

TRADE REMEDIES

Despite reductions in tariffs and quotas, unfair trade still occurs where companies sell goods in export markets at prices lower than what the goods sell for in their source country. This is called 'dumping', and can injure producers and manufacturers in the country receiving the 'dumped' goods.

Another problem arises when exported goods have benefited from subsidies either directly or indirectly provided by a government.

Countries need special measures to deal with this type of unfair competition. There also needs to be a set of rules to ensure that these measures are not abused. This is where the need for the World Trade Organisation's Agreements on Anti-Dumping and on Subsidies and Countervailing Measures arises.

Agreement on Subsidies and Countervailing Measures

This agreement prohibits certain subsidies – especially those that are directly linked to exports. It also defines the circumstances under which action may be taken against subsidised traded products. For example, where an imported good is found to benefit from a subsidy in a way that harms domestic industry, a countervailing duty may be applied to offset any injurious effects.

Agreement on Anti-Dumping

This agreement specifies what actions may be taken to mitigate the impacts of 'dumping'. Like countervailing measures, anti-dumping duties are designed to offset injurious effects caused to the domestic industry.

Negotiations in the Doha Round

The 2001 Doha Declaration launched a new round of multilateral trade negotiations and includes the goal of "clarifying and improving" disciplines under the Anti-Dumping and Subsidies and Countervailing Measures Agreements.

By the time of the WTO Ministerial Conference in Hong Kong in 2005, work had progressed sufficiently for ministers to call on officials to "intensify and accelerate the negotiating process" in order to prepare for the final stage of the negotiations.

The Chair of the Rules Negotiating Group is working with members towards presenting a consolidated draft text in July 2006. This will serve as the basis for the final stage of talks.

Anti-Dumping

In recent years, there has been a marked increase in the number of anti-dumping measures used, particularly by developing countries. It was argued by some that this was partly because the existing agreement is open to misinterpretation and abuse for protectionist purposes.

New rules should limit the inconsistent application of measures, while still ensuring that anti-dumping remains an effective remedy to protect domestic industries in legitimate circumstances.

Anti-dumping is the most advanced area of the rules negotiation. In order to simplify the Chair's job in preparing the draft text to form the basis of final negotiations, members are in an intensive phase of talks, attempting to narrow the range of options for changes to the text of the Anti-Dumping Agreement.

New Zealand has been closely involved in the negotiation: we have interests in maintaining the integrity of the Agreement so that legitimate anti-dumping measures may still be taken, while limiting the scope for abuse for protectionist purposes.

Subsidies

Progress on subsidies has been more limited than for anti-dumping. Featuring prominently have been talks relating to the development and reconsideration of certain lapsed provisions covering issues such as defining where a subsidy causes "serious prejudice" to another country's industry.

New Zealand is following these negotiations closely, and has an interest in ensuring that strong disciplines against trade-distorting subsidies remain.

Fish subsidies

In recent years there has been an increasing focus in the WTO, and in other fora, on the harmful effects of subsidies on trade and sustainable development in the fisheries sector.

The figures are alarming. Over 75 percent of the world's fish stocks are already fully exploited, over-exploited or depleted. Estimates of worldwide fisheries subsidies are upwards of 20 percent of global fisheries revenues. These subsidies have helped push fisheries stocks to the edge by encouraging over-fishing.

New Zealand has a major interest in pushing for greater disciplines, and we are arguing strongly for a broad prohibition on all harmful fisheries subsidies. In March 2006 New Zealand tabled an ambitious proposal to amend the existing Subsidies Agreement specifically to address fisheries subsidies.

Unfortunately, however, not every country agrees that fisheries subsidies should be prohibited, with some of the world's largest subsidisers arguing that they should be allowed to continue their harmful practices.

Although there is some way to go in these talks, New Zealand believes the necessity of such a ban will be recognised and that our proposal could be incorporated in the draft text for the final stage of the rules negotiation.

For a glossary of trade associated words please go to:
http://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm



To keep up to date with developments visit www.mfat.govt.nz/foreign/tnd/traderules/subsidynegs.html

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