

PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

The Agreement on Subsidies and Countervailing Measures

Communication from Brazil

The following communication, dated 20 July 1999, has been received from the Permanent Mission of Brazil.

Background

1. The WTO Agreement on Subsidies and Countervailing Measures (SCM Agreement) established equal disciplines, rights and obligations for all Members. Except for a few transitional provisions, there are no actual clauses for special and differential treatment, which would allow the use of incentives by developing countries to address their specific needs regarding economic, financial or social policies.
2. The subsidies disciplines disregard obvious inequalities among Members in areas such as investment attraction, availability of external financing, acute regional contrasts, financing of research and development projects. The disproportion among Members stem from structural deficiencies that could not possibly be overcome within the short transition periods allowed for in the SCM Agreement. Solutions for these problems require, for the most part, long-lasting and coherent industrial and trade policies. The SCM Agreement should be reviewed so as to introduce specific provisions to afford developing countries the flexibility they need to devise and execute development policies capable of reducing the aforementioned disparities.
3. Therefore, Brazil submits the following proposals to the General Council and reserves its right to complement them with other proposals or to further specify their particulars.

Proposals

4. The review of Article 8, as mandated by Article 31 of the SCM Agreement, shall classify, as non-actionable subsidies, measures implemented by developing countries with a view to achieve legitimate development goals, such as regional growth, technology research and development funding, production diversification, development and implementation of environmentally sound methods of production, manufacture of high technology and value-added goods.
5. The provisions of Article 27 shall be re-evaluated so as to address, under a permanent and more adequate framework, the needs and specificities of developing countries concerning incentives and subsidies.

6. The language of the Agreement regarding investigation procedures shall be further clarified, possibly by incorporating provisions that may improve its disciplines regarding, *inter alia*, review procedures, facts available, sampling, significant volumes, calculation of the amount of a subsidy, and imposition and collection of a countervailing duty.

7. The language of Annex I of the SCM Agreement, particularly item (k), shall be reviewed to permit developing countries to provide competitive export financing *vis-à-vis* the conditions found in the international market or those offered by the credit agencies of developed countries (controlled by and/or acting under the authority of the governments).
