

Abstract

The subsidies and countervailing measures were not of a very significant concern in the international trade law regime during a long term in the last century. We can find that the *General Agreement on Tariffs and Trade* ('GATT'), which is the most important international trade norm before 1997, had only three articles on the subsidies and countervailing measures. At that term, many countries granted trade-distorting subsidies, and some countries also abused the countervailing duties as a new way of trade barrier. Although the members of GATT signed *Tokyo Round Subsidy Code* whose purpose was to promote a better understanding, interpretation and application of the articles related to subsidies and countervailing measures of the GATT, these unfair trade actions were still used by many countries.

In this background, a new legal regime on the subsidies and countervailing measures was established under the WTO. According to the *Agreement on Subsidies and Countervailing Measures* ('ASCM'), almost all of subsidies are regulated under the WTO legal regime. Furthermore, because of the characteristics of agricultural products, the subsidies on agricultural sector are subject to certain rules set out in the *Agreement on Agriculture* ('AA'). However, some problems are still not resolved under the WTO legal regime, and one of these problems is whether the countervailing duty law is applicable to non-market economy ('NME') countries. The countervailing duty law was not applicable to NME countries traditionally, however, the attitudes of importing countries had been changed since 2004. Both Canada and United States initialed the countervailing investigations and levied countervailing duty ('CVD') against China. Moreover, the European Union also has the trend to apply the CVD law to NME countries. Therefore, the thesis focuses on the treatment of NME countries under the current WTO legal regime and the countervailing duty laws of

some countries. For that purpose the thesis closely examines the subsidies and countervailing measures regimes established by the GATT/WTO and analyzes major legal issues arising in the context of non-market economies.

As China is the biggest NME country, a complex subsidy system has been maintained that many countries keep claiming that China's subsidies are countervailable subsidies and threaten action. China has also established its own countervailing measures regime to counter foreign subsidized goods distorting its market at the same time. The above circumstances makes China an interesting case study and the thesis closely examines China's subsidies and countervailing measures regimes in order to understand various challenges arising in this context.

Key Words: Subsidies; Specificity; Financial Contribution; Benefit; Countervailing measures; Countervailing Duties Law; Non-market Economy Countries, PRC Subsidies and Countervailing Law.