

WORLD TRADE ORGANIZATION

RESTRICTED

G/SCM/Q2/ISL/2

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(97-1160)

Committee on Subsidies and Countervailing Measures

Original: English

SUBSIDIES

Questions from the EUROPEAN COMMUNITY Regarding the New and Full Notification of ICELAND¹

The following communication, dated 12 March 1997, has been received from the Permanent Delegation of the European Community.

Iceland submitted on 22 October 1996 its notification of subsidy programmes to the WTO pursuant to Article XVI:1 GATT 1994 and Article 25 of the WTO Subsidies Agreement.

In this respect, the Community would like to obtain clarification on a number of issues on the notified schemes as described below.

Moreover, the Community has obtained information on different subsidy schemes which were not notified to the WTO although their notification seems necessary pursuant to Article 25.2 of the Subsidies Agreement.

I. NOTIFIED SUBSIDY PROGRAMMES

The present analysis constitutes the remarks of the Community and a request for clarification.

(a) Support for R&D

- Could Iceland explain how projects are selected and what the criteria for eligibility are?

(b) Industrial research

- Could Iceland provide a definition of "manufacturing industries"?
- Are the criteria for eligibility different from the criteria to benefit from the "Industry Development and Marketing" programme?

¹G/SCM/N/3/ISL-G/SCM/N/16/ISL.

II. ADDITIONAL PROGRAMMES NOT NOTIFIED TO THE WTO

Iceland has not notified a number of programmes which appear to be notifiable under Article 25. The Community finds that the schemes described below provide a financial contribution which confer benefits to the local industry. In addition, the schemes are clearly specific (as pertaining to a specific sector or contingent upon exports). In addition to the specific questions asked, the Community would like clarification why these programmes were not notified to the WTO and requests that, if appropriate, Iceland supplies a notification under Article 25, using the standard format.

1. Exemption from Income Tax

Foreign companies using an Icelandic agent or distributor (which is recognized by the government) benefit from an exemption from income tax on income earned through Icelandic sales.

2. Free Trade Zones

Since 1992, Iceland established a number of free trade zones. Companies located in these zones are eligible for tax incentives.

3. The Icelandic Investment Corporation

The Icelandic Investment Corporation is a joint private and government sponsored programme to financially assist businesses and offer financial aid for innovative firms.