

**Committee on Subsidies
and Countervailing Measures**

**PROPOSED PROCEDURES FOR EXTENSIONS UNDER ARTICLE 27.4
FOR CERTAIN DEVELOPING COUNTRY MEMBERS**

Communication from the Chairman
of the General Council

Revision

Should Ministers so direct Members, the Committee on Subsidies and Countervailing Measures ("SCM Committee") shall follow the procedures set forth below in respect of extensions of the transition period under Article 27.4 of the Agreement on Subsidies and Countervailing Measures ("SCM Agreement") for certain developing country Members. The programmes to which these procedures shall apply are those meeting the criteria set forth in 2.

1. Mechanism for extension
 - (a) A Member that maintains programmes meeting the criteria set forth in 2 and that wishes to make use of these procedures, shall initiate Article 27.4 consultations with the Committee in respect of an extension for its eligible subsidy programmes as referred to in 2, on the basis of documentation to be submitted to the Committee not later than 31 December 2001. This documentation shall consist of (i) an identification by the Member of those programmes for which it is seeking an extension under SCM Article 27.4 pursuant to these procedures; and (ii) a statement that the extension is necessary in the light of the Member's economic, financial and development needs.
 - (b) Not later than 28 February 2002, the Member seeking an extension shall submit to the SCM Committee an initial notification as referred to in 3(a) providing detailed information about the programmes for which extension is being sought.
 - (c) Following receipt of the notifications referred to in 1(b), the SCM Committee shall consider those notifications, with an opportunity for Members to seek clarification of the notified information and/or additional detail with a view to understanding the nature and operation of the notified programmes, and their scope, coverage and intensity of benefits, as referred to in 3(b). The purpose of this consideration by the SCM Committee shall be to verify that the programmes are of the type eligible under these procedures as referred to in 2, and that the transparency requirement referred to in 3(a) and 3(b) is fulfilled. Not later than 15 December 2002, Members of the SCM Committee shall grant extensions for calendar year 2003 for those programmes notified pursuant to these procedures, provided that the notified programmes meet the eligibility criteria in 2 and that the transparency requirement is fulfilled. The notified information on the basis of which the extensions are granted, including information provided in response to requests from Members as referred to above, shall form the frame of reference for the annual reviews of the extensions as referred to in 1(d) and 1(e).

- (d) As provided for in SCM Article 27.4, the extensions granted by the SCM Committee pursuant to these procedures shall be subject to annual review in the form of consultations between the Committee and the Members receiving the extensions. These annual reviews shall be conducted on the basis of updating notifications from the Members in question, as referred to in 3(a) and 3(b). The purpose of the annual reviews shall be to ensure that the transparency and standstill requirements as set forth in 3 and 4 are being fulfilled.
- (e) Through the end of calendar year 2007, subject to annual reviews during that period to verify that the transparency and standstill requirements set forth in 3 and 4 are being fulfilled, Members of the Committee shall agree to continue the extensions granted pursuant to 1(c).
- (f) During the last year of the period referred to in 1(e), a Member that has received an extension under these procedures shall have the possibility to seek a continuation of the extension pursuant to SCM Article 27.4, for the programmes in question. The Committee shall consider any such requests at that year's annual review, on the basis of the provisions of SCM Article 27.4, i.e., outside the framework of these procedures.
- (g) If a continuation of the extension pursuant to 1(f) is either not requested or not granted, the Member in question shall have the final two years referred to in the last sentence of SCM Article 27.4.

2. Eligible programmes

Programmes eligible for extension pursuant to these procedures, and for which Members shall therefore grant extensions for calendar year 2003 as referred to in 1(c), are export subsidy programmes (i) in the form of full or partial exemptions from import duties and internal taxes, (ii) which were in existence not later than 1 September 2001, and (iii) which are provided by developing country Members (iv) whose share of world merchandise export trade was not greater than 0.10 per cent¹, (v) whose total Gross National Income ("GNI") for the year 2000 as published by the World Bank was at or below US \$ 20 billion,² (vi) and who are otherwise eligible to request an extension pursuant to Article 27.4,³ and (vii) in respect of which these procedures are followed.

3. Transparency

- (a) The initial notification referred to in 1(b), and the updating notifications referred to in 1(d), shall follow the agreed format for subsidy notifications under SCM Article 25 (found in G/SCM/6).
- (b) During the SCM Committee's consideration/review of the notifications referred to in 1(c) and 1(d), notifying Members can be requested by other Members to provide additional detail and clarification, with a view to confirming that the programmes meet the criteria set forth in 2, and to establishing transparency in respect of the scope, coverage and intensity of benefits (the "favourability") of the programmes in

¹ According to the calculations performed by the WTO Secretariat as reflected in Appendix 3 to the Report of the Chairman (G/SCM/38).

² The SCM Committee shall consider other appropriate data sources in respect of Members for whom the World Bank does not publish total GNI data.

³ The fact that a Member is listed in Annex VII(b) shall not be deemed to make that Member otherwise ineligible to request an extension pursuant to Article 27.4.

question.⁴ Any information provided in response to such requests shall be considered part of the notified information.

4. Standstill

- (a) The programmes for which an extension is granted shall not be modified during the period of extension referred to in 1(e) so as to make them more favourable than they were as at 1 September 2001. The continuation of an expiring programme without modification shall not be deemed to violate standstill.
- (b) The scope, coverage and intensity of benefits (the "favourability") of the programmes as at 1 September 2001 shall be specified in the initial notification referred to in 1(b), and standstill as referred to in 4(a) shall be verified on the basis of the notified information referred to in 1(d) and 3(b).

5. Product graduation on the basis of export competitiveness

Notwithstanding these procedures, Articles 27.5 and 27.6 shall apply in respect of export subsidies for which extensions are granted pursuant to these procedures.

6. Members listed in Annex VII(b)

- (a) A Member listed in Annex VII(b) whose GNP per capita has reached the level provided for in that Annex and whose programme(s) meet the criteria in 2 shall be eligible to make use of these procedures.
- (b) A Member listed in Annex VII(b) whose GNP per capita has not reached the level provided for in that Annex and whose programme(s) meet the criteria in 2 may reserve its right to make use of these procedures, as referred to in 6(c), by submitting the documentation referred to in 1(a) not later than 31 December 2001.
- (c) If the per capita GNP of a Member referred to in 6(b) reaches the level provided for in that Annex during the period referred to in 1(e), that Member shall be able to make use of these procedures as from the date at which its per capita GNP reaches that level and for the remainder of the period referred to in 1(e), as well as for any additional periods as referred to in 1(f) and 1(g), subject to the remaining provisions of these procedures.
- (d) For a Member referred to in 6(b), the effective date for the standstill requirement referred to in 4(a) shall be the year in which that Member's GNP per capita reaches the level provided for in Annex VII(b).

7. Final provisions

- (a) The decision by Ministers, these procedures, and the SCM Article 27.4 extensions granted thereunder, are without prejudice to any requests for extensions under Article 27.4 that are not made pursuant to these procedures.
- (b) The decision by Ministers, these procedures, and the SCM Article 27.4 extensions granted thereunder, shall not affect any other existing rights and obligations under SCM Article 27.4 or under other provisions of the SCM Agreement.

⁴ The scope, coverage and intensity of the programmes in question will be determined on the basis of the legal instruments underlying the programmes.

- (c) The criteria set forth in these procedures are solely and strictly for the purpose of determining whether Members are eligible to invoke these procedures. Members of the Committee agree that these criteria have no precedential value or relevance, direct or indirect, for any other purpose.
