

WORLD TRADE ORGANIZATION

G/SCM/Q3/ATG/8
2 July 2002

(02-3688)

**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 the EUROPEAN COMMUNITIES¹ and the UNITED STATES² Regarding the Notification of ANTIGUA AND BARBUDA³

The following communication, dated 14 June 2002, has been received from the Government of Antigua and Barbuda.

QUESTIONS FROM THE EUROPEAN COMMUNITIES

Q1. Please clarify whether the "Export Credit Guarantee Scheme" is covered by a request under Article 27.4 ASCM.

Reply

Simply, no. The "Export Credit Guarantee Scheme" (herein after referred to as "the Scheme") after review, is not covered by a request under Article 27.4 of the ASCM.

Q2. If it is considered by Antigua and Barbuda to be included in a request, please:

- (a) **clarify the legal basis of the request (procedure under G/SCM/39 or any other legal basis);**
- (b) **clarify on which documents the examination of this programme by the SCM Committee should be based (New and Full Notification as contained in G/SCM/N/71/ATG or any other document).**

Reply

A reply to this two-part question is negated with the negative reply in Q1. However, as a matter of transparency, further clarification is provided.

¹ G/SCM/Q3/ATG/6

² G/SCM/Q3/ATG/7

³ G/SCM/N/74/ATG and G/SCM/N/71/ATG

Producers in Antigua and Barbuda have never, and are unlikely to ever, use this Scheme facility provided by the Eastern Caribbean Central Bank (herein after referred to as “the Bank”). The general deterrent is that financing is more costly under this Scheme relative to regular domestic Commercial rates. Producers therefore can negotiate better terms with domestic Commercial Banks. However, in keeping with the principle of transparency, we have sought to notify, even where we may have doubts, this scheme. However, in practice, for Antigua and Barbuda, it is not covered under Article 27.4 ASCM.

QUESTIONS FROM THE UNITED STATES

Fiscal Incentives Act Cap 172 (December of 1975)

We remain concerned with the local value added requirements under this programme. The discussion at the recent special meeting of the Committee on Subsidies and Countervailing Measures concerning this issue was useful in explaining how this programme operates. However, we seek further clarification concerning the local value added requirements, and therefore request consideration of the following additional questions:

- 1. Under this programme, local value added is defined as the amount realized from the sales of the product after subtracting, among other things, the cost of imported raw materials, components, parts of components, fuels and services. We seek clarification, therefore, whether the use of domestically sourced raw materials, components and parts determines, in any way, the duration of the incentives provided under this programme.**
- 2. Please provide the implementing legislation, and any relevant amendments, under this programme and any accompanying regulations and decrees.**

Reply

1. In an effort to clarify this issue, it is essential to note certain realities in Antigua and Barbuda that will form a framework for a better understanding of the domestic situation. Antigua and Barbuda is a small state of two sister islands with the general characteristic of countries of this size – that is they are usually lacking in natural resources used for inputs such as materials, components and parts of components and fuel. While the Fiscal Incentive Act Cap 172 of December 1975 does define in Section 2 (a) value added as the amount, which exceeds the value of imported raw materials, it has never been practical for a country lacking in resources to use this provision. However, as further defined in the Act, in Section 2 (b) to (e), among other things, local value-added is the amount of an approved product that exceeds:

- (i) Wages and/or salaries paid to non-CARICOM nationals;
- (ii) Interest, management charges and other income payments to non-CARICOM nationals; and
- (iii) Depreciation of imports of plant, machinery and equipment.

As indicated before, there is no requirement for enterprises to use domestic over imported raw materials, in calculating the percentage of the local value-added. What is taken into consideration is the level of investment and employment generated.

As stated in our initial request for extension, the objective of this incentive is to promote investment, which is an integral part of our development plan, as we seek to diversify our economy. By generating more investment, we would also achieve a greater reduction in our unemployment level, which is important in our aim to reduce poverty in the country.

The duration of incentives based on the Act is as follows:

- **Local Value Added > 10% < 25% - 10 Years tax Holiday**
- **Local Value Added > 25% < 50% - 12 Years tax Holiday**
- **Local Value added > 50% - 15 Years tax Holiday**

The Fiscal Incentive Act in itself is the implementing legislation. There are no amendments to this legislation.
