

**SUBSIDIES**

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

Replies to the Questions Posed by the EUROPEAN COMMUNITIES<sup>1</sup>  
Regarding the Notification of PANAMA<sup>2</sup>

The following communication, dated 22 July 2002, has been received from the Permanent Mission of Panama.

**Question 1**

**What is meant by "non-traditional" goods?**

**Reply**

In accordance with the Tax Credit Certificate (CAT) programme and pursuant to Articles 1 and 2, Chapter 1, of Law No. 108 of 30 December 1974 on export incentives, regulated by Executive Decree No. 5 of 8 February 1991, and Law No. 4 of 19 February 1993, non-traditional goods are considered to be those wholly or partly produced or processed in Panama, as defined by the 1996 Harmonized System, with the following exceptions:

- (a) cane sugar;
- (b) bananas and banana purée:
  - 1. bananas;
  - 2. banana purée;
- (c) sugar cane honey and molasses:
  - 1. sugar cane honey;
  - 2. cane molasses;
- (d) cocoa beans;
- (e) raw coffee (beans);
- (f) shrimps, fresh, chilled or frozen;
- (g) bovine meat, fresh, chilled or frozen<sup>3</sup>;

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<sup>1</sup> G/SCM/Q2/PAN/7 & G/SCM/Q3/PAN/14

<sup>2</sup> G/SCM/N/48/PAN-G/SCM/N/60/PAN-G/SCM/N/71/PAN & Corr.1 + G/SCM/N/74/PAN/1 & G/SCM/N/74/PAN/2

<sup>3</sup> Under Law No. 4 of 19 January 1993, bovine meat, fresh, chilled or frozen, is considered to be a non-traditional product.

- (h) bovine cattle leather, not tanned;
- (i) wooden logs;
- (j) bovine animals, swine and horses:
  - 1. bovine animals, other than pure-bred;
  - 2. swine, other than pure-bred;
  - 3. horses, other than pure-bred;
- (k) fish-meal;
- (l) other oils of fish and marine mammals;
- (m) scrap metal;
- (n) hawksbill turtle shell, unworked;
- (o) extracts of (citrus) fruit;
- (p) petroleum and petroleum products;
- (q) sales under bilateral, free or preferential trade agreements;
- (r) minerals, metals and metal products.

See also Article 1 of Executive Decree No. 5, published in Annex I (Legislation and amendments corresponding to the Export Processing Zones, Official Industry Register and Tax Credit Certificate programmes) to document G/SCM/Q3/PAN/13 presenting the replies by Panama to the follow-up questions posed by the United States in document G/SCM/Q3/PAN/12.

## **Question 2**

**What are the precise criteria applicable for the categorization of companies in the official industry register? Is the only criterion "full or partial engagement in export production"?**

## **Reply**

The Official Industry Register establishes three (3) categories of registers on the basis of which enterprises engaged in industrial activities involving manufacture or assembly, including small- and medium-sized industrial enterprises, may avail themselves of a range of benefits and incentives:

- (a) Enterprises wholly engaged in export production.
- (b) Enterprises engaged in domestic production.
- (c) Enterprises partially engaged in export production.

The classification criteria of the three (3) categories of registers for enterprises in the Official Industry Register are based on the final destination of production, i.e., whether it is wholly or partially for export or wholly for the domestic market.

Export is not a requirement for the registration of enterprises in the Official Industry Register. It is a requirement, however, for eligibility for the benefits and incentives granted to enterprises that are either wholly or partially engaged in export production, pursuant to the relevant legislation.

## **Question 3**

**Are any subsidies granted beyond December 2002? If so, which ones?**

Reply

In accordance with the Agreement on Subsidies and Countervailing Measures, Panama has submitted a notification and requested an extension of the existing programmes which constitute export subsidies.

With regard to the above-mentioned programmes, the legislation governing the Tax Credit Certificate (CAT) and Official Industry Register (OIR) programmes sets the deadline for enterprises to avail themselves of export-related benefits at 31 December 2002, in accordance with WTO commitments. These programmes shall, however, remain in force beyond this period, in accordance with the extensions requested<sup>4</sup> under Article 27.4 of the Agreement on Subsidies and Countervailing Measures and in accordance with the procedures for extensions set forth in document G/SCM/39.

The legislation governing Export Processing Zones (EPZs) does not specify a termination date for the programme; at present it is of indefinite duration. Panama proposes adjusting this programme in accordance with the Agreement on Subsidies and Countervailing Measures on the basis of the period of extension requested.

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<sup>4</sup> Documents G/SCM/N/71/PAN and G/SCM/N/74/PAN/1+2