

**Committee on Subsidies
and Countervailing Measures**

Original: English

SUBSIDIES

Replies to Questions Posed by the UNITED STATES¹
Regarding the New and Full Notification of LATVIA²

The following communication, dated 1 September 1999, has been received from the Permanent Mission of Latvia.

Q.1. Paragraph four of the introduction to your notification states: "[i]n cases where aid amounts are very small to have an impact on international trade of goods and services or where the nature of aid allows one to presume that respective measure will not distort international competition, only general information is provided." What measure was used to determine whether an aid amount resulted in a "small" impact on international trade? Was a specific monetary amount used in making this determination, and if so, what was the amount?

A.1. Subsidy programmes/projects are considered to have a very small impact on international trade of goods and services or the nature of aid allows one to presume that the respective measure will not distort international trade if the net subsidy equivalent does not exceed Ls30,000 (approx. EURO 48,000).

Q.2. In reference to the statement above, does the "aid amount" refer to the size of the amount given to each specific recipient of the programme, or to the amount of the programme in its entirety?

A.2. In reference to the statement on which question 2 was posed, the "aid amount" refers to the size of the amount given to each specific recipient of the programme.

Q.3. Under sections II (State Guarantees For Loans), III (State Credits), and IV (Municipal Credits), what criteria are used to determine who receives these benefits?

A.3. The State guarantees for loans, state credits and municipal credits are granted according to the State Investment Programme. The programme contains specific criteria which must be met in order to receive the benefits:

- The project shall conform with government policy and strategy for the respective industry;

¹ G/SCM/Q2/LVA/1

² G/SCM/N/38/LVA

- The project shall be economically beneficial. The Internal Rate of Return of the project shall be within the limit of 8-12 per cent;
- The costs of the project shall be appropriately estimated and financially well-grounded.

Municipal governments have the right to freely choose credit recipients if the subsidy net equivalent does not exceed Ls65,000 (approx. EURO 103,668) per enterprise within three years starting from the day the first part of the support is granted. In other cases a decision of the State Aid Surveillance Commission is necessary.

The above-mentioned benefits are granted only to State or Municipal owned companies and priority is given to infrastructure improvement related projects.
