

WORLD TRADE ORGANIZATION

RESTRICTED

G/SCM/Q3/JAM/6

17 May 2002

(02-2736)

**Committee on Subsidies
and Countervailing Measures**

Original: English

SUBSIDIES

Requests Pursuant to Article 27.4 of the Agreement on Subsidies and Countervailing Measures

Replies to Questions Posed by CANADA¹, the EUROPEAN COMMUNITIES², the UNITED STATES³ and SWITZERLAND⁴ Regarding the Notification of JAMAICA⁵

The following communication, dated 1 May 2002, has been received from the Permanent Mission of Jamaica.

QUESTIONS FROM CANADA

Q. Please indicate the number of Companies/Industrial Parks operating under the Jamaica Export Free Zones Act.

Reply

As at 1 September 2001, there were five (5) Free Zone industrial estates/complexes and fifty-four (54) free zone companies operating under the Free Zones Act.

QUESTIONS FROM THE EUROPEAN COMMUNITY

Q1. Please indicate when the programmes came into operation

Reply

The Export Industry Encouragement Act came into force on 25 October 1956.

The Jamaica Export Free Zones Act came into force on 1 December 1982.

The Industrial Incentives (Factory Construction) Act came into force on 15 May 1961.

¹ G/SCM/Q3/JAM/4

² G/SCM/Q3/JAM/3

³ G/SCM/Q3/JAM/5

⁴ G/SCM/Q3/JAM/1

⁵ G/SCM/N/74/JAM, G/SCM/N/71/JAM.

The Foreign Sales Corporation Act came into force on 14 November 1984.

Q2. Please indicate whether the programmes provide for other forms of subsidies than exemption of import duties and internal taxes, e.g., grants, provision of goods or services.

Reply

None of the programmes notified provide for other types of subsidies.

Q3. Do the programmes provide for a condition to use domestic goods?

Reply

There is no legal requirement under any of the above notified statutes for the use of domestic goods.

Q4. Please indicate the rate of import duty or internal tax exemption as of 1 September 2001.

Reply

The regimes notified provide for (a) full income tax relief on profits earned in connection with the relevant activity prescribed by statute and (b) full import concessions (CET and GCT) in respect of items being used in connection with the prescribed activity.

It is to be noted however, that under the Export Industry Encouragement Act, partial exporters (Companies exporting less than 100 per cent of output) are entitled to an export allowance that may be deducted from taxable income, with the level of tax relief linked to exports.

To qualify for the allowance partial exporters must satisfy a 5 per cent threshold of export sales to total sales and exports must be to markets outside of the CARICOM region.

Q5. Please describe changes to the programme since 1 September 2001, if any. In particular indicate any changes to the rate of exemption on the coverage of the programmes e.g., in terms of products, location, etc.

Reply

There have been no changes since 1 September 2001 to any of the above programmes that would have implications for the Agreement on Subsidies and Countervailing Measures.

Q6. Please indicate for each programme how many Companies have benefitted from the programmes as of 1 September 2001.

Reply

Number of Companies Benefitting as at 1 September 2001 from incentives

Incentive Regime	No. of Companies
Export Industry Encouragement Act	15
Jamaica Export Free Zones Act	48
Industrial Incentive Factory Construction Act	3
Foreign Sales Corporation Act	520

Q7. Please elaborate on when and how Jamaica intends to phase out the programmes.

Reply

Jamaica is currently reviewing its various incentive programmes, including the programmes notified for extensions in accordance with the Doha Ministerial Decisions.

QUESTIONS FROM THE UNITED STATES

**Export Industry Encouragement Act
Jamaica Export Free Zones Act
Foreign Sales Corporation Act
Industrial incentives (Factory Construction) Act**

Q1. Could Jamaica please explain whether these programmes provide any incentives apart from the full and partial exemption from import duties and internal taxes?

Reply

There are no other incentive benefits besides income tax and import duty concessions under the above programmes

Q2. Please provide the normal customs duty consumption tax and income tax rates companies would pay absent these programmes.

Reply

Jamaica currently applies the CARICOM Common External Tariff (CET) at rates of between 0 to 20 per cent for industrial products.

However, pursuant to policy decision and in keeping with the terms of the Common External Tariff, inputs, (raw materials and capital goods) classified as non-competing items in the Tariff and which are for use in the production process, have since 1994 been assigned a zero rate of duty.

A value added tax or General Consumption Tax (GCT) of 15 per cent is applicable on imports.

Jamaica applies a corporate income tax rate of $33\frac{1}{3}$ per cent on profits.

Jamaica Export Free Zones Act

Q3. Because incentives granted to Free Zone entities are for an indefinite period, please explain how Jamaica would modify the programme so that subsidies do not extend beyond any extension period provided

Reply

The Free Zones Programme is being kept under review. However, as of now its continuation is anticipated in accordance with relevant Doha Ministerial Decisions.

Q4. Could Jamaica provide statistical data on the number of companies that benefit from each of these programmes and the industry sector represented by these companies?

Reply

Number of Free Zone Companies as at September 2001 According to Industry Sectors

Garment Manufacturing	12
Agro Processing	3
Information Technology	26
Warehousing	<u>3</u>
TOTAL	48
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Industrial Incentives (Factory Construction) Act

Q5. Is receipt of benefits under this program contingent upon export performance?

Reply

Companies provided benefits under this regime are not required to be involved in export activities. However, to access this activity approved builders are required to provide factory space for companies i.e., status under the Export Industry Encouragement Act.

Q6. Because incentives granted under this programme are for up to 15 years, please explain how Jamaica would modify this programme so that subsidies do not extend beyond any extension period provided.

Reply

This programme is being kept under review. Incentives granted will be in accordance with the Doha Ministerial Decisions.

Q7. Could Jamaica please provide statistical data on the number of companies that benefit from each of these programmes and the industry sectors represented by these companies?

Reply

There are four (4) companies in operation that are beneficiaries of this regime. All companies are factory space providers.

Foreign Sales Corporation

Q8. Because incentives granted under this programme are up to 15 years, with a possible additional 15 year extension, explain how Jamaica would modify this programme so that subsidies do not extend beyond any extension period provided.

Reply

This programme is being kept under review. Incentives granted will be in accordance with the Doha Ministerial Decisions.

Q9. Could Jamaica please provide statistical data on the number of companies that benefit from the programme and the industry sectors represented by these companies?

Reply

There are 520 companies on register as FSCs.

QUESTIONS FROM SWITZERLAND

Q. Jamaica is urged to explain more in detail the statistical data on the impact of the programmes provided in document G/SCM/N/71/JAM Page 3 and 5 respectively, regarding the Export Industry Encouragement Act and the Jamaica Export Free Zones Act. What do the figures in the second column stand for?

Reply

The figures in the right columns represent the value of exports by recipients under the Export Industry Encouragement Act and the Jamaica Export Free Zone Act for the years 1998 to 2000 and the figures in the left columns represent the value of total exports by Jamaica for the same period.
