

# WORLD TRADE ORGANIZATION

G/SCM/N/226/PAN  
10 October 2011

(11-4925)

Committee on Subsidies and  
Countervailing Measures

Original: Spanish

## SUBSIDIES

Continuation of Extension under SCM Article 27.4 of the Transition Period for the  
Elimination of Export Subsidies Pursuant to the Procedures Contained in the  
General Council Decision in Document WT/L/691

### PANAMA

The following communication, dated 7 October 2011, is being circulated at the request of the delegation of Panama.

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The Republic of Panama hereby submits the following notification pursuant to subparagraph 1(d) and paragraphs 3 and 4 of the Procedures for extensions under Article 27.4 of the SCM Agreement for certain developing country Members (G/SCM/39), subparagraph 1(c) and paragraphs 2 and 3 of the Decision adopting procedures for the continuation of such extensions (WT/L/691), and the Decisions of 22 November 2002 on Export Processing Zones (G/SCM/85) and on the Official Industry Register (G/SCM/84).

In accordance with its rights and obligations under the procedures for extending programmes that comprise subsidies classified as prohibited under Article 3.1 of the Agreement on Subsidies and Countervailing Measures (SCM) of the World Trade Organization (WTO), the Republic of Panama is submitting the following notification for the Committee's consideration in order to meet its obligations in respect of the extension of the transition period for programmes subject to renewal.

Panama confirms that its programmes subject to extension comply with the standstill, favourability and transparency requirements under the procedures for extensions (G/SCM/39) and the General Council Decision (WT/L/691) in that neither programme has been modified so as to make it more favourable than it was at 1 September 2001.

**Programmes**

**I. EXPORT PROCESSING ZONES**

**1. Description of the Programme**

See paragraph II.1 of document G/SCM/N/95/PAN.

**2. Period of notification**

2010

**3. Objective of the programme**

See paragraph II.3 of document G/SCM/N/95/PAN.

**4. Background and authority**

See paragraph B.4 of document G/SCM/N/71/PAN.

**5. Form of the subsidy**

See paragraph II.5 of document G/SCM/N/95/PAN.

**6. Beneficiaries and mechanism**

See paragraph II.6 of document G/SCM/N/95/PAN and paragraph I.6 of document G/SCM/N/160/PAN.

**7. Estimated amount of the subsidy**

No estimate available. However, paragraph I.9 provides updated information, which represents an attempt to establish an order of magnitude under the EPZ programme.

**8. Duration of the subsidy**

Not specified in Law No. 25 of 1992, which has, however, been repealed by Law No. 32 of 2011.

**9. Statistical data permitting an assessment of the trade effects of the subsidy**

<b>Table No. 1. PANAMA: VALUE OF EXPORTS FROM FREE ZONES</b>		
<b>2010 and January to August 2011</b>		
<b>Year</b>	<b>No. of enterprises</b>	<b>f.o.b. value (US\$ million)</b>
2010	89	93.3
2011	94	69.9

*Source:* Auditor-General of the Republic and Vice-Ministry of Foreign Trade of the Ministry of Trade and Industry.

**Table No. 2. PANAMA: EXISTING FREE ZONES AND  
NUMBER OF ENTERPRISES REGISTERED  
AS AT AUGUST 2011**

No.	Free Zones	No. of enterprises registered
1	Panaexport, Ojo de Agua	22
2	Proinexport	2
3	Marpesca, S.A.	28
4	Rail Road Export Processing Zone	2
5	Zona Procesadora de Davis	9
6	Colón Maritime Investor	5
7	Eurofusión	1
8	Isla Margarita Development	8
9	Espanam Iberoamérica	0
10	Zona Procesadora de Albrook	16
11	Zona Procesadora de Chilibre	0
12	Proexport	0
13	Export Pacific Panamá, S.A.	0
14	Hewlett Packard Global Services Panama, S.A.	1
Most of the enterprises located in Free Zones are engaged in international trade services activities.		
<b>TOTAL</b>		<b>94</b>

*Source:* Vice-Ministry of Foreign Trade, Ministry of Trade and Industry.

## **10. Adoption of internal measures**

(a) Panama has taken the following steps with a view to eliminating the export subsidies under the programme:

- Following the consultations planned with the relevant sectors, in December 2010 the Institutional Technical Commission of the Ministry of Trade and Industry completed the preparation of a preliminary draft law for the development of Free Zones, aimed at strengthening the domestic market and creating a secure and transparent environment in order to raise producer and investor confidence and reduce unemployment levels, while meeting Panama's obligations in respect of the time-limits established for bringing into conformity programmes comprising export subsidies that are inconsistent with the multilateral trade rules.
- In January 2011, the draft law was approved by the Vice-Ministers of Foreign Trade and International Trade Negotiations, with the endorsement of the Minister of Trade and Industry, and was referred to the Cabinet Council for subsequent submission to the National Assembly of Deputies.
- In April 2011, the draft law was approved by the Executive as Law No. 32 of 5 April 2011 and published in Electronic Official Journal No. 26757-B.
- The changes introduced in Law No. 32 of 2011, which **repeals** Law No. 25 of 30 November 1992, are consistent with the provisions of the World Trade Organization (WTO).

## II. OFFICIAL INDUSTRY REGISTER

### 1. Description of the subsidy

See paragraph III.1 of document G/SCM/N/95/PAN.

### 2. Period of notification

2010

### 3. Objective of the programme

See paragraph III.3 of document G/SCM/N/95/PAN.

### 4. Background and authority

See paragraph C.4 of document G/SCM/N/71/PAN. See also Resolution No. 32 of 31 December 2002 of the Ministry of Trade and Industry, notified in Annex 1 to document G/SCM/N/95/PAN and Law No. 11 of 4 January 2008.

### 5. Form of the subsidy

See paragraph III.5 of document G/SCM/N/95/PAN.

### 6. Beneficiaries and mechanism

See paragraph III.6 of document G/SCM/N/95/PAN. In addition, the following table indicates the number of beneficiary enterprises in the Official Industry Register, according to type of activity.

**Table No. 3. OFFICIAL INDUSTRY REGISTER:  
NUMBER OF ENTERPRISES ACCORDING TO  
TYPE OF ACTIVITY/PRODUCT  
AS AT OCTOBER 2011**

No.	Activity/Product	No. of Enterprises
	<b>TOTAL</b>	<b>99</b>
1	Animal feed	2
2	Sugar cane	4
3	Manufacture of clothing	3
4	Poultry breeding	3
5	Milk by-products	3
6	Detergents and other chemical products	6
7	Manufacture of footwear	0
8	Brewing of beer	2
9	Manufacture of mattresses	0
10	Manufacture of brooms and mops	0
11	Manufacture of furniture	2
12	Wood and wood articles	0

No.	Activity/Product	No. of Enterprises
13	Articles of aluminium and other metals	9
14	Cement articles	1
15	Paper and paperboard and articles thereof	11
16	Coffee processing	4
17	Processing of hides and skins	2
18	Food products	20
19	Marine products	10
20	Pharmaceuticals	1
21	Plastic products	8
22	Printing	2
23	Other products	6

*Note:* Only covers enterprises listed in the Official Industry Register as exporting all or part of their production.

*Source:* Directorate-General of Industry of the Ministry of Trade and Industry.

## 7. Estimated amount of the subsidy

**Table No. 4. VALUE OF TAX INCENTIVES GRANTED UNDER  
THE OFFICIAL INDUSTRY REGISTER  
2008-2010  
(US\$ million)**

TYPE OF BENEFIT	YEAR		
	2008	2009	2010
Import tax exemption or rebate	31.0	23.2	34.3
Income tax exemption or rebate for reinvestment	11.2	16.1	11.4
Other incentives*	5.3	10.8	5.3
<b>Total</b>	<b>47.5</b>	<b>50.1</b>	<b>51.0</b>

\* Exemption from income tax only.

*Source:* Fiscal Studies Department, Directorate-General of Revenue, Ministry of the Economy and Finance.

## 8. Duration of the subsidy

See paragraph III.8 of document G/SCM/N/95/PAN.

## 9. Statistical data permitting an assessment of the trade effects of the subsidy

No statistical information is available to assess the trade effects of the programme.

## 10. Adoption of internal measures

The following steps have been taken with a view to eliminating the export subsidies under the programme:

Adoption of Law No. 11 of 4 January 2008:

- (a) Law No. 3 of 1986, which regulated the programme and granted the tax benefits deemed to constitute export subsidies, was repealed pursuant to Law No. 28 of 1995. The benefits granted under the former Law will continue to exist only for the rest of the period during which the registration or contract, as applicable, is effective. Programme benefits have been extended and remain in effect under the extension granted by the WTO.
- (b) Enterprises which benefited under the programme may only continue to benefit upon request. The request must be submitted prior to the expiry of the respective registration and the extension may only be granted up to, but not beyond, 31 December 2015.
- (c) The Republic of Panama enacted Law No. 76 of 2009 on the promotion and development of industry, regulated by Executive Decree of 15 January 2010, with a view to encouraging the growth and sustainable development of Panamanian industry through the granting of benefits aimed at promoting investment and improving the competitiveness of domestic production.

The same Law promotes investment in activities such as human resource training, while encouraging research and development in respect of new products or processes and promoting the implementation of quality systems, the generation of employment, the improvement of management systems, quality assurance, and environmental conservation.

It also provides for a system of incentives, through the issuing of an industrial promotion certificate (CFI) which is non-transferable and valid for eight years.

When applying for a CFI, an enterprise must provide copies of its payroll to prove that new jobs have been generated. Enterprises established following the entry into force of the present Law may apply for a CFI two years after the start of their operations. Enterprises benefiting from the Official Industry Register programme may not avail themselves of the present Law until their registration or the respective extension expires.

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