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United States Resolves WTO Dispute Over Australia's Prohibited Export Subsidies on Automotive Leather

United States Trade Representative Charlene Barshefsky announced today that the United States has resolved a dispute it brought to the World Trade Organization (WTO) over subsidies to Australia's sole exporter of automotive leather. Under the agreement, the subsidy recipient agreed to a partial repayment of the prohibited export subsidy it received, and the Australian Government committed that it will exclude this industry from current and future subsidy programs, and provide no other direct or indirect subsidies..

"This agreement is proof that the WTO dispute settlement process works for U.S. interests,"said Ambassador Barshefsky. "By pursuing this matter through the WTO Dispute Settlement Body, we were able to reach a mutually satisfactory resolution that will allow our industry to compete on an equal footing with its foreign competitors."

The agreement is the result of a WTO case brought by the United States in 1998, when Australia – after consultations with the United States – excluded its automotive leather industry from two export subsidy programs, but then compensated its automotive leather exporter by means of a $30 million grant. The United States alleged, and the dispute settlement panel agreed, that this grant was a "de facto" export subsidy, and had to be withdrawn. Australia announced in September 1999 that it had complied with the WTO ruling by having the recipient repay less than 27 percent of the grant, which it called the prospective portion. At the same time, Australia announced a new loan subsidy to the exporter's parent.

In response, the original WTO panel was reconvened at the request of the United States. The panel concluded that Australia had failed to comply with the WTO ruling because the repayment was insufficient and that the new loan subsidy had nullified even that insufficient repayment. Following this decision, the United States and Australia began exploring a mutually satisfactory resolution of this matter.

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