be transcribed as 20080630. If the programme has no scheduled end (sunset) date, another code, such as 99 (or 99999999) could be used to indicate that. Additional detail (including other time limits) could be provided in the Notification Annex.

The duration of a support measure should not be confused with the period covered by the notification. The latter should be mentioned in general in the introduction of the notification.

Columns 10, 11 and 12: Amount of the support measure

This field is intended to give an idea of the dimension of the subsidy provided under each programme. The ASCM and the WTO questionnaire ask, “where ... possible”, to express the subsidy per relevant unit of the traded good — i.e., per item if it concerns automobiles, per litre if it concerns milk, or per tonne if it concerns coal. As the WTO explains in its *WTR 2006* (p. 112), “[t]he ‘per unit’ value of subsidies has probably the most informative value for trading partners, as it indicates the extent to which subsidies may affect the costs of competitors in the subsidizing country and/or resulting market prices.” Equally good would be a relative metric, such as percentage of the market value of the product. But in both cases, a considerable amount of data gathering may be required to generate such a figure, and in any case a per-unit or percentage subsidy estimate is of relevance only to subsidies that are specific to a single product. Accordingly, the ASCM and the WTO questionnaire ask that, “where this [i.e., a subsidy per-unit estimate] is not possible” Members should report, “the [actual] total amount [expended] or the annual amount budgeted for that subsidy.” Our recommendation is that this field display annual expenditure only. If the Member also has information on a per-unit basis, that can be reported in the Notification Annex.

When a subsidy is provided in the form of a grant, government revenue foregone, or government programme expenditure, the amount that would be entered under Column 10 would be the amount expended, budgeted or foregone. What number to enter when the subsidy is provided in the form of a loan or loan guarantee? Ideally, the amount entered should be the subsidy-equivalent value to the recipient(s) of the loan(s) or loan guarantee(s). But past practice has shown that WTO Members often report simply the total loaned or guaranteed amount.

If asking for the subsidy-equivalent values of loans and loan guarantees is not feasible at the moment, care needs to be taken to show that the amounts reported for these types of measures are not comparable to the other entries under this column. A possible convention would be to

follow the reported figures with an “L” (for loan) or “LG” (for loan guarantee) entered in Column 11.

The question then arises as to which year the data should refer. Clearly, for evaluating possible trade effects, there would be an interest in showing the latest year available. For the sake of consistency, however, we would recommend that the amount reported in the Summary Table refer to the latest year covered by the period of notification.⁴ Derogations may arise, however, so a separate column has been provided for indicating (with a table endnote) that the number reported in Column 10 refers to year other than the one used for the majority of subsidy programmes notified in the table.

Examples of completed Summary Tables

Exhibits 1 and 2 show how a Summary Table might be filled out, using examples of types of subsidies that have actually been notified to the WTO, but in this case for a fictional land of Spendthriftia. For the first example, we have classified the programmes using CPC Ver.2 codes and the GSI subsidy classification system provided in Annex 5 to this document.

Subsidies that are specific to one or two products — like those to wool producers and butter manufacturers — are easier to classify using the CPC than ones that cover a wide range of possible benefiting products. The programme providing tax credits for investments made by manufacturers of information technology (IT) and telecommunications equipment, for example, could potentially cover a wide number of subclasses (and also subheadings in the HS). For the sake of simplicity, we have grouped the products into two ranges (CPC 47110-47223 and CPC 49610-49640). However, it could be that not all the products covered by those two ranges would be included in the programme, and therefore finer distinctions would have to be made. For this subsidy programme, as for the export subsidy for beef, the recipient products occur in separate places in the CPC and therefore some mechanism needs to be provided to alert the reader that they both relate to the same programme. We have done that by referring in the cell for “Amount” a cross-reference to the first appearance of the programme in the table.

Assigning subsidies to four-digit ISIC codes (Exhibit 2) is somewhat easier than using CPC codes for several of the subsidy programmes, particularly for programmes that are targeted at an activity, such as silviculture. In some cases it also avoids the necessity to split the classification among two or more ranges, as was required for the beef export subsidy in Exhibit 1. However, the ISIC code to which the beef export subsidy would be assigned is for “Processing and preserving of meat”, which covers other meats besides beef (including even the “slaughtering and processing of whales on land or on specialized vessels”). Greater precision could be obtained by creating two extra digits for subclasses within the 1010 class.

The use of either product or activity codes does allow our fictional WTO Member economy to do something that is rarely done in current notifications: make a positive declaration that no subsidies are provided to products that are not mentioned in connection with the subsidy programmes on which they are reporting. Thus, in our example, Spendthriftania has declared that it subsidizes no primary agricultural products apart from wool, no food products apart from beef and butter, and no manufactured products apart from IT and telecommunications and its civil aeronautical industry.

⁴ On 31 May 2001, Members agreed to submit new and full notifications every two years, for a trial-period mode. (See G/SCM/M/30). Previously, Members provided new and full notifications every three years, and in interim years provided annual updating notifications.

We would stress, nonetheless, that the feature of the Summary Table enabling a WTO Member to report the absence of specific subsidies to particular products would be useful only in those cases in which one or more specific subsidies are provided that benefit other products. In the (rare) case that a country is able to report that they grant no specific subsidies at all, Article 25.6 of the ASCM provides an alternative reporting procedure, which involves writing a simple letter to the WTO Secretariat. Thus, in March 2005, the Government of Albania dutifully reported:

In accordance with Article 25.1 of the Agreement on Subsidies and Countervailing Measures and Article XVI:1 of the GATT 1994, the Government of Albania wishes to inform you that Albania does not grant or maintain within its territory any subsidy within the meaning of Article 1.1 of the Agreement on Subsidies and Countervailing Measures which is specific within the meaning of Article 2 of the Agreement, or which operates directly or indirectly to increase exports from or reduce imports into its territory within the meaning of Article XVI:1 of the GATT 1994. (G/SCM/N/123/ALB)

Exhibit 1. Example of a filled-out Summary Table for the fictional land of Spendthriftania, using CPC Ver.2

CPC product codes		Gov unit	Reg	Subsidy Type	Title of programme	Beneficiary	Start date	End date	Amount (FY04)	L or LG	Note
From	Through										
1	2	3	4	5	6	7	8	9	10	11	12
01111	02930				NO SPECIFIC SUBSIDIES						
02941	02942	C	–	1.1.1	Purchase of domestic wool	Wool producers	19620701	20100630	\$ 600,000	—	1
02943	02979				NO SPECIFIC SUBSIDIES						
03110	03190	95	–	2	Promotion of forest plantations	Owners of cultivated forests for certain activities	19950101	99	\$ 42,000,000	—	
03211	04111				NO SPECIFIC SUBSIDIES						
04112	04930	C	–	2.3.3.1	Fisheries Development Loan Fund	Individual fishermen or registered fishing company	19710101	99	\$ 3,980,000	L	
11010	18000				NO SPECIFIC SUBSIDIES						
21111	21111	C	–	0.1	Export subsidies	Exporters of fresh beef	19540101	20081231	\$ 6,330,000	—	
21112	21129				NO SPECIFIC SUBSIDIES						
21131	21131	C			Export subsidies	Exporters of frozen beef	19540101	20081231	See 21111	—	
21132	22930				NO SPECIFIC SUBSIDIES						
22941	22949	C	–	2.2.2.1	Contributions to Butter	Manufacturers of butter	19620401	99	\$150,000,000	—	
22951	31923	C			NO SPECIFIC SUBSIDIES						
32111	32113	2A	R	2.3.2	Pulp mill, several aid schemes	Cellulose factories in the Province of Sylvania	20020401	20041231	\$274,676,000	—	
32121	44929				NO SPECIFIC SUBSIDIES						
45110	45290	75	–	2.3.3.1	Capital Goods, IT and Telecommunications	Manufacturers of IT and Telecommunications equipment	20040701	20051231	No data	—	2
46111	46960				NO SPECIFIC SUBSIDIES						
47110	47223	C		2.3.3.1	Capital Goods, IT and Telecommunications	Manufacturers of IT and Telecommunications equipment	20040701	20051231	No data	—	2

DRAFT FOR EXTERNAL REVIEW — NOT FOR QUOTATION OR CITATION

CPC product codes		Gov unit	Reg	Subsidy Type	Title of programme	Beneficiary	Start date	End date	Amount (FY04)	L or LG	Note
From	Through										
1	2	3	4	5	6	7	8	9	10	11	12
47311	49540				NO SPECIFIC SUBSIDIES						
49610	49640	C	—	4.2	National program for civil aeronautical research	Research and technology at industry and universities	20030101	20071231	\$ 35,820,000	—	
49911	49942				NO SPECIFIC SUBSIDIES						

Note 1. Amount refers to calendar year ending 31 December 2004.

Note 2. The value of this tax measure is not known yet because of data on investments are not yet available.

DRAFT FOR EXTERNAL REVIEW — NOT FOR QUOTATION OR CITATION

Exhibit 2. Example of a filled-out Summary Table for the fictional land of Spendthriftania, using ISIC Ver.4

ISIC activity codes		Gov unit	Reg	Subsidy Type	Title of programme	Beneficiary	Start date	End date	Amount (FY04)	L or LG	Note
From	Through										
1	2	3	4	5	6	7	8	9	10	11	12
0111	0143				NO SPECIFIC SUBSIDIES						
0144	0144	C	–	1.1.1	Purchase of domestic wool	Wool producers	19620701	20100630	\$ 600,000	—	1
0145	0170				NO SPECIFIC SUBSIDIES						
0210	0210	95	–	2	Promotion of forest plantations	Owners of cultivated forests for certain activities	19950101	99	\$ 42,000,000	—	
0220	0240				NO SPECIFIC SUBSIDIES						
0311	0311	C	–	2.3.3.1	Fisheries Development Loan Fund	Individual fishermen or registered fishing company	19710101	99	\$ 3,980,000	L	
0312	0990				NO SPECIFIC SUBSIDIES						
1010	1010	C	–	0.1	Export subsidies	Exporters of beef meat	19540101	20081231	\$ 6,330,000	—	
1020	1040				NO SPECIFIC SUBSIDIES						
1050	1050	C	–	2.2.2.1	Contributions to Butter	Manufacturers of butter	19620401	99	\$150,000,000	—	
1061	1629	C			NO SPECIFIC SUBSIDIES						
1701	1701	2A	R	2.3.2	Pulp mill, several aid schemes	Cellulose factories in the Province of Sylvania	20020401	20041231	\$274,676,000	—	
1702	2599				NO SPECIFIC SUBSIDIES						
2610	2630	75	–	2.3.3.1	Capital Goods, IT and Telecommunications	Manufacturers of IT and Telecommunications equipment	20040701	20051231	No data	—	2
2640	3020				NO SPECIFIC SUBSIDIES						
3030	3030	C	–	4.2	National program for civil aeronautical research	Research and technology at industry and universities	20030101	20071231	\$ 35,820,000	—	
3040	3290				NO SPECIFIC SUBSIDIES						

Note 1. Amount refers to calendar year ending 31 December 2004.

Note 2. The value of this tax measure is not known yet because of data on investments are not yet available.

THE NOTIFICATION ANNEX

This proposed Notification Annex is intended to contain additional detail of a nature that does not lend itself easily to codification or reduction to a few words in a table. The format of the Annex is similar to that used currently by many countries in their notifications, though we have attempted, in the interest of paper reduction, to streamline the text so that it takes up less space than is typical.

The WTO's Questionnaire requests the following information in addition to what is contained in the Summary Table:

3. The policy objective or purpose of the subsidy, or both.
4. Background on and the legislation or other authority under which it the subsidy is granted.
5. The administrative form of the subsidy (e.g., grant, loan, tax concession).
10. Statistical data permitting an assessment of the trade effects of the subsidy.

As mentioned in the introduction, because Members so rarely provide the information required to address Item 10 in the questionnaire, we have dropped it from our proposed model Notification.

Typical notifications submitted to the WTO to date contain a lot of “white space” — i.e., headings, line spaces and such like. If countries are to be encouraged to provide details on more programmes than they have reported so far, a more-compact presentation will be needed to keep the notifications from becoming over-long. In the examples given below, we have used several presentational devices to fit more material onto a page, while retaining a format that can be scanned quickly.

Our proposed order is as follows. The beginning of the Notification Annex would identify the period covered by the notification. Normally this information need be given only once, with exceptions mentioned in the individual entries. However, if multiple periods are being notified (e.g., because the country is catching up for non-notifications in previous years) the Notification Annex could be separated into different blocks, each referring to a different period.

This information would be followed by:

Product(s) covered. This should provide both the same code used in the Summary Table, and a brief description.

Purpose: For this item, Members would be asked to explain the purpose of the subsidy programme(s). The purpose should be commensurate with the level of specificity of the subsidy or subsidies. An inappropriate purpose for a subsidy that reduces the price of electricity used by an aluminium smelter, for example, would be “to promote economic growth”, which is a purpose more suitable for a macro-economic policy. Examples of programme purposes are: “to accelerate the installation of pollution-control equipment at Kraft paper mills”, or “to retrain workers in the steel industry displaced by contraction of the domestic industry.”

Authority: The government level granting the subsidy, the administrative authority responsible for administering the subsidy, and the legislation or other authority (e.g.,

decree, resolution, ordinance) under which the subsidy is granted. Members have suggested in the past that this information could include references to websites where more detail on the programme or law can be viewed.

Following the recommendation given in Item 8 of the WTO questionnaire (which advises that “For the information cited in items 3 to 7 above, the notification does not necessarily have to have an independent heading corresponding to each item, and may provide information on multiple items in one heading ...”), these first three categories could then serve as an overall heading for several subsidy programmes.

Then would follow headings for information specific for each subsidy programme. In order to be able to cross-reference the detailed descriptions in the Notification Annex to entries in the Summary Table, a unique code could be assigned to each entry in the table, and included with the text entered under “Subsidy programme title”.

Subsidy programme title: This would contain the title of the subsidy programme, in both an official language of the WTO and the language in which it appears in the notifying Member’s laws.

To whom and how the subsidy is provided: Here would be described the target economic stage (whether to producers, to exporters, or others); the affected product or activity; and the mechanics of the subsidy: its form, how it is calculated, if there are any limits on how long and how much an individual recipient may receive.

Duration of the subsidy: The beginning and ending dates of the current policy would be listed — e.g., 1 October 2003 through 30 September 2008.

Amount of the subsidy: As for the Summary Table, this section would list the total value of the subsidy in the case of a grant or public expenditure, and the value loaned in the case of a government loan or government loan guarantee.

Example entries for the Notification Annex

The two following cases, based on two actual notifications to the WTO, are provided to illustrate typical descriptions that might be appropriate for the Notification Annex. The period covered by the notification is listed first.

Period covered by the notification: FY April 2004-March 2005

Product(s): PRODUCTS OF MARINE FISHERIES (CPC 04112-04930; ISIC 0311)

Authority: Agriculture, Fisheries and Conservation Department of the Government of Spenstiftania, under the Fisheries Development Act of 1970.

Purpose: To facilitate the sustainable development of local fishery industry by providing fishers with the means to develop or shift to more-sustainable fishing operations.

Title of the programme: Fisheries Development Loan Fund

To whom and how the assistance is provided: Government loans are provided to help cover the cost of purchasing fishing gear or other equipment that improves the selectivity of fishing. Applicants must be (i) a member of registered fishermen's co-operative society; (ii) an individual fisherman; or (iii) a registered fishing company.

Loans are granted at an interest rate of 6% per annum, for up to three years, up to a maximum of ST\$ 100,000 per vessel. The best lending rates available on the local commercial market during the fiscal year 2004-05 ranged generally between 5% and 5.25% per annum. Unlike commercial loans, however, these loans require no collateral, and the risk of default is assumed by the government.

Amount: The total amount of loans approved for the fiscal year 2004-05 was ST\$ 3,980,000.

Duration: This scheme, which began in 1971, is on-going.

Product(s): BUTTER FROM CATTLE (CPC 22941-22949; ISIC 1050)

Authority: Large Bovine Administration of the Government of Spendthiftania, under the Agriculture Law of 1 April 1998 (STL 910.1). Further details are provided in the Presidential Decrees of 7 December 1998 concerning measures of transition (PD 822.122.4: Transition ordinance milk) and price support (PD 822.122.5: Milk price support ordinance).

Purpose: To enable domestic producers of butter to compete in the domestic market for edible fats.

Title of the programme: Butter subsidy.

To whom and how the subsidy is provided: Per-kilogramme subsidies (paid monthly) are granted to manufacturers of cooking butter and resolidified butter. These subsidies vary according to how the butter is packed and its end use. They are not seasonally or otherwise limited or differentiated. In 2003 the average subsidy rate was ST\$ 2.65/kg; in 2004 it was ST\$ 3.16/kg.

(ST\$ per kg)

Year	Grade "A" butter	Cooking butter	Re-solidified butter
1.1.2003 – 30.11.2003	0	1.12 – 3.16	4.84 – 7.27
1.12.2003 – 30.4.2004	0	2.95	4.30
1.5.2004 – 31.12.2004	0	2.74	4.06

Duration: This scheme, which began in 1963, is scheduled to be phased out by the end of 2009. The total amount paid refers to accounting years.

Amount of the subsidy: The government provided ST\$ 93.1 million in butter subsidies in 2003, and ST\$ 71.5 million in 2004.

ANNEX 1. WTO QUESTIONNAIRE

**WORLD TRADE
ORGANIZATION**

G/SCM/6/Rev.1
11 November 2003

(03-6007)

**Committee on Subsidies
and Countervailing Measures**

Original: English

**QUESTIONNAIRE FORMAT FOR SUBSIDY NOTIFICATIONS
UNDER ARTICLE 25 OF THE AGREEMENT ON SUBSIDIES
AND COUNTERVAILING MEASURES AND UNDER
ARTICLE XVI OF GATT 1994⁵**

Revision

General Rules

1. The following subsidies are subject to notification under Article 25 of the Agreement on Subsidies and Countervailing Measures and under Article XVI of GATT 1994:
 - (a) all specific subsidies, as defined in Articles 1 and 2 of the Agreement on Subsidies and Countervailing Measures ("the SCM Agreement"), shall be notified pursuant to Article 25.2 of the SCM Agreement;and
 - (b) all other subsidies (i.e., in addition to those described in (a)), which operate directly or indirectly to increase exports of any product from, or to reduce imports of any product into, the territory of the Member granting or maintaining the subsidies, shall be notified pursuant to Article XVI:1 of GATT 1994.
2. It is understood that notifications made in accordance with the following questionnaire format will satisfy the notification requirements of both Article 25 of the SCM Agreement and Article XVI of GATT 1994.
3. Any Member considering that there are no measures in its territory requiring notification under the SCM Agreement and Article XVI of GATT 1994 shall so inform the Secretariat in writing.
4. The content of notifications should be sufficiently specific to enable other Members to evaluate the trade effects and to understand the operation of notified subsidies.

⁵ This format replaces G/SCM/6. This document is prepared solely to assist Members in the preparation of subsidy notifications under Article 25 of the *Agreement on Subsidies and Countervailing Duties*, and is without prejudice to the legal obligations therein.

5. It is recognized that notification of a measure does not prejudice either its legal status under GATT 1994 and the SCM Agreement, the effects under the SCM Agreement, or the nature of the measure itself.
6. To the extent that subsidies are provided on the basis of specific products or sectors, notifications of those subsidies should be organized by product or sector.
7. To the extent that information called for in any question is not provided, the response to that question shall explain why not.
8. In accordance with Article 25.1 of the SCM Agreement, subsidy notifications shall be submitted no later than 30 June of each year.
9. Members shall submit new and full notifications each third year (with 1995 understood to be the year for the first new and full notifications under Article 25 of the SCM Agreement and under Article XVI of GATT 1994), and shall submit updating notifications in the intervening years.

Information to be Provided⁶

1. Title of the subsidy programme, if relevant, or brief description or identification of the subsidy.
2. Period covered by the notification. The period to be covered by the notification should be the most recently completed calendar or fiscal year. In the latter case, the start and end dates of the fiscal year should be specified.
3. Policy objective and/or purpose of the subsidy.
4. Background and authority for the subsidy (including identification of the legislation under which it is granted).
5. Form of the subsidy (i.e., grant, loan, tax concession, etc.).
6. To whom and how the subsidy is provided (whether to producers, to exporters, or others; through what mechanism; whether a fixed or fluctuating amount per unit; if the latter, how determined).
7. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy (indicating, if possible, the average subsidy per unit in the previous year). Where provision of per unit subsidy information (for the year covered by the notification, for the previous year, or both) is not possible, a full explanation.
8. For the information cited in items 3 to 7 above, the notification does not necessarily have to have an independent heading corresponding to each item, and may provide

⁶The information requested in points 1-9 below must be provided in full:

- (a) for all subsidies in the case of full notifications
- (b) for subsidies notified for the first time in update notifications.

In the case of subsidies which have previously been notified, the information provided in update notifications under points 3, 4, 5, 6 and 8 may be limited to indicating any modifications (or the absence thereof) from the previous notification.

information on multiple items in one heading (e.g. provide information on items 3 and 4 under one heading). In this case, the notification must clearly specify what items are covered by which heading.

9. Duration of the subsidy and/or any other time limits attached to it, including date of inception/commencement.
10. Statistical data permitting an assessment of the trade effects of the subsidy. The specific nature and scope of such statistics is left to the judgement of the notifying Member. To the extent possible, relevant and/or determinable, however, it is desirable that such information include statistics of production, consumption, imports and exports of the subsidized product(s) or sector(s):
 - (a) for the three most recent years for which statistics are available;
 - (b) for a previous representative year, which, where possible and meaningful, should be the latest year preceding the introduction of the subsidy or preceding the last major change in the subsidy.

ANNEX 2. HS 2002, CHAPTERS

SECTION I — LIVE ANIMALS; ANIMAL PRODUCTS

1. Live animals.
2. Meat and edible meat offal.
3. Fish and crustaceans, molluscs and other aquatic invertebrates.
4. Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included.
5. Products of animal origin, not elsewhere specified or included.

SECTION II —VEGETABLE PRODUCTS

6. Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage.
7. Edible vegetables and certain roots and tubers.
8. Edible fruit and nuts; peel of citrus fruit or melons.
9. Coffee, tea, maté and spices.
10. Cereals.
11. Products of the milling industry; malt; starches; inulin; wheat gluten.
12. Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder.
13. Lac; gums, resins and other vegetable saps and extracts.
14. Vegetable plaiting materials; vegetable products not elsewhere specified or included.

SECTION III — ANIMAL OR VEGETABLE FATS AND OILS AND THEIR CLEAVAGE PRODUCTS; PREPARED EDIBLE FATS; ANIMAL OR VEGETABLE WAXES

15. Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes.

SECTION IV — PREPARED FOODSTUFFS; BEVERAGES, SPIRITS AND VINEGAR; TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES

16. Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates.
17. Sugars and sugar confectionery.
18. Cocoa and cocoa preparations.
19. Preparations of cereals, flour, starch or milk; pastrycooks' products.
20. Preparations of vegetables, fruit, nuts or other parts of plants.
21. Miscellaneous edible preparations.
22. Beverages, spirits and vinegar.
23. Residues and waste from the food industries; prepared animal fodder.
24. Tobacco and manufactured tobacco substitutes.

SECTION V — MINERAL PRODUCTS

25. Salt; sulphur; earths and stone; plastering materials, lime and cement.
26. Ores, slag and ash.
27. Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes.

SECTION VI — PRODUCTS OF THE CHEMICAL OR ALLIED INDUSTRIES

- 28. Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes.
- 29. Organic chemicals.
- 30. Pharmaceutical products.
- 31. Fertilisers.
- 32. Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter; paints and varnishes; putty and other mastics; inks.
- 33. Essential oils and resinoids; perfumery, cosmetic or toilet preparations.
- 34. Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing or scouring preparations, candles and similar articles, modelling pastes, “dental waxes” and dental preparations with a basis of plaster.
- 35. Albuminoidal substances; modified starches; glues; enzymes.
- 36. Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations.
- 37. Photographic or cinematographic goods.
- 38. Miscellaneous chemical products.

SECTION VII — PLASTICS AND ARTICLES THEREOF; RUBBER AND ARTICLES THEREOF

- 39. Plastics and articles thereof.
- 40. Rubber and articles thereof.

SECTION VIII — RAW HIDES AND SKINS, LEATHER, FURSKINS AND ARTICLES THEREOF; SADDLERY AND HARNESS; TRAVEL GOODS, HANDBAGS AND SIMILAR CONTAINERS; ARTICLES OF ANIMAL GUT (OTHER THAN SILK-WORM GUT)

- 41. Raw hides and skins (other than furskins) and leather.
- 42. Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut).
- 43. Furskins and artificial fur; manufactures thereof.

SECTION IX — WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL; CORK AND ARTICLES OF CORK; MANUFACTURES OF STRAW, OF ESPARTO OR OF OTHER PLAITING MATERIALS; BASKETWARE AND WICKERWORK

- 44. Wood and articles of wood; wood charcoal.
- 45. Cork and articles of cork.
- 46. Manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork.

SECTION X — PULP OF WOOD OR OF OTHER FIBROUS CELLULOSIC MATERIAL; RECOVERED (WASTE AND SCRAP) PAPER OR PAPERBOARD; PAPER AND PAPERBOARD AND ARTICLES THEREOF

- 47. Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard.

- 48. Paper and paperboard; articles of paper pulp, of paper or of paperboard.
- 49. Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans.

SECTION XI — TEXTILES AND TEXTILE ARTICLES

- 50. Silk.
- 51. Wool, fine or coarse animal hair; horsehair yarn and woven fabric.
- 52. Cotton.
- 53. Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn.
- 54. Man-made filaments.
- 55. Man-made staple fibres.
- 56. Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof.
- 57. Carpets and other textile floor coverings.
- 58. Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery.
- 59. Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use.
- 60. Knitted or crocheted fabrics.
- 61. Articles of apparel and clothing accessories, knitted or crocheted.
- 62. Articles of apparel and clothing accessories, not knitted or crocheted.
- 63. Other made up textile articles; sets; worn clothing and worn textile articles; rags.

SECTION XII — FOOTWEAR, HEADGEAR, UMBRELLAS, SUN UMBRELLAS, WALKING-STICKS, SEAT-STICKS, WHIPS, RIDING-CROPS AND PARTS THEREOF; PREPARED FEATHERS AND ARTICLES MADE THEREWITH; ARTIFICIAL FLOWERS; ARTICLES OF HUMAN HAIR

- 64. Footwear, gaiters and the like; parts of such articles.
- 65. Headgear and parts thereof.
- 66. Umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof.
- 67. Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair.

SECTION XIII — ARTICLES OF STONE, PLASTER, CEMENT, ASBESTOS, MICA OR SIMILAR MATERIALS; CERAMIC PRODUCTS; GLASS AND GLASSWARE

- 68. Articles of stone, plaster, cement, asbestos, mica or similar materials.
- 69. Ceramic products.
- 70. Glass and glassware.

SECTION XIV — NATURAL OR CULTURED PEARLS, PRECIOUS OR SEMI-PRECIOUS STONES, PRECIOUS METALS, METALS CLAD WITH PRECIOUS METAL AND ARTICLES THEREOF; IMITATION JEWELLERY; COIN

- 71. Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal and articles thereof; imitation jewellery; coin.

SECTION XV — BASE METALS AND ARTICLES OF BASE METAL

- 72. Iron and steel.
- 73. Articles of iron or steel.
- 74. Copper and articles thereof.
- 75. Nickel and articles thereof.
- 76. Aluminium and articles thereof.
- 77. (Reserved for possible future use in the Harmonized System)
- 78. Lead and articles thereof.
- 79. Zinc and articles thereof.
- 80. Tin and articles thereof.
- 81. Other base metals; cermets; articles thereof.
- 82. Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal.
- 83. Miscellaneous articles of base metal.

SECTION XVI — MACHINERY AND MECHANICAL APPLIANCES; ELECTRICAL EQUIPMENT; PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, TELEVISION IMAGE AND SOUND RECORDERS AND REPRODUCERS, AND PARTS AND ACCESSORIES OF SUCH ARTICLES

- 84. Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof.
- 85. Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles.

SECTION XVII — VEHICLES, AIRCRAFT, VESSELS AND ASSOCIATED TRANSPORT EQUIPMENT

- 86. Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (including electro-mechanical) traffic signalling equipment of all kinds.
- 87. Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof.
- 88. Aircraft, spacecraft, and parts thereof.
- 89. Ships, boats and floating structures.

SECTION XVIII — OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS; CLOCKS AND WATCHES; MUSICAL INSTRUMENTS; PARTS AND ACCESSORIES THEREOF

- 90. Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof.
- 91. Clocks and watches and parts thereof.
- 92. Musical instruments; parts and accessories of such articles.

SECTION XIX — ARMS AND AMMUNITION; PARTS AND ACCESSORIES THEREOF

- 93. Arms and ammunition; parts and accessories thereof.

SECTION XX — MISCELLANEOUS MANUFACTURED ARTICLES

- 94. Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings.
- 95. Toys, games and sports requisites; parts and accessories thereof.
- 96. Miscellaneous manufactured articles.

SECTION XXI — WORKS OF ART, COLLECTORS' PIECES AND ANTIQUES

- 97. Works of art, collectors' pieces and antiques.

Source: World Customs Organization web site:

[www.wcoomd.org/ie/En/Topics_Issues/HarmonizedSystem/DocumentDB/TABLE%20OF%](http://www.wcoomd.org/ie/En/Topics_Issues/HarmonizedSystem/DocumentDB/TABLE%20OF%20)

ANNEX 3. CPC Ver.2 — FIRST AND SECOND LEVELS

0 - Agriculture, forestry and fishery products

- 01 - Products of agriculture, horticulture and market gardening
- 02 - Live animals and animal products (excluding meat)
- 03 - Forestry and logging products and egg products
- 04 - Fish and other fishing products

1 - Ores and minerals; electricity, gas and water

- 11 - Coal and lignite; peat
- 12 - Crude petroleum and natural gas
- 13 - Uranium and thorium ores
- 14 - Metal ores
- 15 - Stone, sand and clay
- 16 - Other minerals
- 17 - Electricity, town gas, steam and hot water
- 18 - Water

2 - Food products, beverages and tobacco; textiles, apparel and leather products

- 21 - Meat, fish, fruit, vegetables, oils and fats
- 22 - Dairy products
- 23 - Grain mill products, starches and starch products; other food products
- 24 - Beverages
- 25 - Tobacco products
- 26 - Yarn and thread; woven and tufted textile fabrics
- 27 - Textile articles other than apparel
- 28 - Knitted or crocheted fabrics; wearing apparel
- 29 - Leather and leather products; footwear

3 - Other transportable goods, except metal products, machinery and equipment

- 31 - Products of wood, cork, straw and plaiting materials
- 32 - Pulp, paper and paper products; printed matter and related articles
- 33 - Coke oven products; refined petroleum products; nuclear fuel
- 34 - Basic chemicals
- 35 - Other chemical products; man-made fibres
- 36 - Rubber and plastics products
- 37 - Glass and glass products and other non-metallic products n.e.c.
- 38 - Furniture; other transportable goods n.e.c.
- 39 - Wastes or scraps

4 - Metal products, machinery and equipment

- 41 - Basic metals
- 42 - Fabricated metal products, except machinery and equipment
- 43 - General-purpose machinery
- 44 - Special-purpose machinery
- 45 - Office, accounting and computing machinery
- 46 - Electrical machinery and apparatus
- 47 - Radio, television and communication equipment and apparatus
- 48 - Medical appliances, precision and optical instruments, watches and clocks
- 49 - Transport equipment

Source: Prepared by United Nations Statistics Division, “Central Product Classification — Draft CPC Ver.2 structure”, Statistical Commission Background document, UN, New York, March 2006.
Available from <http://unstats.un.org/unsd/statcom/doc06/CPC-Ver2-Structure.pdf>

ANNEX 4. ISIC REV.4 — DETAILED STRUCTURE OF GOODS AND CATEGORIES

Sec.	Div.	Group	Class	Description
A				Agriculture, forestry and fishing
	01			Crop and animal production, hunting and related service activities
		011		Growing of non-perennial crops
			0111	Growing of cereals (except rice), leguminous crops and oil seeds
			0112	Growing of rice
			0113	Growing of vegetables and melons, roots and tubers
			0114	Growing of sugar cane
			0115	Growing of tobacco
			0116	Growing of fibre crops
			0119	Growing of other non-perennial crops
		012		Growing of perennial crops
			0121	Growing of grapes
			0122	Growing of tropical and subtropical fruits
			0123	Growing of citrus fruits
			0124	Growing of pome fruits and stone fruits
			0125	Growing of other tree and bush fruits and nuts
			0126	Growing of oleaginous fruits
			0127	Growing of beverage crops
			0128	Growing of spices, aromatic, drug and pharmaceutical crops
			0129	Growing of other perennial crops
		013	0130	Plant propagation
		014		Animal production
			0141	Raising of cattle and buffaloes
			0142	Raising of horses and other equines
			0143	Raising of camels and camelids
			0144	Raising of sheep and goats
			0145	Raising of swine/pigs
			0146	Raising of poultry
			0149	Raising of other animals
		015	0150	Mixed farming
		016		Support activities to agriculture and post-harvest crop activities
			0161	Support activities for crop production
			0162	Support activities for animal production
			0163	Post-harvest crop activities
			0164	Seed processing for propagation
		017	0170	Hunting, trapping and related service activities
	02			Forestry and logging
		021	0210	Silviculture and other forestry activities
		022	0220	Logging
		023	0230	Gathering of non-wood forest products
		024	0240	Support services to forestry

Sec.	Div.	Group	Class	Description
	03			Fishing and aquaculture
		031		Fishing
			0311	Marine fishing
			0312	Freshwater fishing
		032		Aquaculture
			0321	Marine aquaculture
			0322	Freshwater aquaculture
B				Mining and quarrying
	05			Mining of coal and lignite
		051	0510	Mining of hard coal
		052	0520	Mining of lignite
	06			Extraction of crude petroleum and natural gas
		061	0610	Extraction of crude petroleum
		062	0620	Extraction of natural gas
	07			Mining of metal ores
		071	0710	Mining of iron ores
		072		Mining of non-ferrous metal ores
			0721	Mining of uranium and thorium ores
			0729	Mining of other non-ferrous metal ores
	08			Other mining and quarrying
		081	0810	Quarrying of stone, sand and clay
		089		Mining and quarrying n.e.c.
			0891	Mining of chemical and fertilizer minerals
			0892	Extraction of peat
			0893	Extraction of salt
			0899	Other mining and quarrying n.e.c.
	09			Mining support service activities
		091	0910	Support activities for petroleum and natural gas extraction
		099	0990	Support activities for other mining and quarrying
C				Manufacturing
	10			Manufacture of food products
		101	1010	Processing and preserving of meat
		102	1020	Processing and preserving of fish, crustaceans and molluscs
		103	1030	Processing and preserving of fruit and vegetables
		104	1040	Manufacture of vegetable and animal oils and fats
		105	1050	Manufacture of dairy products
		106		Manufacture of grain mill products, starches and starch products
			1061	Manufacture of grain mill products
			1062	Manufacture of starches and starch products
		107		Manufacture of other food products

Sec.	Div.	Group	Class	Description
			1071	Manufacture of bakery products
			1072	Manufacture of sugar
			1073	Manufacture of cocoa, chocolate and sugar confectionery
			1074	Manufacture of macaroni, noodles, couscous and similar farinaceous products
			1075	Manufacture of prepared meals and dishes
			1079	Manufacture of other food products n.e.c.
		108	1080	Manufacture of prepared animal feeds
	11	110		Manufacture of beverages
			1101	Distilling, rectifying and blending of spirits
			1102	Manufacture of wines
			1103	Manufacture of malt liquors and malt
			1104	Manufacture of soft drinks; production of mineral waters and other bottled waters
	12	120	1200	Manufacture of tobacco products
	13			Manufacture of textiles
		131		Spinning, weaving and finishing of textiles
			1311	Preparation and spinning of textile fibres
			1312	Weaving of textiles
			1313	Finishing of textiles
		139		Manufacture of other textiles
			1391	Manufacture of knitted and crocheted fabrics
			1392	Manufacture of made-up textile articles, except apparel
			1393	Manufacture of carpets and rugs
			1394	Manufacture of cordage, rope, twine and netting
			1399	Manufacture of other textiles n.e.c.
	14			Manufacture of wearing apparel
		141	1410	Manufacture of wearing apparel, except fur apparel
		142	1420	Manufacture of articles of fur
		143	1430	Manufacture of knitted and crocheted apparel
	15			Manufacture of leather and related products
		151		Tanning and dressing of leather; manufacture of luggage, handbags, saddlery and harness; dressing and dyeing of fur
			1511	Tanning and dressing of leather; dressing and dyeing of fur
			1512	Manufacture of luggage, handbags and the like, saddlery and harness
		152	1520	Manufacture of footwear
	16			Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials
		161	1610	Sawmilling and planing of wood
		162		Manufacture of products of wood, cork, straw and plaiting materials
			1621	Manufacture of veneer sheets and wood-based panels

Sec.	Div.	Group	Class	Description
			1622	Manufacture of builders' carpentry and joinery
			1623	Manufacture of wooden containers
			1629	Manufacture of other products of wood; manufacture of articles of cork, straw and plaiting materials
	17	170		Manufacture of paper and paper products
			1701	Manufacture of pulp, paper and paperboard
			1702	Manufacture of corrugated paper and paperboard and of containers of paper and paperboard
			1709	Manufacture of other articles of paper and paperboard
	18			Printing and reproduction of recorded media
		181		Printing and service activities related to printing
			1811	Printing
			1812	Service activities related to printing
		182	1820	Reproduction of recorded media
	19			Manufacture of coke and refined petroleum products
		191	1910	Manufacture of coke oven products
		192	1920	Manufacture of refined petroleum products
	20			Manufacture of chemicals and chemical products
		201		Manufacture of basic chemicals, fertilizers and nitrogen compounds, plastics and synthetic rubber in primary forms
			2011	Manufacture of basic chemicals
			2012	Manufacture of fertilizers and nitrogen compounds
			2013	Manufacture of plastics and synthetic rubber in primary forms
		202		Manufacture of other chemical products
			2021	Manufacture of pesticides and other agrochemical products
			2022	Manufacture of paints, varnishes and similar coatings, printing ink and mastics
			2023	Manufacture of soap and detergents, cleaning and polishing preparations, perfumes and toilet preparations
			2029	Manufacture of other chemical products n.e.c.
		203	2030	Manufacture of man-made fibres
	21	210	2100	Manufacture of pharmaceuticals, medicinal chemical and botanical products
	22			Manufacture of rubber and plastics products
		221		Manufacture of rubber products
			2211	Manufacture of rubber tyres and tubes; retreading and rebuilding of rubber tyres
			2219	Manufacture of other rubber products
		222	2220	Manufacture of plastics products
	23			Manufacture of other non-metallic mineral products
		231	2310	Manufacture of glass and glass products
		239		Manufacture of non-metallic mineral products n.e.c.

Sec.	Div.	Group	Class	Description
			2391	Manufacture of refractory products
			2392	Manufacture of clay building materials
			2393	Manufacture of other porcelain and ceramic products
			2394	Manufacture of cement, lime and plaster
			2395	Manufacture of articles of concrete, cement and plaster
			2396	Cutting, shaping and finishing of stone
			2399	Manufacture of other non-metallic mineral products n.e.c.
	24			Manufacture of basic metals
		241	2410	Manufacture of basic iron and steel
		242	2420	Manufacture of basic precious and other non-ferrous metals
		243		Casting of metals
			2431	Casting of iron and steel
			2432	Casting of non-ferrous metals
	25			Manufacture of fabricated metal products, except machinery and equipment
		251		Manufacture of structural metal products, tanks, reservoirs and steam generators
			2511	Manufacture of structural metal products
			2512	Manufacture of tanks, reservoirs and containers of metal
			2513	Manufacture of steam generators, except central heating hot water boilers
		252	2520	Manufacture of weapons and ammunition
		259		Manufacture of other fabricated metal products; metalworking service activities
			2591	Forging, pressing, stamping and roll-forming of metal; powder metallurgy
			2592	Treatment and coating of metals; machining
			2593	Manufacture of cutlery, hand tools and general hardware
			2599	Manufacture of other fabricated metal products n.e.c.
	26			Manufacture of computer, electronic and optical products
		261	2610	Manufacture of electronic components and boards
		262	2620	Manufacture of computers and peripheral equipment
		263	2630	Manufacture of communication equipment
		264	2640	Manufacture of consumer electronics
		265		Manufacture of measuring, testing, navigating and control equipment; watches and clocks
			2651	Manufacture of measuring, testing, navigating and control equipment
			2652	Manufacture of watches and clocks
		266	2660	Manufacture of irradiation, electromedical and electrotherapeutic equipment
		267	2670	Manufacture of optical instruments and photographic equipment
		268	2680	Manufacture of magnetic and optical media
	27			Manufacture of electrical equipment
		271	2710	Manufacture of electric motors, generators, transformers and electricity distribution and control apparatus

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Sec.	Div.	Group	Class	Description
		272	2720	Manufacture of batteries and accumulators
		273		Manufacture of wiring and wiring devices
			2731	Manufacture of fibre optic cables
			2732	Manufacture of other electronic and electric wires and cables
			2733	Manufacture of wiring devices
		274	2740	Manufacture of electric lighting equipment
		275	2750	Manufacture of domestic appliances
		279	2790	Manufacture of other electrical equipment
	28			Manufacture of machinery and equipment n.e.c.
		281		Manufacture of general-purpose machinery
			2811	Manufacture of engines and turbines, except aircraft, vehicle and cycle engines
			2812	Manufacture of fluid power equipment
			2813	Manufacture of other pumps, compressors, taps and valves
			2814	Manufacture of bearings, gears, gearing and driving elements
			2815	Manufacture of ovens, furnaces and furnace burners
			2816	Manufacture of lifting and handling equipment
			2817	Manufacture of office machinery and equipment (except computers and peripheral equipment)
			2818	Manufacture of power-driven hand tools
			2819	Manufacture of other general-purpose machinery
		282		Manufacture of special-purpose machinery
			2821	Manufacture of agricultural and forestry machinery
			2822	Manufacture of metal-forming machinery and machine tools
			2823	Manufacture of machinery for metallurgy
			2824	Manufacture of machinery for mining, quarrying and construction
			2825	Manufacture of machinery for food, beverage and tobacco processing
			2826	Manufacture of machinery for textile, apparel and leather production
			2829	Manufacture of other special-purpose machinery
	29			Manufacture of motor vehicles, trailers and semi-trailers
		291	2910	Manufacture of motor vehicles
		292	2920	Manufacture of bodies (coachwork) for motor vehicles; manufacture of trailers and semitrailers
		293	2930	Manufacture of parts and accessories for motor vehicles
	30			Manufacture of other transport equipment
		301		Building of ships and boats
			3011	Building of ships and floating structures
			3012	Building of pleasure and sporting boats
		302	3020	Manufacture of railway locomotives and rolling stock
		303	3030	Manufacture of air and spacecraft and related machinery
		304	3040	Manufacture of military fighting vehicles
		309		Manufacture of transport equipment n.e.c.
			3091	Manufacture of motorcycles
			3092	Manufacture of bicycles and invalid carriages

Sec.	Div.	Group	Class	Description
			3099	Manufacture of other transport equipment n.e.c.
	31	310	3100	Manufacture of furniture
	32			Other manufacturing
		321		Manufacture of jewellery, bijouterie and related articles
			3211	Manufacture of jewellery and related articles
			3212	Manufacture of imitation jewellery and related articles
		322	3220	Manufacture of musical instruments
		323	3230	Manufacture of sports goods
		324	3240	Manufacture of games and toys
		325	3250	Manufacture of medical and dental instruments and supplies
		329	3290	Other manufacturing n.e.c.

Source: U.N. Statistics Division, International Standard Industrial Classification of All Economic Activities (ISIC), Revision 4 Structure and explanatory notes”, Draft of 20 November 2006 (Version submitted for official editing), United Nations, New York.

Available from: <http://unstats.un.org/unsd/cr/registry/isic-4.asp>

ANNEX 5. GSI CLASSIFICATION SCHEME FOR SUPPORT, Version 1.6

0 SUBSIDIES CONTINGENT UPON EXPORT PERFORMANCE OR UPON THE USE OF DOMESTIC OVER IMPORTED GOODS

0.1 *Subsidies contingent upon export performance*

- 0.1.1 Currency retention scheme or similar practice that involves a bonus on exports
- 0.1.2 Remission or drawback of import charges in excess of those levied on imported inputs that are consumed in the production of the exported product
- 0.1.3 Internal transport or freight charges on export shipments on terms more favourable than for domestic shipments
- 0.1.4 Tax concessions favouring exports
 - 0.1.4.1 The provision of imported or domestic products or services for use in the production of exported goods, on terms or conditions more favourable than for the provision of like or directly competitive products or services for use in the production of goods for domestic consumption, if (in the case of products) such terms or conditions are more favourable than those commercially available on world markets to their exporters
 - 0.1.4.2 The full or partial exemption remission, or deferral specifically related to exports, of direct taxes or social welfare charges paid or payable by industrial or commercial enterprises
 - 0.1.4.3 The allowance of special deductions directly related to exports or export performance, over and above those granted in respect to production for domestic consumption, in the calculation of the base on which direct taxes are charged
 - 0.1.4.4 The exemption or remission, in respect of the production and distribution of exported products, of indirect taxes in excess of those levied in respect of the production and distribution of like products when sold for domestic consumption
- 0.1.5 Export credit or guarantee systems at premium rates which are inadequate to cover the long-term operating costs and losses of the programmes

0.2 *Subsidies contingent upon the use of domestic over imported goods*

1 OUTPUT-LINKED SUPPORT

1.1 *Market Price Support*

- 1.1.1 Based on unlimited output
- 1.1.2 Based on limited output

1.2 *Payments based on current output [ALT: Subsidies to products or services]*

- 1.2.1 Bounty (unit payment for production of a product or service)
 - 1.2.1.1 Based on unlimited output

1.2.1.2 Based on limited output

1.2.2 Deficiency payment (payment based on difference between market and target price)

1.2.2.1 Based on unlimited output

1.2.2.2 Based on limited output

1.2.3 Transfer through government procurement (preferable pricing for domestic products)

1.2.3.1 Based on unlimited output

1.2.3.2 Based on limited output

1.2.4 Exemption or remission of an (indirect) tax on the specific product or service

1.2.4.1 Based on unlimited output

1.2.4.2 Based on limited output

1.2.5 Value of a government guarantee or warranty on the product or service

1.2.5.1 Based on unlimited output

1.2.5.2 Based on limited output

1.3 *Payment based on historical production*

1.3.1 Production required

1.3.2 No production required

2 SUPPORT TO INPUTS AND PRODUCTION FACTORS

2.1 *Targeted subsidy for an intermediate input (good or service — e.g., energy, water, insurance)*

2.1.1 Direct reimbursement for part or all of cost of using an intermediate input

2.1.2 Tax expenditure linked to the use of an intermediate good

2.1.3 Provision of an intermediate good or service provided at a price that is below market value

2.1.3.1 Unlimited provision

2.1.3.2 Limited provision

2.2 *Subsidies to labour*

2.2.1 Subsidies on payroll or to the workforce (per employee)

2.2.2 Partial or total exemption from social charges

2.3 *Subsidies to capital*

2.3.1 Government-provided equity infusion

2.3.2 Capital grant

2.3.3 Tax expenditure linked to an investment

2.3.3.1 Tax credit linked to a capital investment

2.3.3.2 Accelerated depreciation

2.3.3.3 Tax-free bond

2.3.3.4 Property-tax abatement

2.3.3.5 Tax-increment financing

2.3.4 Subsidized credit

2.3.4.1 Contingent liability loan (i.e. repayment is dependent on the performance of the grantee)

2.3.4.2 Forgiveness of government-held debt

2.3.4.3 Government loan at more favourable conditions than could be obtained through a comparable commercial loan

2.3.4.4 Government subsidy to a commercial financial institution to facilitate a loan at more favourable conditions than could be obtained through a comparable commercial loan

2.3.4.5 Government loan guarantee or insurance

2.4 Subsidies to land or other natural resources

2.4.1 Payment based on land area

2.4.1.1 Unlimited land area

2.4.1.2 Limited land area

2.4.2 Payment based on number of livestock

2.4.2.1 Unlimited number of livestock

2.4.2.2 Limited number of livestock

2.4.3 Payment based on historical land use or numbers of animals

2.4.4 Provision of access to publicly controlled resources — such as land (including sub-surface minerals), or the vegetation (grass or trees) thereon; aquatic resources; or water — for free or at a price less than the prevailing market price

3 SUBSIDIES TO PRODUCER INCOME (NO RESTRICTIONS ON HOW THE SUBSIDY IS USED)

3.1 Direct payment based on current income from designated commercial activity

- 3.2 *Direct payment based on established minimum (personal or household) income*
- 3.3 *Direct payment based on historical benefits under support programmes*
- 3.4 *Special tax provision (exclusion, exemption, deduction, credit, income averaging, deferral, etc.) related to income*
- 3.5 *Government assumption of contingent liability (indemnities)*

4 SUBSIDIES FOR RESEARCH, DEVELOPMENT, INNOVATION AND MARKETING

- 4.1 *Support for basic research*
 - 4.1.1 Support for facilities and equipment
 - 4.1.2 Support for basic research services
- 4.2 *Support for applied research*
 - 4.2.1 Support for facilities and equipment
 - 4.2.2 Support for applied-research services
- 4.3 *Support for experimental development*
 - 4.3.1 Support for facilities and equipment
 - 4.3.2 Support for experimental-development services
- 4.4 *Support for innovation*
 - 4.4.1 Support for basic research
 - 4.4.2 Support for innovation services
- 4.5 *Support for marketing (information campaigns)*

5 SUBSIDIES LINKED TO CONSUMPTION

- 5.1 *Consumption subsidies*
 - 5.1.1 Subsidies to purchase the good or service
 - 5.1.2 Goods or services provided in-kind
- 5.2 *Subsidies for capital tied to consumption of a particular product*
 - 5.2.1 Subsidies to reduce purchase price of the capital good
 - 5.2.2 Subsidies to reduce the operating costs of using the capital good

Note: The distinction between subsidies with limits and those without limits typically arise with agricultural policies. An example of a subsidy to which limits are applied would be a per-tonne payment for on-farm storage of grain, up to a maximum of 1000 tonnes.

Definitions (adapted from UN Statistical Office):

- 1) *Basic research*: experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundations of phenomena and observable facts, without particular application or use in view.
- 2) *Applied research*: original investigation undertaken in order to acquire new knowledge, directed primarily towards a specific practical aim or objective.
- 3) *Experimental development*: systematic work, drawing on existing knowledge gained from research and/or practical experience, directed to producing new materials, products or devices; installing new processes, systems or services; or
- 4) *Innovation*: improving substantially processes, systems or services already produced or installed.