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**General Council**

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**PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE**

Agreement on Subsidies and Countervailing Measures

*Communication from Cuba, Dominican Republic, Egypt, El Salvador, Honduras,  
India, Indonesia, Nicaragua and Thailand*

Revision

The following communication, dated 11 June 1999, has been received from the Permanent Mission of the Dominican Republic.

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**I. BACKGROUND**

1. There is a serious imbalance in the Agreement on Subsidies Countervailing Measures. The subsidies commonly used by developing countries for their industrialization and development have been included in the actionable or banned (prohibited) category, while those used by developed countries are in the non-actionable category. It is important to emphasize that the subsidies presently used by developing countries were previously instruments of development policies in the developed countries of today. This demonstrates that these initiatives are indispensable for developing countries, especially those with small and vulnerable economies, to be able to strengthen their industrial sector and diversify their exports, in order to have a more active participation in international trade. These measures have had extremely effective results in the creation of new industries, the attraction of foreign investment, the creation of direct or indirect jobs, the improvement of trade balances, as well as the development of less advantaged areas in developing countries. All this has contributed progressively towards social stability and to a greater participation in international trade.

2. There is a need to revise Annex VII of the Agreement on Subsidies and Countervailing Measures in order to allow those developing-country Members of the WTO, included in the Low and Lower-Middle Income Category of the World Bank, which currently face economic and social difficulties, to benefit from the provisions of the Annex.

3. The Agreement also does not foresee the possibility of countries who have graduated from Annex VII of the Agreement experiencing a sudden fall in their GNP per capita to a level below the agreed threshold. In this regard, there should be a clear guidance/provisions that would enable developing countries to be automatically considered as having the same treatment as provided for in Annex VII of the Agreement, if their GNP per capita fell below the agreed threshold.

## II. PROPOSAL

4. In the next Ministerial Conference to be held in Seattle, USA, from 30 November to 3 December 1999, the Annex VII of the Agreement on Subsidies and Countervailing Measures has to be modified as follows:

### Annex VII

The developing-country Members not subject to the provisions of paragraph 1(a) of Article 3 under the terms of paragraph 2(a) of Article 27 are:

- (a) The developing countries, including the least-developed countries, Members of the WTO that are included in the Low and Lower-Middle Income Category of the World Bank.
  - (b) Countries indicated in paragraph (a) above will be excluded from this Annex if their GNP per capita has exceeded the top level of the Lower-Middle Income Category of the World Bank. They will be automatically included in this Annex, if their GNP per capita falls under the top level of the Lower-Middle Income Category of the World Bank.
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