

WORLD TRADE ORGANIZATION

RESTRICTED

G/SCM/Q2/PAN/4

25 January 1999

(99-0266)

**Committee on Subsidies
and Countervailing Measures**

Original: English

SUBSIDIES

Questions from JAPAN

Regarding the New and Full Notification of PANAMA¹

The following communication, dated 18 January 1999, has been received from the Permanent Mission of Japan.

"Granting of Tax Credit Certificates (CAT)"

1. It is understood that Panama considers that the CAT constitutes an export subsidy within the meaning of Article 3.1(a) of the SCM Agreement and therefore it would eliminate the incentive as of 2003. The programme, however, requires the enterprise to show a minimum share of 20 per cent in national content and national value added and, in this regard, the CAT also seems to constitute a subsidy contingent upon the use of domestic over imported goods within the meaning of Article 3.1(b) of the SCM Agreement. Does Panama confirm that the CAT will be eliminated by the end of this year in accordance with Article 27.3 of the SCM Agreement?

- If that is not the case, can Panama demonstrate that the CAT does not constitute a subsidy within the meaning of Article 3.1(b) of the SCM Agreement?

2. Is the CAT the only specific subsidy currently maintained by Panama which is to be notified under the SCM Agreement?

¹ G/SCM/N/38/PAN.