

# WORLD TRADE ORGANIZATION

RESTRICTED

**G/SCM/Q2/EEC/26**

18 May 2001

(01-2552)

**Committee on Subsidies and  
Countervailing Measures**

Original: English

## **SUBSIDIES**

### Replies to Questions Posed by the UNITED STATES<sup>1</sup> Regarding the Updating Notification of the EUROPEAN COMMUNITIES: Addendum – ITALY<sup>2</sup>

The following communication, dated 15 May 2001, has been received from the Permanent Delegation of the European Commission.

#### **Production aid to shipyards**

**Q1. You stated that, according to EU rules, production aid to shipyards was allowed until 31 December 2000. Are there any plans to continue a similar programme after this deadline?**

#### Reply

According to EC rules, production aids to shipyards in Italy for new buildings and for shiprepairs were ended at 31 December 2000. There are no plans to go on with a similar programme after this deadline.

**Q2. Does this mean that all aid will have been disbursed by the 31 December 2000 deadline? Or that shipyards which only received a partial payment by this date will be able to receive the rest of their payment after this date (i.e. shipyards whose delivery of ships takes place after the 31 December 2000 deadline)? Will shipyards which applied for aid under this programme before the deadline be eligible to receive aid?**

#### Reply

The subsidy is paid to the shipyards during the construction of the ship up to 75 per cent of the subsidy and the remaining 25 per cent after the delivery of the ship. For this reason it is possible that the aid could be disbursed after the 31 December deadline, provided that the contract was signed on or before 31 December 2000 (according to the Council Regulation (EC) 1540/98).

#### **Home credit scheme to ship owners**

**Q1. In response to “the duration of the subsidy,” you state that it is according to OECD rules (8.5 years). Does this mean that each subsidy granted has a duration of 8.5 years? Or that the entire programme lasts for 8.5 years?**

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<sup>1</sup> G/SCM/Q1/EEC/23

<sup>2</sup> G/SCM/N/60/EEC/Add.9

Reply

The duration of the subsidy allowed to each shipowner is 8.5 years according to OECD rules. These subsidies are paid to each beneficiary in 17 half yearly instalments according to the understanding OECD Council Resolution on export credits for ships dated 3 August 1981.

**Special fund for the reconversion of the asbestos production**

**Q1. The information provided for the duration of the subsidy states that "final term for the submission of the request under this scheme was October 1995." Accordingly, are grants still being provided for submissions received by October 1995?**

Reply

The final term for submissions was "October 1995" and after this deadline requests were not accepted.

**Q2. How much longer will grants be distributed under this programme?**

Reply

As already indicated in the information on global amount of 1999 subsidies, grants have been distributed in 1999 for requests presented by October 1995.

**Soft loans for Italian enterprises to cover expenses concerning the participation in international tenders held in Non-EU countries**

**Q1. Can you please provide the terms of the loans granted?**

Reply

The subsidy must be used within 18 months since the financing contract has been drawn up. The capital is generally refunded in 5 half-yearly instalments, which are equal and consecutive; the first instalment expires 24 months after the first subsidy.

**Q2. Do these terms vary by industry? Which type of industries participate in these loans?**

Reply

The capital is refunded according to the ranking of the beneficiary in the auction.

Italian enterprises, their consortia and associations can participate in these loans. Priority is given to companies with quality certificate.

**Support to the reduction of energy consumption**

**Q1. You state that the law under which grants were notified was replaced by Law 10/91. Can you please provide more information concerning when the older law was replaced?**

Reply

The new law no. 10 is dated 9.1.1991 and since then has replaced the old one.

**Q2. Does the new law extend the time period of the grants?**

Reply

The new law has not modified conditions and duration of the grants.

**Q3. You state that under the old law, submissions must have been received by 1992. Does the new law also follow that submission deadline?**

Reply

The submission deadline – according to the new 1991 law – was 22.07.1992.

**Q4. Since the submission deadline was 1992, was the amount of the grant per year set in that year? Or has the amount changed every year?**

Reply

The amount of the grant is set in the concession act and cannot be changed.

**Support to innovation and development in SME's**

**Q1. In your submission, you note that the grant or tax concession is provided to beneficiaries upon their request. Is every request granted? Or are only certain requests granted?**

Reply

Only requests that meet certain criteria can be granted.

**Q2. Who grants the request, and under what criteria is the request fulfilled?**

Reply

The Ministry for Industry grants the requests: they must refer to innovative investments carried out by small and medium enterprises

**Incentives to manufacturing and extractive enterprises in disadvantaged regions**

**Q1. Can you please provide more detailed information on which regions are considered “disadvantaged”?**

Reply

As indicated in the notification, access is limited to companies eligible for Structural Funds (programming period 1994-1999) under objective 1 (regions whose development is lagging behind) , objective 2 (regions affected by industrial decline) and objective 5b (disadvantaged rural areas and areas exempted on the basis of art. 87.3 Treaty of Rome, such as areas where the standard of living is poor or where the unemployment rate is very high.

**Q2. Are incentives under this programme provided specifically to mining industries?**

Reply

All companies working in the extractive and manufacturing areas, including the mining industries, can access the grants.

**Q3. You state that under this programme, companies are allowed to benefit from a fiscal “bonus” in tax payment in the next five years. Can you please describe more completely what this “bonus” entails?**

**Q4. Does this mean that companies are allowed to benefit every year? Or only once in the course of the next five years?**

Reply

This programme entitles companies to use the grant as a fiscal bonus directly on tax payments, without waiting to present the annual income account. Therefore grants can be used by beneficiaries in one or more portions, in the frame of the five years period.

**Q5. Which government agency administers this programme?**

Reply

This programme is administered by: Ministero dell’Industria, del Commercio e dell’Artigianato– DGCII Via del Giorgione 2b ROMA

**Q6. Do industries or companies have to meet certain criteria to receive incentives under this programme? Or is every company eligible to receive these incentives if they are located in a disadvantaged region?**

Reply

Companies must have special prerequisites to receive incentives under this programme. It is not sufficient to be located in a disadvantaged area.

**Soft loans to companies to favour a long-lasting penetration in non-EU countries**

**Q1. Can you please provide more information on the terms of these loans?**

Reply

Financing is provided at a facilitated rate (40 per cent of the standard rate). Financing is granted for a maximum of seven years: two of them as preamortization and the remaining five years of amortization.

**Q2. Once the Italian company has achieved a certain degree of penetration in non-EU countries, are additional loans withheld or withdrawn?**

Reply

No more subsidies are granted.

**Q3. Are all companies and industries eligible for loans under this programme?**

Reply

All goods-and-services companies are entitled to this programme.

Priority is given to SME, their consortia and associations.

**Extraordinary intervention in the south of Italy**

**Q1. Are the same companies eligible for tax concessions under Incentives to Manufacturing and Extractive Enterprises in Disadvantaged Regions eligible for grants under this programme?**

Reply

Companies eligible for tax concessions under the law no. 341/95 are also eligible for grants under the law 488/92, although they cannot receive subsidies under both programmes.

**Credit scheme to co-operatives and urgent measures for employment protection**

**Q1. Are co-operatives in every industry eligible for this programme?**

**Q2. Are agricultural co-operatives eligible for this programme?**

Reply

Benefits under the programme are also available for agricultural cooperatives which are based on the principles of mutuality expressly enshrined in their constitutions, and which have as another constant and necessary feature the protection of employment levels.

**Q3. You state that “the scheme is intended to provide grants and soft loans ...” yet under Form of the Subsidy, it says that only grants are given. Can you please explain?**

**Q4. If soft loans are offered, what are the terms of these loans?**

Reply

The act provides two different types of benefits for cooperatives :

- soft loans for investments made by the cooperatives ; these are long-term soft loans, and cover 70 per cent of eligible costs, for which 50 per cent of the benchmark interest rate is charged ;
- grants for the capitalization of the production and employment cooperatives of employees of companies which have reduced or wound up their operations, and which intend to buy up plants and facilities to safeguard employment, or to start up new production ventures. These benefits are paid to specifically constituted finance companies which are required to convert the government grant into shares in the cooperative share capital in an equal amount.

**Q5. If fired or laid-off workers form a co-operative receive aid under this programme, are their former companies still required to pay any unemployment or suspension wages?**

Reply

Receipt of government aid excludes workers from receiving wage subsidies (the ordinary or special redundancy pay, the extraordinary unemployment benefit) for a period of three years.

**Q6. If the co-operative is disbanded, what happens to the grants levied under this programme?**

Reply

The grants paid out under the scheme must be recovered using the procedures provided in the Act.

**Interest rate subsidies for the industrial sector**

**Q1. How much longer will subsidies be provided under this programme, even though it is no longer in existence?**

Reply

Subsidies will be paid until 2005.

**Q2. Has this programme been replaced with another that provides basically the same assistance?**

Reply

This programme has not been replaced.

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