

SUBSIDIES

Replies to Questions posed by the EUROPEAN COMMUNITY<sup>1</sup>

Regarding the New and Full Notification of NICARAGUA<sup>2</sup>

The following communication, dated 6 January 1997, has been received from the Permanent Mission of Nicaragua.

**1. Could Nicaragua explain why these programmes were not notified to the WTO?**

Decree Law No. 37-91 of 21 August 1991, as amended on 20 March 1992 by Decree 22-92, enacted in Nicaragua the Export Promotion Law, which will expire on 31 December 1997.

Presidential Decree No. 46-91 is known as the decree for the creation of Free Zones.

On 30 June 1995 Nicaragua submitted its first WTO notification concerning subsidies in which it states that "in accordance with Article XVI of the GATT 1994, Nicaragua notifies the Committee on Subsidies and Countervailing Measures that it does not grant on its territory or maintain subsidy measures or specific subsidies of the kind described in Article 1.1 and Article 2 of the Agreement on Subsidies and Countervailing Measures." This notification is made in compliance with the provisions of Article 25.6 of the Agreement on Subsidies and Countervailing Measures."

Nicaragua is in the process of updating this notification and will include the results of the legal analysis that is currently being made of the Export Promotion Law and Free Zone Law.

**2. Could Nicaragua supply a notification under Article 25, using the standard format?**

Yes, Nicaragua is in the process of updating its notification of June 1995 on subsidies and countervailing measures and will include the results of the legal analysis currently being made of the Export Promotion Law and Free Zone Law.

The notification will be made using the model questionnaire in document G/SCM/6 of the Committee on Subsidies and Countervailing Measures, dated 9 August 1995.

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<sup>1</sup>G/SCM/Q2/NIC/1.

<sup>2</sup>G/SCM/N/3/NIC.

**3. Could Nicaragua clarify what the criteria for eligibility are and how projects are selected for government subsidies?**

Decree Law No. 37-91 of 21 August 1991, as amended on 20 March 1992 by Decree 22-92, on the Export Promotion Law, explains that the criteria for eligibility of projects are as follows:

Under Article 20 of the Law, projects are evaluated by the Ministry of the Economy and Development of the Republic, and must meet the following criteria:

- (a) Size of the project;
- (b) consistency with the country's economic development objectives and strategy;
- (c) generation of an inflow of foreign exchange;
- (d) technological contribution of the project;
- (e) creation of employment;
- (f) use of domestic raw materials and parts;
- (g) environmental protection and conservation of natural resources.

Other eligibility requirements are:

- (1) The product should be considered non-traditional and not be included in the list of traditional products (cotton products, coffee beans, sugar, wood in the rough, beef, lobster and shrimp other than sea-farming products, salted hides, gold and silver);
- (2) exports must go to the countries outside the Central American region, and fulfil one of the following requirements:
  - (a) annual exports of at least 25 per cent of output;
  - (b) annual exports of at least US\$250,000 (f.o.b. value).
- (3) net foreign exchange earnings of at least 35 per cent of the f.o.b. value of exports;
- (4) signing of an export contract with the Ministry of the Economy and Development.

**4. With respect to the support for export activity programmes, could Nicaragua provide the timetable of how these subsidies will be phased out?**

The benefits granted by the Export Promotion Law will expire on 31 December 1997. In exceptional cases, involving projects with a long lead time and execution period, the National Export Promotion Commission may extend the established timetable for up to two years (1998 and 1999) with the 5 per cent benefit specified for 1997.