

# WORLD TRADE ORGANIZATION

G/SCM/Q2/USA/29  
19 January 2004

(04-0146)

Committee on Subsidies  
and Countervailing Measures

Original: English

## SUBSIDIES

### Questions Posed by the EUROPEAN COMMUNITIES Regarding the New and Full Notification of the UNITED STATES<sup>1</sup>

The following communication, dated 15 January 2004, is being circulated at the request of the Permanent Delegation of the European Commission.

#### FEDERAL PROGRAMMES:

##### AEROSPACE & AERONAUTICS:

**Q1:** The notification makes mention of only one aerospace programme, the Spacecraft Technology Development Programme, specifying a total of \$19.4 million in funds, but no aeronautics programme. It is the understanding of the European Communities that, for example in US Fiscal Year 2002, the US Government provided at least \$806 million in aeronautics-related programme funding through NASA, and at least \$473 million in institutional support funding for aeronautics-related programmes, for total NASA aeronautics funding of at least \$1,279 million during that 12-month period. The notification, however, omits any mention of these financial expenditures, which are focused, primarily or exclusively, on civilian ventures. Please explain the reason for this omission and provide a list of all applicable NASA subsidies and their contents for each calendar year covered by the notification. For each of these subsidies, was full participation open to both US and non-US companies?

In last year's exercise, the US answered to a similar question that "the relevant administering authorities have been contacted to determine if additional information needs to be provided." No answer has been provided to date.

**Q2:** The notification omits any mention of financial expenditures by the US Department of Defence that provides benefit to commercial entities (*e.g.*, US producers of civilian aircraft). Please explain the reason for this omission and provide a list of all applicable DoD subsidies and their contents. In particular, please identify and discuss subsidies granted under DoD's Research, Development, Testing & Evaluation (RDT&E) and Independent Research & Development (IR&D) programmes.

In last year's exercise, the US answered to this question that: "The relevant administering authorities for these programmes have been contacted. An answer will be provided as soon as possible." To date, no answer has been received.

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<sup>1</sup> G/SCM/N/95/USA

**Q3:** The US notification is described as a full subsidies notification for calendar year 2002. However, the notification omits any mention of tax-related subsidies provided to US firms. Please explain the reason for the omission of tax-related subsidies, including tax credits, export credits, and tax exemptions for investments or research, and provide a list of all such tax-related subsidies and their contents.

**Q4: The Spacecraft Technology Development Programme:**

Please indicate to what extent the programme participants shared the full costs of the programme, explain how assistance is provided to industry and how technology know-how transfer from NASA is taken into account?

**Q5:** Was participation open to both US and non-US companies?

**AGRICULTURE (page 3-15):**

**Q6:** Can the US please explain why the current notification does not mention all programmes that are notified in the Domestic support Notification 1999, reviewed in the Committee on Agriculture (e.g. crop insurance premium subsidies, water subsidies, grazing "non-fee", conservation and environmental payments)?

**Q7:** The EC note a very significant level of tax exemption linked to "**capital gains treatment of certain agricultural income**" (more than USD 1 billion; page 13-14). Could the US please inform how much of this amount was linked to the sale of unharvested crops sold together with farmland? Could the US also inform about the area concerned?

**Q8: Export Enhancement Programme:** How is the effect on non-subsidising exporters assessed? Does 'non-subsidising exporters' refer to countries, to US enterprises or to non-US enterprises? What safeguards are included to ensure that beneficiaries, in making a 'commercial sale' of the eligible commodity, do not underprice below the world market price? If no disbursements were made in FY 2002, can it be concluded that the programme is now defunct?

**Q9: Dairy Export Incentive Programme:** How is the effect on non-subsidising exporters assessed? Does 'non-subsidising exporters' refer to countries, to US enterprises or to non-US enterprises? How is it ensured that export sales under the programme are in addition to and do not displace commercial export sales?

**Q10: Treatment of Loans Forgiven Solvent Farmers as if Insolvent:** Does this provision also apply to loans forgiven by the public authorities, including the tax authorities? Does the measure not have the same effect as increasing the amount of any loan forgiveness? If not, please explain why not.

**Q11: Energy Conservation Programmes, Transportation sector:** What proportion of the appropriations were granted to vehicle manufacturers? Is there any requirement for the research results to be made available publicly or to other companies?

**FISHERIES:**

**Q12:** The document with the US replies (G/SCM/Q2/27/USA) to the additional questions posed by the EC (G/SCM/Q2/USA/26) on the previous notifications by the US (G/SCM/N/48/USA G/SCM/N/60/USA G/SCM/N/71/USA) included on page 3 a table titled "SUMMARY OF FISHERY DISASTER ASSISTANCE – (updated June 2002)". This information was provided in reply to question 6 by the EC on the "Fisheries Disaster Relief" programmes.

The EC notes that the total sum of the “Federal amounts” listed in the aforementioned table under these programmes is \$113.2M. The EC also notes that this table was not included in the latest “New and Full Notification” by the US (doc. G/SCM/N/95/USA)

Given the significant total amount of the above-mentioned transfers, could the US provide an updated version of this information, including new programmes if any?

**Q13:** According to publicly available information, the **Agricultural Marketing Service (AMS)** of the Department of Agriculture (USDA) has been making purchases of Alaska salmon products during the period under review. The purchased products are then distributed to participants in food assistance programmes. Concerning the amounts involved in the purchases, the same information suggests that the purchases for the period under review amounted to  $\pm$  \$15M

Also according to the information available to the public, the USDA/AMS makes these purchases of salmon products under its authority to “encourage domestic consumption of commodities by diverting them from normal channels of commerce”.

As stated by the USDA in its “REPORT ON POUCHED AND CANNED SALMON” prepared for submission to Congress (May 2003) “The aim of such surplus removal purchases is to remove excess supplies of product from the market, thus helping to raise prices for producers while benefiting recipients of the commodities”. All the above suggests that these purchases could be construed as a “price support” programme.

Could the US clarify whether these purchases have been included or not in previous notifications? If yes, could the US provide details about the notification?

**Q14: Empowerment Zones, etc:** Please clarify if the employment tax credit is for 20 per cent of the first \$15,000 of qualifying wages for *each* employee. Does this apply to all employees, only to new employees or only to net increases in employees? Please explain which sectors are excluded from the programme? Please specify whether any large enterprises like steel producers have benefited from this programme.

#### **STATE LEVEL PROGRAMMES:**

**Q15. Alabama:** The last US notification mentioned tax incentives and other advantages totalling USD 35 million or higher for the TRICO Steel Company with 10 – 20 years duration. Can the US please explain if there were any subsidies made available to this company during the present notification period?

**Q16. Alaska: Commercial fishing revolving loan fund:** What are the conditions of eligibility? Is there any check on the creditworthiness of the beneficiary? What is the size of the average loan given and what is the maximum loan amount?

**Q17. Arkansas: Econ Devt Act:** For how long can the tax credit be used? Only in the year of the investment, over a number of years or indefinitely? Please clarify if the value of the credit is 50 to 100 per cent of the employer's state income tax liability, or of the total investment.

**Q18. California: Enterprise Zones and LAMBRA zones:** Is the hiring credit for all new employees or only for net increases in employees? Does the 15-year carryover of operating losses not have the same effect as a grant covering these losses at the time they are set against later profits? If not, please explain why not.

**Q19. California: Recycling Market development Zone Programme:** What are the terms and conditions attached to the loans under this programme?

**Q20. Colorado: Enterprise Zones:** Are there any limitations on sectors eligible for this programme? Is there any limit on the 3 per cent tax credit for R&D expenditures?

**Q21. Connecticut: Connecticut Growth Fund:** On what basis does the authority determine working capital requirements? Given that the purpose is to make finance available to businesses unable to maintain conventional finance, is the programme open to loss-making enterprises? On what terms are the loans given?

**Q22. Connecticut: Electronic Data Processing etc:** Please explain the reason for a sectoral programme in this sector.

**Q23. Connecticut: Enterprise Zones:** Are there any sectoral limitations on this programme? Is there any maximum level of benefit under the 50 per cent tax credit? What has been the total revenue forgone under this programme? Have any enterprises from the steel sector benefited?

**Q24. Connecticut: Manufacturing Assistance Act:** What are the terms of the loans? Is there any maximum amount? Are any sectors excluded? Have enterprises in any of the following sectors benefited: steel?

**Q25. Connecticut: Manufacturing Credits:** Are these credits additional to those available under other programmes?

**Q26. Florida: Capital Investment Tax Programme:** This programme appears to give higher (indeed possibly total) tax exemption for large projects than for smaller ones. What is the justification for this? How many large projects (i.e. over 100m USD) have benefited from this programme? For how long has the tax exemption been granted in these cases?

**Q27. Florida: High Impact Business Performance Incentive:** What is the average level of grant under this programme?

**Q28. Florida: Qualified Target Industry Tax refund:** Does “primary/fabricated metals” include the steel sector?

**Q29. Florida: Semiconduct Defence or Space Technology:** Please specify the rate of sales tax which would otherwise apply were it not exempted under this programme.

**Q30. Georgia: Head Quarters tax credit:** Please explain the sentence: ‘The company must elect not to take the job or investment tax credit’.

**Q31. Georgia: Sales tax exemption:** Please specify the rate of sales tax which would otherwise apply were it not exempted under this programme.

**Q32. Idaho: Sales Tax Production Exemption:** Please specify the rate of sales and use taxes which would otherwise apply were it not exempted under this programme.

**Q33. Indiana: DeKalb and Spencer Counties:** Please explain the justification for subsidies of \$160m for the creation of new steel-making capacity.

**Q34. Iowa: Ipsco:** Please explain the justification for subsidies of \$73m for the creation of new steel-making capacity.

**Q35. Kentucky: KIDA/KREDA:** Is there any limit on the size of enterprise or project that can benefit under these programmes? What are the largest projects to benefit to date?

**Q36. Michigan: Job creation tax credits:** Please specify the number and size of projects that have benefited under this programme, and the sectors involved.

**Q37. Mississippi: State Port Income Tax Credit:** Is this tax credit only applicable for charges related to export cargo?

**Q38. New Mexico: Property Tax Abatement:** Please specify the range of ad valorem tax rates which are exempted by this programme.

**Q39. Ohio: Steel Development Initiative:** Please specify how it is determined that a job has been 'retained'. Does it imply that the job would have been lost in the absence of the subsidy? Are loss making enterprises eligible?

**Q40. Utah: Corporate Loan Programme:** Does this programme consist of loans or grants? What are the maximum amounts involved, how many companies benefited from this programme?

**Q41. Washington: Ships and Vessels under Construction:** What are the average amounts of tax exemptions granted? Does the tax exemption concern the property tax of the shipyard as such or the vessel?

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