WORLD TRADE ORGANIZATION

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Working Party on GATS Rules

SUBSIDIES FOR SERVICES SECTORS

INFORMATION CONTAINED IN WTO TRADE POLICY REVIEWS

Background Note by the Secretariat[1]

Addendum

I. INTRODUCTION

1. At its meeting on 15 July 2002, the Working Party on GATS Rules requested the Secretariat to prepare an update of information contained in Trade Policy Reviews on subsidies in services. This document, which complements the information contained in S/WPGR/W/25, - Add. 1 and Add. 2, covers 24 Reviews carried out between January 2001 and July 2002 (WT/TPR/S/79 to 102). Relevant information has been added, in italics, in the overview table already contained in the previous documents (Table 1).

2. As has been noted on past occasions, TPR-based information does not necessarily provide a comprehensive picture of Members' trade policies in any narrowly defined area. The selection of countries for review follows a schedule established by the Trade Policy Review Body and, thus, is not driven by subsidy-related considerations. Moreover, to be as relevant as possible within the TPR's overall mandate, the individual reports seek to focus on a country's main policy challenges and constraints; among these, services subsidies do not appear to have figured prominently to date. While many reports contain some information on such subsidies, no attempts have been made to assess their wider economic implications or any (distortive) effects on trade.

3. Potentially relevant information for this Note was compiled and structured against the background of the definition contained in Article 1 of the Agreement on Subsidies and Countervailing Measures.[2] However, the terms "subsidy" and related concepts ("financial contribution", "state aid", "tax benefits", etc.) may not have been used in TPR reports with the same definition in mind.

4. As in the two preceding documents, the following types of assistance have not been included: (i) Exemptions from indirect taxes, in particular VAT, which are frequently intended to encourage consumption rather than production of a service; (ii) generally available support, for example in the context of regional development or research programmes; and (iii) company-internal cross-subsidization between monopoly and market-oriented activities in sectors such as telecommunications. By contrast, government financial interventions in the form of share purchases and similar equity transfers have been taken into account. This drew some criticism in the past as such actions might have been driven by macroeconomic concerns and no particular service sector

[1] This document has been prepared under the Secretariat's own responsibility and without prejudice to the positions of Members and to their rights and obligations under the WTO.

[2] Accordingly, a subsidy is deemed to involve a financial contribution by a government or public body which confers a benefit. This covers assistance provided in the form of direct transfers of funds, including grants, loans and equity infusions; potential direct transfers of funds or liabilities, e.g. loan guarantees; government revenue foregone; supply of goods and services other than general infrastructure; purchase of goods; payments to funding mechanisms; or income and price support.

might have been targeted (S/WPGR/M/28). However, the Secretariat felt that it might be preferable, for the sake of consistency, to continue applying the above subsidy definition to the information contained in TPRs rather than introducing additional considerations case-by-case.

5. As discussed in the initial Secretariat Note, it may be difficult in individual cases to identify the ultimate beneficiaries of a subsidy, which may include the direct recipients, downstream industries, or individual consumers.[3] Thus, given the infrastructural importance of many services sectors as providers of generally available inputs, it might be necessary to look beyond the subsidized sector, e.g., communication or transport, and take into consideration the users of the services rendered. Moreover, various qualifications have to be kept in mind when surveying subsidy-related information in TPR reports. For example, there is often no information as to whether the subsidy is discriminatory or not. In some instances, it may also be difficult to determine if the subsidy is targeted at a service or a good. Finally, one should not discard the possibility that some of the "subsidies" mentioned in TPR reports are in fact financial contributions to services provided "in the exercise of governmental authority" (GATS Article 1:3(b)).

II. POLICY PATTERNS

6. The information contained in the last 24 TPR reports largely confirms the sector pattern identified in the previous document: services-related subsidies are found mainly in three sectors, tourism, transport (in particular maritime transport) and banking services. However, it is not clear whether this is the result of governmental policy choices or whether it is simply due to the fact that TPR reports tend to focus on these sectors.

7. Concerning the measures used, the update confirms Members' strong reliance on tax incentives as compared to direct grants. This may reflect a preference in the political process for less obvious and, in terms of immediate disbursements, less "costly" forms of support. However, these observations are rather impressionistic in nature; for example, they may overrate developments in sectors that attracted particular policy attention at the time of reporting. As a general feature, it appears that areas such as financial services have been reviewed in more detail than, for instance, rail or road transport and professional services.

[3] For example, the provision of basic health services may be ensured through: (a) cost-free treatment in state-owned hospitals; (b) the extension of public funds to commercially independent hospitals; or (c) government-sponsored premiums for basic health insurance. While possibly conferring the same benefits to the same target group, such measures might be defined, respectively, as the provision of infrastructural services, subsidies for the health sector, social transfers and/or subsidies for insurers.

Table 1: Financial assistance to individual services sectors - information from TPR Reports, July 2002

➢ MEASURE ➢ **⮟ SECTOR ⮟**	**Direct grants**	**Preferential credit & guarantees**	**Equity injections**	**Tax incentives**	**Duty-free inputs & free zones**	**Other & unspecified measures**	**Number of WTO Members**
Tourism	Botswana Canada Israel Turkey Switzerland Liechtenstein *Costa Rica* *Czech Rep.* *Slovak Rep.*	Canada Nigeria[1] Iceland India Jamaica South Africa Trinidad & Tobago Turkey *Grenada* *Mauritius* *Slovak Rep.* *India* *Barbados* *Uganda*	South Africa	Nigeria[1] Argentina Egypt India Israel Jamaica Nicaragua Philippines Solomon Is. Tanzania Trinidad & Tobago Turkey Uruguay *Madagascar* *Ghana* *Macau, China* *Costa Rica* *Dominica* *Grenada* *St. Kitt & Nevis* *Saint Lucia* *St. Vincent & G.* *Gabon* *Cameroon* *Mauritius* *Slovak Rep.* *Malawi* *Haiti* *Barbados*	Argentina Egypt India Jamaica Kenya Nicaragua Peru Solomon Is. Tanzania Trinidad & Tobago Turkey Uruguay *Mozambique* *Ghana* *Macau, China* *Dominica* *Grenada* *S. Kitt & Nevis* *Saint Lucia* *St. Vincent & G.* *Malawi* *Haiti* *Barbados*	Guinea[1] Lesotho Singapore *Brunei D.* *Mauritius* *Guatemala* *Slovenia* *Barbados*	47
Transportation general or unspecified	Canada Switzerland Liechtenstein *Czech Rep.*	Poland *Grenada*		Philippines Poland Korea RP *Madagascar* *Slovak Rep.* *Malawi*	*Mozambique* *Malawi*	*Brunei D.* *Czech Rep.* *Slovak Rep.*	13
Maritime transport	Australia India Solomon Islands[1] *Czech Rep.* *Pakistan* *India*	India Thailand U.S. *India*		Egypt HK, China India Jamaica Peru Singapore Turkey U.S. Brazil Japan *Mauritius* *Mexico* *Barbados*	Egypt Jamaica Papua N.G. Peru Turkey *Pakistan* *Barbados*	*EC* Korea RP *U.S.* *Mauritius* *India*	22

➢ MEASURE ➢ ⮟ SECTOR ⮟	Direct grants	Preferential credit & guarantees	Equity injections	Tax incentives	Duty-free inputs & free zones	Other & unspecified measures	Number of WTO Members
Air transport		Papua N. G.	Hungary[1]	Egypt *Macau, China* *Mexico*	Hungary Papua N.G.	EC (F, I, P, G) *India* *EC*	7
Rail transport	India Kenya Switzerland *Czech Rep.*					*Slovak Rep.*[1] *Malawi* *India* *EC*	7
Banking	Poland Brazil	Indonesia Thailand Poland EC (D) *Costa Rica* *Slovak Rep.*	HK, China Thailand Norway *Slovak Rep.* *Mexico* *India*[1]	Singapore Tanzania U.S. Poland Korea RP Switzerland *Ghana* *Macau, China* *Mauritius* *Malaysia* *India* *Barbados*	Trinidad & Tobago[1] Jamaica Singapore Tanzania Thailand *Mozambique* *Saint Lucia* *St. Vincent & G.*	Korea RP *Brunei D.* *Czech Rep.* *Slovak Rep.* *India* *Barbados*	29
Other financial services		Indonesia Thailand	HK, China Thailand	Singapore U.S. Korea RP Brazil *Dominica* *St. Kitt & Nevis* *Barbados*	Singapore Thailand Trinidad & Tobago[1] *Mozambique* *Saint Lucia* *St. Vicent & G.* *Barbados*		14
Software, info technology, communications, info processing	Canada	Jamaica		Canada Egypt India Korea RP *Grenada* *Slovak Rep.* *Pakistan*	India Jamaica Trinidad & Tobago[1] Uruguay *Madagascar* *Grenada* *Pakistan* *India*	Korea RP *Pakistan*	11
Construction	U.S.	Argentina Poland		Argentina Bolivia Trinidad & Tobago Turkey Korea RP Poland *India*	*Mozambique* *Brunei D.* *India*		10
Recreation, culture & sports	Canada Korea RP Norway	Jamaica		Bolivia *Costa Rica*	Bolivia Israel		7

➢ MEASURE ➢ ⮛ SECTOR ⮛	Direct grants	Preferential credit & guarantees	Equity injections	Tax incentives	Duty-free inputs & free zones	Other & unspecified measures	Number of WTO Members
Telecom	Peru Singapore	India		India *St. Kitt & Nevis*[1] *India*	Trinidad &Tobago[1] *Mozambique* *Saint Lucia* *India*	*Mauritius* *India*	8
Audiovisual services	Argentina Canada EC			Canada Jamaica Tanzania Korea RP *Mexico*	Jamaica Tanzania		7
Wholesale & retail trade, distribution		Turkey		Trinidad & Tobago Korea RP	Tanzania		4
Real estate		India		Canada Japan	Trinidad & Tobago		4
Energy				*Madagascar* *Costa Rica* *Slovak Rep.* *Guatemala* *Haiti*		*Brunei D.* *Guatemala* *India*	7
Other & unspecified sectors	Australia	Australia Bangladesh Turkey *Czech Rep.* *Uganda*	Canada	Singapore Korea RP *Costa Rica* *Dominica* *St. Kitt & N.evis*	Hungary Singapore *Dominica* *Saint Lucia* *St. Vincent & G.*	*Brunei D.* *Czech Rep.* *Mauritius* *Slovak Rep.*	18
Number of cases	36	41	12	108	75	40	

1 Subsidy programme envisaged.
2 Counting EC Member States individually.

Source: WTO Secretariat.

ANNEX

Content of Individual Trade Policy Reviews

Mozambique – WT/TPR/S/79

p. 14, para. 28-29

Investments in new undertakings benefit from exemption of payment of customs duties on equipment goods classified in the "Customs Manual" in "K" Class. Imports involved with expansions, rehabilitation or modernization, or a new company formed through reorganization are not eligible for this exemption. These benefits exist only when the goods to be imported are not produced in Mozambique or, if produced, are not available at similar quality and price conditions.

Investments in provincial capitals in new undertakings or in the rehabilitation of existing ones due to obsolescence benefit from a reduction of 50% of Industrial Contribution Tax and Supplementary Tax rates, during the period of recovery of the investment made, but not exceeding ten fiscal years from the start of operation. In certain provinces (Niassa, Cabo Delgado, and Tete), the reduction is 80%. Outside of provincial capitals, the reduction is 65%. Special incentives exist for undertakings destroyed by acts of war. These incentives can be extended for certain periods at lower rates; these vary by province.

Table II.2 provides detailed information on the investment projects approved in 1999 and the projected employment involved.

Table II.2
Investment projects approved in 1999, and projected employment

Branch	Number of projects	Value (US$)		Total		Employment	
		Foreign investment	Investment by nationals	Value (incl. loans)	Per cent	Number	Per cent
Agriculture and agri-business	55	10,192,614	7,485,629	238,871,039	31.13	8,040	38.54
Transport and communication	20	698,655	2,646,880	23,655,950	3.08	778	3.73
Tourism and hotels	20	8,426,400	7,143,115	103,180,866	13.45	1,406	6.74
Fishing and aqua-culture	12	62,004,964	54,870,939	148,314,940	19.33	730	3.50
Industry	65	19,079,190	17,239,886	170,903,377	22.27	4,846	23.23
Construction and public works	21	8,179,780	3,215,563	34,796,513	4.53	2,161	10.36
Mineral resources	1	n.a.	10,250	582,324	0.08	16	0.08
Banking, insurance and leasing	5	310,056	7,017,185	8,087,393	0.05	75	0.36
Other	35	14,063,754	6,072,084	39,000,183	5.08	2,811	13.47
TOTAL	**234**	**121,955,413**	**105,701,532**	**767,392,586**	**100.00**	**20,863**	**100.00**

n.a. Not applicable.

Source: Investment Promotion Center (2000a), *Situação de Investmento Autorizado,* Maputo, January.

Madagascar – WT/TPR/S/80

P. 13, paras. 22-23

An entity needs to be legally established in Madagascar in order to benefit from investment incentives. The incentives include reduced tax on profits, accelerated depreciation on goods related to the investment, reduced customs duties of 5% on imported equipment, and exemption from import and excise taxes during the start-up of an investment.

Special benefits are directed toward investment in agriculture, fisheries, crafts, manufacturing, mining, **energy**, **tourism** (hotels), and **transportation**. For example, taxes related to the acquisition of buildings is reduced from 12% to 10% for these activities

P. 13-14 . paras. 26-28

Madagascar has been actively promoting export-oriented activities since 1991, and export-processing zones (EPZs) in particular, as a means of increasing foreign direct investment. The regulations related to EPZs are governed by Law No. 91-020 of 12 August 1991, which is currently under review. About 50% of the companies licensed to operate within EPZs are concentrated in the apparel and textile branches, with the balance divided among food processing, footwear, jewellery, and **service providers such as data processing** [(Table II.2)].

[…]

Incentives under the EPZs scheme include:

(i) a grace period on the corporate tax for the first 2-15 years of operation (depending on the type of business), the rate of taxation is 10% as opposed to 33% for non-EPZ companies;

(ii) after the grace period, the corporate tax is reduced by an amount based on 75% of the non-initial investment;

(iii) exemption from customs duties and taxes on imported equipment, inputs, spare parts, packaging, and building materials;

(iv) taxation of dividends is reduced from 25% to 10%;

(v) 99 year leases are available for investment (land is generally not available for purchase by foreigners);

(vi) free repatriation of profits after payment of taxes; and

(vii) 100% foreign ownership.

Ghana – WT/TPR/S/81

P. 25, para. 46

The investment incentives include exemption from tariff and other duties on imported plant, machinery, and equipment falling with Chapters 82, 84, 85 and 98 of the Customs Schedule.[4] Other incentives include accelerated depreciation provisions and a reduced company tax rate of 8% for firms exporting non-traditional products, and 25% for income from licenced **hotels**. Tax holidays of five

[4] Any enterprise may apply to the Centre to have tariffs and duties eliminated on other plant, machinery, and equipment falling outside these chapters.

years apply to certain activities, such as general farming, fisheries, aquaculture, livestock, and real estate. Investments in **rural banks** and cattle ranching are exempted from income tax for ten years. Location incentives also apply.[5] Investors are also entitled to an automatic immigration quota tied to the value of the investment: investments of US$10,000 receive an immigration quota for one person.

<u>P. 76, paras. 73-74</u>

Tourism development based on private sector participation is a government priority. According to the Government's "Vision 2020", tourism is to be expanded to make Ghana a major international venue and regional tourist destination. Investment incentives are provided to hotels. The company tax rate for the sector is reduced from 35% to 25%, depending on location of the investment (urban/rural). Additionally, approval can be given by the Minister of Tourism for investors in hotels of at least 50 rooms to defer payment of import duties until completion of the project and commencement of operations. Certain items, such as furniture, fans, air conditioners, and television sets, can also be imported duty free. A National Tourism Development Plan 1992-2010 is being implemented by the Ministry of Tourism aimed at more than doubling the size of the industry by 2010. Medium-term developmental projects are contained in the Tourism Development Action Programme for 1996-2000, as well as the Tourism Public Awareness Programme and Tourist Behaviour Code for 1996-2000. Net foreign exchange earnings in 2010 are projected under the long-term plan to rise to US$1.6 billion.

To attract private investment, the Plan calls for improving the public and private sector institutional framework for investment; simplifying investment procedures; adopting tourism investment incentives; establishing a tourism financial credit programme; and creating a Tourism Development Fund to be financed from a 1% tax on hotel and restaurant expenditure.

Macau, China – WT/TPR/S/82

<u>P. 57, para. 26</u>

Offshore **banks** are not regulated by the same legislation as full-licensed banks. New legislation to govern Macau's offshore banking activities was introduced in 1999.[6] The main purpose of the legislation is to facilitate the establishment of offshore banks so that Macau SAR may become an offshore financial service centre, thus the application process has been simplified and expedited. Offshore financial institutions (OFIs) may not engage in the operations that are specifically prohibited in the licence granted by the Chief Executive and/or in operations that are contrary to Macau's laws. OFIs must register at least 51% of their shares locally. The Chief Executive of Macau SAR may, on a case-by-case basis, authorize OFIs to grant credit or provide guarantees to residents so long as the goal of the operation is in the interest of the Government. OFIs are exempt from profit tax and business registration tax.[7]

<u>P. 61, para. 46</u>

Air Macau has been exempt from income taxes since 1995. In addition, the **airline** is exempt from consumption tax on fuels. Air Macau holds the monopoly rights for air, passenger, and cargo transport services. However, any decision whether to operate a particular route, rests with the airline itself and it is based purely on market considerations. Civil servants and/or government-related cargoes are not compelled to fly Air Macau.

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[5] Manufacturing industries located in cities other than Accra receive a 25% tax rebate. A 50% tax rebate is paid if located outside regional capitals.

[6] Decree-Law No. 58/99/M of 18 October 1999.

[7] Law No. 3/99/M, 8 September 1999.

P. 64, para. 63

Macau, China provides a number of sector-specific and general incentives to encourage investment. These include interest rate subsidies and refundable and non-refundable subsidies for investment projects. Imported goods to be used in the **tourism** industry are not taxed. Other sector-specific incentives include: property tax exemption for up to eight years in Macau and 12 years in Taipa and Coloane; industrial tax exemption for the same period; property transfer tax exemption for the transfer of buildings used for tourism purposes; and exemption of vehicle tax for vehicles used in the tourism sector (Decree-Law No.81/89/M).

Costa Rica – WT/TPR/S/83

P. 68-69, paras. 188-189, 196-197 and 199

The Tourism Development Incentives Act (Law No. 6990 of 5 July 1985) establishes a series of incentives and concessions for domestic and foreign enterprises investing in the **tourism** sector. The incentives include exemption from all taxes and surcharges applicable to the importation or local purchase of articles indispensable to the operation and installation of hotel trade services; exemption from all taxes and surcharges applicable to the importation or local purchase of goods indispensable to the construction of piers and other tourist embarkation points; and exemption from all taxes, other than customs duties, on the importation of public transport vehicles with a minimum of 15 seats, etc.

Enterprises awarded contracts for **gas and oil exploration and development** are exempted from payment of all taxes and surcharges, general and local, on the importation of machinery, equipment, vehicles for field work, instruments, spare parts, materials and other goods and services they need to carry out their contracts properly. The exemption covers the exploration period and the first 10 years of development of the oil or gas, provided the goods to be imported cannot be obtained in the country under similar conditions of quality, quantity and price; in any case they must then be purchased in the country and benefit from the same exemption.[8]

The Costa Rican Cancer Institute Establishment Act (Law No. 7765 of 17 April 1998) exempted the Costa Rican Cancer Institute (Instituto Costarricense Contra el Cáncer) from the payment of any taxes, duties, contributions, levies, charges or surcharges on the goods or services it imports or purchases in the country. These exemptions also apply to the holders of concession contracts for the provision of **cancer prevention and treatment services** and to research and teaching activities under such contracts.

The Tax Exemption and Price Control for Literary, Educational, Scientific, Technological, Artistic, Sporting and Cultural Productions Act (Law No. 7874 of 23 April 1999) **exempted literary, educational, scientific, technological, artistic, sporting and cultural productions** declared to be in the public interest from sales tax, selective consumption tax, charges, surcharges, consular fees and customs duties.

In March 2000, a training programme financed by the National Apprenticeship Institute (Instituto Nacional de Aprendizaje, INA) began to be developed. This institution has allocated 500 million colones for training in the **tourism**, agricultural and industrial sectors. MEIC has promoted this programme among businessmen belonging to the CES and has worked with them to enable them to make use of these resources and to facilitate the development of small and medium-sized enterprises through targeted training. More than 150 enterprises in the metallurgical, plastics, graphic arts and food industries are now benefiting from this programme.

[8] Regulations on the bidding system for oil and gas exploration and development contracts, Executive Decree No. 25785 of 22 January 1997.

P. 98, para. 67

The State **banks** enjoy advantages over their private competitors since they have the guarantee and fullest cooperation of the State and all its departments and institutions. The Executive Board in each case is appointed by the Government Cabinet and their capital may be increased by law or by capitalization. Public deposits in the State banks are fully guaranteed by the State, while private banks do not have any kind of insurance to protect public deposits. The authorities indicated that they were looking at the possibility of creating deposit insurance for private banks.

Brunei Darussalam – WT/TPR/S/84

P. 80, para. 46

As with other sectors of the economy, the Government tends to be dominant in services. This is particularly true for social and personal services, which account for over half of the sector's contribution to GDP. In addition, other services, notably **transport and communication** services and **energy generation and distribution**, have a strong Government presence. The Seventh National Development Plan allocated around 22% of its total funding to public utilities, including electricity, transportation, and telecommunications, in addition to finance for **social services** and **construction**, which accounts for the largest share of government funding in the Plan.

P. 81, para. 51

However, progress seems to have been slow and much remains to be done especially in order to improve transparency in **financial services**. In addition, there has been a tendency in the past for the Government to assist financial companies in trouble. In the 1980s, for example, following financial failure of the United National Finance Company in 1985, the National Bank of Brunei, the second largest local bank, in 1986, and Jan Shen, a commodity trading firm, in 1988, the Government provided relief through the budget.

P. 94, para. 94

The new "Tourism Master Plan", launched in July 1999, focuses on the economic and social benefits of **tourism** for Brunei, while preventing an erosion of Brunei's socio-cultural and religious values, and ensuring conservation of the environment. Particular activities targeted by the Master Plan include niche markets such as eco-tourism, adventure and cultural tourism, theme parks, and cruising.[9] The Plan also outlines investment strategies and policies for infrastructure development in order to promote the sector.[10] In this regard, the Government would like to see tourist arrivals increase to 1 million by 2000. In addition to improving infrastructure, the Government is also trying to attract local employment in the industry; it announced in July 2000 that it would compensate employers in the industry for up to 80% of their costs of training local workers. The Government is also making efforts to develop the sector in eco-tourism, international exhibitions and fora, and as a gateway for the BIMP-EAGA area.[11]

[9] Ministry of Industry and Primary Resources (1998).
[10] Borneo Bulletin (2000).
[11] Government of Brunei Darussalam (1997).

WTO Members of the Organization of East Caribbean States (OECS) – WT/TPR/S/85

Dominica - WT/TPR/S/85/DMA

P. 14, paras. 54-55

To encourage the establishment of new businesses, Dominica, like other OECS countries, offers a wide range of incentives to potential investors in the areas of manufacturing**, services, and hotel development**. These incentives generally imply a temporary exemption from taxes on profits, on import duties, and on the general consumption tax (CGT), and are contained in the Income Tax Act, the Fiscal Incentives Act, the Hotel Aids Act, the Customs (Control and Management) Act, the Consumption Tax Act, and the Alien Landholding Act. Horizontal incentives for foreign investors are also in place with respect to exemptions from foreign exchange remittance limitations under the Foreign Exchange Control Act.

Under the Fiscal Incentives Act No. 17 of 1974, Cap. 84: 51 of the revised Laws of Dominica, an approved enterprise may import plant, equipment, spare parts, raw materials or components free from customs duties for constructing, altering, reconstructing or extending the approved enterprise. Also under this Act, an enterprise may be granted complete or partial exemption from the payment of income tax on profits.

P. 43, para. 175

Offshore **insurance services** are regulated by the Exempt Insurance Act No. 14 of 1997. All risks and premiums must originate from abroad, and shareholders must reside outside Dominica. To benefit from the status of exempt insurance, a company must be incorporated in Dominica under the Companies Act 1994 and obtain a licence specifying the type of insurance activities in which the company may engage. Some nationality requirements apply: at least one of the directors of the licensed company must be a resident citizen of Dominica. Minimum paid-up capital must be US$100,000. Mergers and acquisitions are allowed with prior approval of the Minister of Finance. All licensees are exempt from income tax, capital gains tax or other direct taxes on profits or on the transfer of the assets and securities, as well as from import duties.[12] Licensees are also exempt from withholding taxes on their dividends or interest, as well as from the provisions of the Exchange Control Ordinance with respect to the limitation of remittances, and do not require permission to issue shares to non-residents. Licensees, holding companies or management companies may place fixed-term deposits and hold current accounts with a person licensed under the Offshore Banking Act of 1996. The benefits of the Act may also be extended to holding companies and management companies incorporated in Dominica.

P. 45-46, paras. 184-185 and 188

In addition to financial services, Dominica's offshore services industry comprises international business companies, **management services operations, a medical school, Internet gaming**, and the Economic Citizenship Programme. Plans are currently under way for the establishment of an offshore ship registry, possibly in 2001. The contribution of the offshore sector to central government revenue was EC$10 million in 1999 [(Table IV.2)].

International business companies (IBCs) are regulated by the International Business Companies Act No. 10 of 1996. […] IBCs enjoy a wide range of benefits including exemption from all local taxes, duties, and other similar charges for 20 years, and exemption from the regulations of the Exchange Control Ordinance.

[12] Transfers between licensees or to a holding company or management company do not require the approval of the Minister of Finance. In all other cases prior written approval of the Minister is required.

Internet gaming is among the offshore activities that are developing rapidly in Dominica. […] Companies licensed to operate on-line gaming business in Dominica enjoy the fiscal incentives and tax exemptions granted to offshore businesses domiciled in Dominica, including exemption from income, withholding, sales, and other taxes, and customs duty concessions for imports needed to carry on Internet gaming. […]

P. 48, para. 192

The **tourist industry** may benefit from the Hotel Aid Act, as amended by the Hotel Aid (Amendment) Act No. 21 of 1991 and the Income Tax Act No. 37 of 1982, which allows for a 20-year relief from income tax and import duties on building materials, machinery, and equipment for approved hotel and resort developments. For the purposes of the Hotel Aid Act, a hotel is defined as a building or group of buildings containing no less than five bedrooms. The Aid to Development Enterprises Act provides for the granting of relief from customs duties on raw materials and inputs, materials, tools, plant, machinery, and building materials to be used, among other things, in the equipping of hotels.

Grenada - WT/TPR/S/85/GRD

P. 8, para. 26

Investors benefit from a number of fiscal incentives. The GIDC is an industrial development agency responsible for stimulating, facilitating, and assisting investors. The focus of the GIDC is to encourage investment in projects that generate employment and foreign exchange, particularly in **tourism**, manufacturing and **information technology**. This is done mainly through incentives schemes, including exemptions from taxes on corporate profits for up to 15 years, as well as on import duties and taxes on plant, machinery, equipment, spare parts, raw materials, and components.

P. 25, paras. 103, 111-112

The legislation of Grenada provides a package of benefits and concessions for specific activities such as manufacturing or processing industries, **data processing**, deep-sea fishing and shrimping. There are also incentives for **hotels, and for some other service activities**. Incentives available include tax holidays, import duty exemptions, repatriation of profits, and withholding tax exemptions. In some cases, these incentives are trade-related, including local-content requirements, and export-performance requirements.

The Hotels Aids Act of 1954 allows for full exemption from taxes on profits for ten years for hotels, apartments, and guest houses, as well as exemption from customs duties and taxes on articles of hotel equipment to equip and upgrade hotel property, service vehicles, material for construction, repair, renovation or extension to **hotel properties**. The Qualified Enterprises Act, Cap. 276 provides for tax benefits and exemptions for certain enterprises. The authorities noted that the Act is rarely used, and that currently only three enterprises benefit from it.

Grenadian enterprises may also receive concessionary credits, funded or guaranteed by the Caribbean Development Bank (CDB), for between US$750,000 and US$5 million at a current (2000) preferential rate of interest of 8.75% with a repayment period of up to 14 years with three years grace. To benefit, projects are expected to have an expected minimum rate of return of 12%. The areas of priority are agriculture, livestock, fisheries, manufacturing, mining, **tourism, transportation,** and infrastructure. Support through concessionary loans at preferential interest rates is also available from the Agricultural and Industrial Development Bank (AID) for the establishment and development of production activities. Grenada, as an ACP country may benefit from financial contributions from the European Investment Bank (EIB).

P. 39-40, paras. 177 and 179

Despite the recent positive developments, **tourism** in Grenada is nevertheless faced with several problems. Relatively high wages for the region and relatively less developed infrastructure compared with competing markets, have made tourism in Grenada lag behind that of other islands in the Caribbean. Despite recent improvement, small hotels have not performed well and some have fallen behind on their debt service to the state-owned Grenada Development Bank and to commercial banks. To address this problem, the GBT has assisted small hotels by helping to finance the cost of marketing as well as some development programmes.

Tourism activities benefit from tax concessions and other incentives provided by the Government. The two major concessions under the Hotels Aid Act of 1954 are a holiday on corporate income taxes granted to hotels with over ten rooms for up to ten years, and a waiver of duties on imports of building materials and equipment for the construction and furnishing of a hotel, or for upgrading facilities. In addition, multiple renewals of these concessions have been granted, and some hotels have been exempted from paying import duties on all imports. The Grenada Industrial Development Corporation (GIDC) is responsible for facilitating new investment in the industry, and makes recommendations to the Ministry of Finance for the granting of concessions to hotels under the Hotel Aid Act of 1954.

St. Kitt and Nevis - WT/TPR/S/85/KNA

P. 27, para. 119

Under the Income Tax Act No. 17 of 1966, **hotel** owners are granted a tax holiday (their profits are exempt from income tax) for five years, if the hotel has fewer than 30 rooms, and for ten years if the hotel has more than 30 rooms. Moreover, under the Hotels Aid Ordinance, Cap. 342 of the Laws of St. Kitts and Nevis, total relief from customs duties on materials, supplies, and structures is granted for the construction, enlargement or equipping of a hotel of at least ten rooms. Tax waivers are also granted on a case-by-case basis to foreign investors for the construction of infrastructure, with preference given to the construction of hotels, casinos, homes, and office buildings. These incentives are decided by Cabinet; they do not require approval by Parliament. Offshore companies registered in St. Kitts under the Companies Act of 1996, and in Nevis under the Nevis Island Business Ordinance of 1984, are exempt indefinitely from taxes on their offshore activities.

P. 37, para. 176

The Trusts Act of 1996 regulates the registration of **trusts**, which is to be done in the Registrar of Trusts of the High Court. […] Trusts are granted a large number of advantages and privileged treatment: they are exempt from income, withholding, capital gains, and stamp taxes for all transactions with non-residents. Beneficiaries of a trust do not lose this exemption if trustees are active in the Federation, own or lease property for an office or residence for beneficiaries, hold meetings, conduct banking, sign employment contracts, and arrange for goods and services. […]

P. 38, paras. 180 and 183

Telecommunications and postal services in St. Kitts and Nevis accounted for 14.6% of GDP in 1999, up from 9.7% in 1995. In order to develop the industry, the Government intends to establish information technology parks, where office space would be made available for rent to new enterprises in the informatics industry, and tax and fiscal incentives would be offered.

P. 40, para. 92

[tourism] In order to attract private sector investment, the Government provides a package of investment incentives similar to that offered by other OECS countries. The package applies to both local and foreign investors for establishments of at least ten rooms, and offers a tax holidays on profits for a maximum of a ten years (for hotels of 30 or more rooms; five years for hotels of between 10 and 30 rooms), with exemptions from import duties on construction material and equipment. Additional benefits, such as exemptions from import duties on operating supplies, can be negotiated for investments that are deemed to make a significant impact on the Government's objectives, mainly large establishments. The Government intends to reduce the threshold for these incentives in an effort to promote local investment in guest houses.

Saint Lucia - WT/TPR/S/85/LCA

P. 23, para. 90

The Free Zone Act No. 10 of 1999, which repealed the Customs Free Zone Act No. 18 of 1983, provides for the establishment and operation of export processing zones. Cabinet may, by Order, designate any geographical area to be a free zone. The Act establishes a Free Zone Management Authority (FZMA), administered by a Board comprising representatives from both the public and the private sector, who are also responsible for granting licences for operation in the zones. Enterprises conducting trade and investment activities in manufacturing, **financial services, telecommunications, professional services**, and other activities may apply to operate within a free zone. Licences are specific to a business. Price controls do not apply to sales of goods and services within the free zone. The main industrial free zones are in Vieux Fort, Cul-de-Sac, and Odsan.

P. 38, para. 169

The **tourist industry** benefits from income tax concessions and other incentives provided by the Government. These concessions are inscribed in the Tourism Incentives Act No. 7 of 1996, which repealed the Hotel Aids Ordinance No. 25 of 1959, and exempted approved tourist products from income tax for 15 years (tourism products are defined as any product created by a tourism project). The Act also grants customs duty and consumption tax waivers for the importation of supplies, equipment, and materials needed for the construction of a hotel. The Ministry of Commerce is responsible for the administration of the incentives under the Tourism Incentives Act.

St. Vincent and the Grenadines - WT/TPR/S/85/VCT

P. 22, paras. 100.101

Although there are no free zones currently in operation, there is legislation in this respect. The legislation is recent and is aimed at promoting the development of free zones in the near future; it declared a part of the Diamond Estate in the parish of St. George on the island of St. Vincent, as a free zone. The Export Free Zones Act No. 15 of 1999 grants the Port Authority the responsibility for administration and control of free zones. Enterprises producing either goods or services may operate in a free zone. The First Schedule of the Act lists activities that may be carried out in a free zone. These include **warehousing and storing**; manufacturing and assembly; trans-shipment; exporting; importing; and provision of services such as **banking, insurance, and professional services**.

Companies require an approval from the Authority to operate in a free zone. They must be incorporated locally in accordance with the Companies Act. Incentives include: exemption from import and export licensing requirements; total income tax relief in respect of profits made in manufacturing operations; total income tax relief with respect to international trading activities; exemption from the payment of customs duties on the importation of capital goods, consumer goods, raw materials, component articles, or data to be used for an approved activity; duty free importation of articles included in the Third Schedule of the Export Free Zones Act for use in construction or repairs of premises inside a free zone; and exemption from the provisions of the Exchange Control Act. Enterprises operating in the free zone may not borrow from banks located in the customs territory of St. Vincent and the Grenadines.

P. 23, para. 105

Incentives exist in the form of tax holidays, import duty exemptions, repatriation of profits, and withholding tax exemptions. The incentives scheme is managed by the Ministry of Trade, Industry, and Consumer Affairs, while the St. Vincent and the Grenadines Development Corporation provides investment promotion services. Applications for incentive benefits are submitted to the Ministry, which decides on the level and type of concessions to be granted. The main beneficiaries of the incentives scheme are manufacturing enterprises and **hotels**.

P. 25, para. 110

The **Hotels** Aid Act No. 16 of 1988 allows for full exemption from taxes on profits for hotels, apartments, and guest houses, as well as exemption from customs duties and consumption tax on articles of hotel equipment to equip and upgrade hotel property, service vehicles, material for the refurbishment, renovation or expansion of existing hotels, or for the construction of new hotels. The benefits are applicable if the hotel has at least five rooms, or if the expansion is of no less than five rooms. For the construction of new hotels, the period of income tax exemption is ten years for hotels of between five and 20 rooms; 12 years for hotels of between 21 and 34 rooms; and 15 years for hotels of 35 rooms or more. The period of income tax exemption for repairs and expansion is: nine years for hotels creating an addition of between five and nine rooms; ten years for hotels adding between ten and 35 rooms; and 15 years for expansions of more than 35 rooms. The length of the customs duty benefits is determined by Regulation.

P. 34, para. 167

Incentives granted to the **tourism** industry are detailed in the Hotel Aid Act No. 16 of 1988. Incentives are granted for the improvement by repair, renovation or replacement of existing facilities of a hotel. These incentives include complete or partial exemption from import duty and consumption tax on building materials and articles of hotel equipment imported or purchased locally for purposes stated above. Incentives are also offered for hotel expansion. Investors who may wish to add five or more guest rooms or apartments to an existing hotel can benefit from income tax exemption and duty free concessions on, among other things, construction materials and hotel equipment. The period of tax exemption is contingent on the number of additional rooms/apartments. The construction of a hotel with not less than ten guest rooms or apartments, or in the case of local investors, not less than five guest rooms or apartments, is eligible for exemption from income tax and duty-free concessions on buildings materials and hotel equipment. Advertising and promotional material related to the tourist industry may be imported free of customs duty and consumption tax. Duty-free concessions are also offered for the importation of other ancillary facilities related to the development of tourism, not necessarily linked to hotel development.

Gabon – WT/TPR/S/86

P. 89, para. 107

Tax facilities for **tourism**-related companies and enterprises participating exclusively in an approved project include exemptions from corporation tax (for companies) or personal income tax (individual entrepreneurs) during construction of the project and for the first eight years of operation. Additional tax facilities for such companies during the next eight years of operation include exemption from corporation tax on half the taxable profits (companies) or personal income (individuals) and during the next three years of operation, the write-off of losses against profits. Tourism enterprises are also exempted from the property tax for six years after completion of their project and, at the end of that period, they benefit from a tax ceiling of 10 per cent of the rental value of their property, with an abatement of 80 per cent in the first year, 60 per cent in the second, 40 per cent in the third and 20 per cent in the fourth. Other tax advantages are also granted to tourism-related companies. In return, those companies and enterprises participating exclusively in an approved project undertake to give priority to employing Gabonese workers and to respect environmental protection legislation.

Cameroon - WT/TPR/S/87

P. 66, para. 74

Tourism activities are regulated by Law 98/006 of 14 April 1998. The Government's policy is aimed at further developing and promoting tourism. The Government hopes to attract 500,000 tourists by 2002, but has yet to outline a specific strategy to attain this goal. The National Tourism Council was established in April 1998 to advise the Government on measures to promote the development of tourism in Cameroon.[13] Under Law 98/006, fiscal incentives could be granted to attract investment (domestic and foreign) in the sector.

United States – WT/TPR/S/88

P. 95, para. 47

[ship repair] The Federal Government provides direct support to the industry through the procurement of goods and services from shipyards and related industries to repair government-owned vessels. In the event that ships are repaired abroad, 50% *ad valorem* duty is imposed on vessels when re-entering the United States, based on the cost of equipment and non-emergency repairs obtained in foreign countries for U.S.-flag vessels. The duty is based on the cost of the repairs, and applied to the good. U.S.-owned foreign-flag vessels are not subject to the duty. Under the NAFTA, this duty was terminated. The OECD Shipbuilding Agreement (see below) would eliminate this duty for countries signatory to the Agreement.

Czech Republic – WT/TPR/S/89

P. 27, para. 46

The Czech Republic has changed its policy on foreign investment incentives progressively during the period under review. In May 2000, a package of incentives was approved, changing the previous policy of offering investment incentives on a case-by-case basis (subject to governmental approval), a major change from the "no incentives" policy during 1992-98.[14] In addition to the foreign investment incentive package, foreign investors are offered a wide range of other incentives, such as grants and loans at interest rates below market rates (Chapter IV(3)). All investment incentives are equally available to foreign and domestic investors.

[13] The Council was created under Law 98/006 of 14 April 1998. Decree No. 99/112 of 27 May 1999 established its organization and functions. The Council is composed of representatives from the Government and the private sector.

[14] Changes to the incentive package include, *inter alia*, lowered investment threshold; allowed incentives to be applied to the expansion of production facilities already in operation (previously only newly founded companies with new production facilities qualified); and 40% of total investment must go into plant machinery.

P. 65, para. 7

Progress has been made in improving the health of the small **banks** as well as privatizing some large state-owned banks, but the cost of bank assistance has been substantial. In response to poor asset quality in the small banking sector, the central bank implemented in 1996-97 a programme of supervisory actions designed to encourage the banks to improve their situation (Consolidation Program II).[15] As a result, several small banks were liquidated, merged or went into bankruptcy.[16] To further address weaknesses in small banks, the Government approved in October 1996 a large-scale restructuring programme (Stabilization Program). As part of the programme, a government institution bought poor quality assets of the banks at book value. Liquidity crisis in the banks were also solved through loans as well as an increased coverage of the deposit insurance scheme. The cost of bank assistance during the period 1991-98 was estimated at the equivalent of 10.5% of GDP.

P. 71, paras. 32-34, 36 and 38

Progress has been made in liberalizing the **transport services sector** during the period under review. As in 1996, the sector portrays a mixed picture. While the Czech Republic has a relatively competitive trucking industry and a non-subsidized airline company, passenger railway services and, to a lesser extent, bus services require large amounts of transfers to cover their losses. Full harmonization of the Czech Republic's transport laws and legislation with the EU's *acquis communautaire* is planned for the end of 2002. Road transportation remained by far the most important mode of freight traffic transportation throughout the 1990s, accounting for at least 80% of the total in recent years. In 1999, 42% of imports were transported by road while 56% were transported by rail.

(ii) Rail transport

Within the framework of Act No. 9/1993 Coll. on Czech Railways, freight and passenger **railways** are owned and operated by the State through Czech Railways (ČD). Large amounts of funds (grants and subsidies) are transferred to ČD to cover losses from passenger transport. In early 2001, ČD's accumulated losses amounted to CZK 40 billion. The losses originate from passenger services. Passenger fares are regulated by the Government and subsidized in accordance with social obligations to provide mobility for the public. Subsidies on railway freights were abolished in January 1995. Fares for freight are now determined through negotiations with shippers.[17] The Government allows in some instances access to tracks for companies wishing to provide their own rail transportation. Prices for access to tracks are set by the Ministry of Finance based on cost information supplied by ČD.

(iii) Road transport

The main laws related to **road transport** are Act No. 111/1994 Coll. on Road Transport and Act No. 304/1997 Coll. on Roads. Foreign investment is prohibited in road transport (passenger and freight).[18] Nevertheless, the Czech Republic's trucking industry is relatively competitive. Truck transportation is undertaken by private carriers, with less than 1% of truck transportation undertaken by state-owned companies.[19] Bus transportation is provided by private national companies, but, in

[15] Consolidation Program I, implemented in 1991-93, was aimed at cleaning up the portfolios of former state-owned banks/organizations.

[16] World Bank (1999a), Vol. 1.

[17] World Bank (1999b), Vol. 2.

[18] The regulation applies to the following for passengers: transit, "closed door" tours, picking up or setting down on an international journey, and transport within the country. It applies to the following for freights: transit, delivery on an international journey, collection on an international journey, return cargo where collection is authorised, return cargo where delivery is authorised, and transport within the country (OECD, 2000b).

[19] World Bank (1999b), Vol. 2.

contrast to truck transportation, the State compensates the carrier (in case of public interest) for demonstrable loss incurred. Bus transport companies receive about CZK 2 billion annually. Transportation on international and long-distance routes is not subsidized. Fuel taxes on cars, trucks and buses contribute towards the cost of highway maintenance and construction.

(iii) Internal waterway transport

[…] Foreign investors are allowed to operate in inland **waterway freights**, including chartering activities. Licensing criteria include, *inter alia*, the approval by the investor's national authority to operate in its home country. In order to fly the Czech flag, vessels must be owned by a Czech party who must reside in the Czech Republic. Currently, no merchant ship is registered in the Maritme Register of the Czech Republic. There is only one national shipping company in operation (Czech Ocean Shipping). Although Act No. 61/2000 Coll. provides for the possibility of state aid, no such aid has so far been granted.

<u>P. 74, para. 46</u>

One state-aid programme specifically targets the **tourism** sector. Under the State Programme for Tourist Support, investors may receive grants up to 50% of investment costs for the development of spa-related activities. In addition, as in all sectors, investors in the tourism sector have access to the incentives offered under the Government's state aid programmes [(Chapter IV(3))].

Mauritius – WT/TPR/S/90

<u>P. 72, para. 69</u>

Fiscal incentives (duty and tax concessions and rebates) are granted to **hotel** promoters under the Hotel Management Scheme and the Hotel Development Scheme (Table AIII.4). In addition, the Development Bank of Mauritius offers concessionary interest rates on loans for the construction or upgrading of hotel facilities. The Government, through the Mauritius Tourism Promotion Authority (MTPA)[20], also promotes tourism in the major overseas markets: some Mau Rs 100 million were earmarked for tourism in the 1999/2000 national budget. In recent years, the Government has taken steps to encourage joint-promotion efforts from the public and private sectors. Other areas of public–private cooperation include trade fairs and international tourism exhibitions. [...]

<u>P. 75, para. 80</u>

Offshore **banks** are not subject to Mauritian taxes or domestic monetary policy measures.

<u>P. 77, para. 93</u>

In Mauritius, **telecommunications and postal services** have always been provided by separate bodies. In accordance with the 1933 Post Office Act (as amended), the Mauritius Post Office (MPO) operates as a Government Department under the portfolio of the Ministry responsible for Public Utilities. […] The MPO receives subsidies from the Government. […]

<u>P. 78, para. 97</u>

[Maritime transport] Mauritius has three shipping companies, of which one is owned by the State. The State-owned company exercises exclusive rights over freight and passenger shipping between Mauritius and Rodrigues; the prices of its services are subsidized by the Government. The two other

[20] The MTPA is a parastatal. Its main object is to promote Mauritius abroad as a tourist destination (Section 4 of the 1996 Mauritius Tourism Promotion Authority Act).

companies are jointly owned (joint-ventures) by Mauritians and foreigners, and their vessels mostly carry out regional trade. National vessels are entitled to a 50% discount from berthing fees. Shipping to Europe, the United States and the Asia-Pacific region is handled by foreign vessels. Mauritius does not participate in any cargo-sharing agreements.

WT/TPR/S/91 – Slovak Republic

P. 30, paras. 55-57 and 59

The Government's main priority is to attract investment into industry. The main sectors attracting investment within the next five years are expected to be **power engineering**, metallurgy, engineering, wood processing, chemical industry, electrical engineering, **information technologies**, **tourism**, textiles, clothing, footwear, and glass.

(iv) Incentives

In an attempt to increase foreign direct investment, the Slovak Government has enhanced financial incentives to foreign investors. More generous tax incentives were introduced in 1999 (Act No. 366/1999), and again in 2000 (Act No. 466/2000). The 1999 package granted foreign investors established before end-2001 with a full five-year tax holiday (extendable at a rate of 50% for another five years, subject to additional investment levels), provided investment in the venture exceeded € 5 million and foreign equity was above 75%.[21] The incentives apply to greenfield investments in the production of manufactured goods previously imported into Slovakia or not produced domestically or intended for export. For certain service industries, such as **hotels** and **passenger transport**, a lower investment threshold of € 1.5 million applied. The incentives for businesses established after 2001 and up to end-2003 were changed slightly, especially by reducing the threshold for manufacturing goods to € 4.5 million and the minimum foreign share to 60%. Other incentives include duty- and VAT-free imports of certain machinery and equipment, job-creation and training benefits, and opportunities to obtain low-cost land.

Investment legislation is currently being reviewed and additional incentives are expected to be introduced. The Government approved the new legislation in May 2001 (decision No. 424/2001) and it is currently being considered by the National Council. This will extend the full tax holiday to ten years, and further reduce the threshold to € 2.35 million (and € 1.65 in depressed regional areas with unemployment above 10%). At least 80% of the revenue must come from industrial production or from services.

[…] It is unclear whether the benefits of investment incentives outweigh their costs. These are typically not the most effective measures for attracting investment. While the economic rationale for incentives is generally based on the need to correct market failures, alternative policies attacking the cause of the problem are likely to be more efficient. Moreover, competition from neighbouring countries offering more generous incentives for FDI to obtain investment is likely to make their provision counterproductive. The revenue forgone from such incentives can be very large, and can end up transferring tax revenue to foreign investors and their governments, with little economic gain to the host country. Investors tend to be influenced by other factors, such as market potential, and political and economic stability, rather than investment incentives.

P. 100, paras. 93-94

[Financial services – banking] Before 1999, the three large state-controlled banks (VUB, SLSP, and IRB) suffered from political interference and poor management. As a result, they

[21] For investment in regional areas with an unemployment rate exceeding 15%, the minimum level of foreign investment is € 2.5 million.

accumulated large amounts of poor quality non-performing assets and became deeply insolvent. The Government, in cooperation with the National Bank, embarked on a comprehensive restructuring programme involving two basic operations, designed to reduce non-performing loans in these banks from 40% to 20% of assets. The first was a Sk 18.9 billion direct equity infusion provided by the National Bank through the state budget at end-1999. The second was a Sk 105 billion carve-out of bad assets, conducted in two stages, of Sk 74.1 million in December 1999 and Sk 30.9 million in June 2000. These loans were transferred to a new agency, the Slovenska konsolidacna (the Slovak Consolidation Agency - SC), and to the state financial institution Konsolidacna banka (the Consolidation Bank - KOB), and were replaced by loans to SC and KOB guaranteed by the Government. These operations have restored the capital adequacy ratio of these banks to levels above 8%, according to international standards.

A further measure supporting bank privatization was the conversion of the banks' state-guaranteed loans to SC and KOB into state bonds in January and March 2001. The bonds were issued with maturities of either five, seven or ten years, with a combination of fixed and floating interest rates. Interest is to be paid twice yearly, with the first payment due one year from the date of issue. The issuance of these bonds will assist the banks by providing assets that can be used to manage liquidity and other risks.

P. 107, paras. 122 and 124

[Transport] Only private carriers undertake truck transportation. Road transportation on international and long-distance routes is not subsidized. The Government has approved plans to privatize the Slovak Bus Transport Companies by divesting 49% of shares in the majority of companies by end-2001. It also intends to introduce regulations, during 2001, designed to improve the efficiency of state subsidies provided for bus transport. Subsides are to be terminated on routes over 100 kilometres. Public tenders are also to be invited where subsidies exceed Sk 1 million annually.

[…] The state-owned Slovak Railways is heavily indebted and continues to operate at large losses, amounting to Sk 15 billion from 1993 to 1997. The railway network requires substantial investment to be modernized and extended. The Government’s plans are currently concentrated on a gradual restructuring of Slovak Railways according to the Project for the Transformation and Restructuring of the Railways, approved in 2000. Slovak Railways is to be separated into two enterprises from 1 August 2001. Slovak Railways will maintain the railroad network, while all freight and passenger services will be transferred to a new 100% state-owned joint-stock company. The latter will also be split into passenger and freight operations and gradually privatized by 2005, involving both domestic and foreign participation. Government subsidies will cover only passenger services subject to fare regulation by the Government, and these subsidies will be reduced progressively through rationalization of loss-making routes and fare increases. Passenger rail fares were raised by 15% from February 2001. Freight rates have been deregulated and are no longer subsidized.

P. 108, para. 132

The Ministry of Economy administers the "Support Programme for **Tourism** Development" together with the state-owned Slovak Guarantee and Development Bank. The Bank also provides support to entrepreneurs, especially small and medium-sized firms, in the form of bank guarantees, up to 65% of justified costs. Further aid is provided within this Support Programme in the form of non-refundable financial assistance of up to Sk 4 million. State aid to the tourism industry amounted to Sk 29.2 million in 2000.[22] It is estimated to be Sk 45 million in 2001.

[22] State Aid Office (2001), p. 24.

WT/TPR/S/92 – Malaysia

P. 83, para. 52

[Financial services – banking] In 1998, the BNM introduced a programme to consolidate finance companies into fewer institutions; to this end, the Government provided incentives including an exemption from stamp duty and from real property gains tax, and tax credit amounting to 50% of the accumulated losses of banking institutions to be acquired.[23] The programme was extended in 1999 to all domestic banking institutions, and on 14 February 2000, the Government granted approval for the formation of ten banking groups, which were completed by the end of 2000.[24] […]

WT/TPR/S/93 – Uganda

P. 46, paras. 74, 77-78

[…] The European Investment Bank-Uganda Apex Loan Scheme (section (3)(vi) is meant to address economic modernization more broadly, beyond just the export sector. Phase I of the programme (€15 million) was successfully implemented and phase II (€25 million) is under implementation. The investments financed under the programme relate to new projects and/or expansion, modernization, restructuring, and diversification of existing activities. Eligible activities include agri-industry, manufacturing, horticulture and flower growing, fishing/fish processing, mining and quarrying, **hotels and tourism, and other services such as garbage collection and disposal, and cleaning equipment for industries**. At the end of March 2000, 57 projects had been financed at a total cost of €25 million.

Investment incentives are not available for several types of businesses, namely wholesale and retail commerce, the personal services sector, public relations business, car hire service and operation of taxis, bakeries, confectioneries for the Uganda market only, postal services, and professional services.[25]

WT/TPR/S/94 – Guatemala

P. 69, para. 64

Against the background of Guatemala's potential in geothermal and hydroelectric **energy**, the Government is undertaking particular efforts to increase the use of renewable energy. According to the authorities, a law to promote the development of renewable energy, which was under preparation at of mid-2001, provides for fiscal incentives to promote investment in the generation of renewable energy. In addition, the authorities planned to open an information and promotion centre on renewable energy in order to disseminate information, support feasibility studies, and co-finance projects in this area.

P. 85, para. 142

The authorities emphasized that the State does not provide **tourism services** nor any specific fiscal incentives for the tourist sector. However, they also noted that as of mid-2001 the Tourism Law of 1974 was being revised and that the reintroduction of sector-specific investment incentives was being considered. Support for micro- and small enterprises in the tourist sector is available through

[23] Bank Negara Malaysia (2001g).

[24] Accordingly, 51 of 54 existing banking institutions were consolidated into the ten banking groups, and 96% of the total assets of the domestic banking sector were consolidated.

[25] Uganda Investment Authority (2000), p. 53.

the programme PYMETUR; this programme is sponsored by FUNDESA, a non-profit organization of business persons.

WT/TPR/S/95 – Pakistan

P. 110, para. 99

[Transport – shipping] Under the 1997 Merchant Shipping Policy, covering several areas (including the acquisition, registration, operation, and maintenance of ships), a 30% shipbuilding subsidy has been made available to Pakistani shipowners for the placing of orders for new vessels with national shipyards[26]; vessels under this scheme must be registered in Pakistan and must not be sold to foreign investors before ten years of service under the Pakistani flag.[27] Under the 2001 Merchant Marine Policy, ships (including floating craft, tugs, dredgers, survey vessels) purchased or chartered by a Pakistani entity and flying the Pakistani flag may be exempt from payment of all import duties and surcharges until the year 2020; however, if any of these vessels are demolished within a period of five years from the date of purchase, the beneficiaries are liable for payment of the full duty applicable to ships purchased for demolition purposes. […]

P. 111, para. 102

In the light of the world-wide expansion of the **information technology and software** market, since August 2000 Pakistan has pursued an information technology (IT) policy focused on: human resource development; infrastructure development; telecommunications; databases; software industry development for exports and local markets; and exponential increase in Internet use.[28] This policy has been implemented through several tax, financial, and regulatory incentives. These measures include: the elimination of import duties on most IT and telecommunication products (as of July 2000); income tax holidays for computer training (up to 2005), and export of computer software (for 15 years); exemption from sales tax and registration requirements upon importation of hardware by software companies; subsidized rental allowance for office facilities/space in Software Technology Parks and free Internet connections for public-sector universities; concessionary export finance (Chapter III(3)(viii)); a facility for software companies to retain 25% of their export earnings in foreign exchange in order to meet expenditures on the purchase of hardware/software, foreign travel, marketing, and hiring of consultants; and an exemption from minimum tax of 0.5% on remittances from software exports.[29] Several procedural barriers (e.g. processing of licence applications) have been lifted. Foreign investment is unrestricted.[30]

WT/TPR/S/96 – Malawi

P. 33, paras. 88-89

Incentives are available to investors under the Investment Promotion Act (e.g. investment allowances and duty-free importation of raw materials used in manufacturing). New investments, both foreign and domestic, between US$5-10 million have the option of either a five-year tax holiday or an indefinite company tax rate of 15% (instead of the standard rate of 30%); for investments above US$10 million, a ten-year holiday may be chosen. The foreign investment share must be at least

[26] Shipbuilding is largely undertaken by the state-owned Karachi Shipyard and Engineering Works, which is also involved in ship repair, submarine and warship construction, and general engineering; another state-owned shipbuilder, the Pakistan Navy Dockyard, works exclusively for the Pakistani Navy (U.S. Commercial Service, 1999c).

[27] U.S. Commercial Service (1999c).

[28] Ministry of Science and Technology (2000).

[29] Pakistan Software Export Board (2000a); and Ministry of Finance (2000a).

[30] U.S. Commercial Service (1999a).

30%. No investor has as yet exceeded the minimum investment threshold to receive tax holidays. Although the Government may also declare certain "strategic" industries to be eligible for a tax holiday of five years and thereafter a company tax rate of 15%, no such activities have yet been declared by the Ministry of Finance and Economic Planning.

The Minister of Finance and Economic Planning also has discretion to rebate tariffs and surtaxes on imported inputs where to do so is considered within the “public interest’ (section 52 of the Finance and Audit Act). Investment projects are considered eligible, and such rebates have been granted frequently to investors in, for example, hotel projects. The Government is currently introducing specific criteria and a point-scale rating system on which to apply these rebates as a means of limiting the discretionary element of the scheme. The criteria for granting rebates to investors are employment creation; capital injection; export potential; domestic value added; generation of net foreign exchange earnings; promotion of high technology transfer; creation of inter-industry linkages; and increasing the geographical spread of industries. The rebate share is determined according to a point system, with the maximum rebate set at 75%.[31] The rebate extends for the first ten years of operation, and the point system slightly favours investment in manufacturing, agriculture, **tourism**, **transport**, and mining. Applications are made to the Malawi Revenue Authority, which makes recommendations to the Minister of Finance and Economic Planning based on the decisions of a Committee formed to review the application.[32]

P. 87-88, paras. 90-91

Malawi Railways (1994) Ltd was formed in 1994 when **railway** and lake transport services were split to commercialize both operations for privatization. It was privatized in late 1999, under a concession agreement, initially for 20 years. The operator, an international consortium called the Central East African Railways Company Ltd, comprises CFM, a Mozambique railway and port company; Rail Development Corporation of the U.S.A.; and Edlow Resources Ltd. The Government retained ownership of the rail network and buildings, while the operator acquired the rolling stock. The Central East African Railway Company operates the Nacala rail link. Since Malawi Railways was privatized, freight tonnage has risen by 30%.

The operator is required, as part of the concession agreement, to continue providing passenger services under a personal service obligation (PSO). Government subsidies will be granted for a minimum of five years.

P. 90, para. 102

The Government recently introduced special **tourism** incentives, such as tax concessions. Investors of minimum specified amounts in designated tourism areas are to receive duty-free status on selected goods following the 2001/02 Budget. Hotel services are subject to a 10% service charge (of which 5% is retained by the Government, 4% by the hotels and 1% for training), and to the 10% surtax.

WT/TPR/S/97 - Mexico

P. 66-67, para. 175

Other tax concessions include: sector-specific concessions, for instance in favour of the **cinematography industry, air and maritime transport**, and agriculture, fishing and forestry; and

[31] For example, the points awarded for export potential increase from "one" if 5% to 20% of production is exported to "five" if at least 85% is exported.

[32] The Committee comprises the Malawi Revenue Authority, the Malawi Investment Promotion Agency, the Ministry of Finance and Economic Planning, and the Ministry of Commerce and Industry.

measures to promote technological development or more environmentally friendly equipment. A few of these fiscal advantages are contingent on meeting national-content requirements (e.g. exemption of the tax on vehicles), or are granted only if no domestic substitute is available (duty-free import of decontaminating equipment) [(Table III.9)].

P. 106, box IV.1, fourth para

In 1999, the IPAB intervened in two commercial banks – Banca Serfin and BanCrecer – to protect more than 3.5 million accountholders. In both cases, the IPAB prevented their bankruptcy by injecting resources for their recapitalization; shareholders lost the capital invested. Banca Serfin returned to the private sector in mid 2000, although the IPAB remained the largest creditor; in September 2001, BanCrecer was sold to Banorte, through public bid, for Mex$1.6 billion (some US$176 million).

WT/TPR/S/98 – Slovenia

P. 74, para. 35

Aware of the potential for development of the industry, and of the growing competition from neighbouring countries since the return to peace in the region, the Government of Slovenia has introduced a number of programmes to support the industry and improve the quality of local services. In 2000, a total of SIT 2 billion of budgetary funds were earmarked by the Government for **tourism** development; funds were also earmarked by the National Tourism Board for tourism promotion (SIT 1.2 billion), with a particular focus on European markets; financial incentives of up to SIT 1 billion were oriented for the improvement of the quality of services. […]

WT/TPR/S/99 – Haiti

P. 64, para. 65

Measures to encourage investment in **energy** are essentially tax-related, in the form of reductions on taxable amounts and tax exemption in specific cases. Thus, duty-free treatment is granted for imports of capital goods and raw materials needed for exploitation and production during the set-up phase, with the exception of imports of petroleum products. As is the case for mining and quarrying, concessions for investment in the energy sub-sector are not governed by the Investment Code, but are negotiated between the State and the companies concerned.

P. 70, para. 91

Tourism projects are not governed by the Investment Code but by specific laws. In accordance with the provisions in force, any investment in tourism would be eligible *inter alia* for the following benefits, granted directly by the MEF on the basis of a reasoned opinion from the MT:

- Concession or rental of State land, and assistance from officials of the Department of Tourism;[33]

- exemption from all import duties and taxes on construction materials, furnishings, kitchen, sanitary and electrical equipment, appliances, items and finishings used in hotel construction, renovation or expansion;

[33] The public domain is inalienable. It may not be sold but may be the subject of a concession. The Department provides technical assistance to tourism investors and assists them in their contacts with government services.

- five-year tax exemption as of the date of entry into operation, in the case of construction; and

- two-year tax exemption in the case of renovation leading to the creation of 30 permanent full-time jobs.

WT/TPR/S/100 – India

P. 76-79

Table III.14
Explicit (plan) subsidies (Budget 2001-2002)
(Rs million)

Ministry	Subsidy	Total planned expenditure (Budget 2001-2002)
[…]		
Ministry of Non-Conventional Energy Sources		
Solar Energy Programme	Subsidy is provided on solar lanterns, home lighting systems, street lights and solar pumps.	677.50
Other Sources of Energy	Financial support is provided for feasibility studies, detailed preparation for project reports and towards interest subsidy for the installation of these projects.	2,715.00
Ministry of Power	Interest Subsidy to Power Finance Corporation: provides assistance to power utilities at concessional lending rates through the interest subsidy given by Central Government for modernization and renovation of existing thermal power stations and life extension of power stations.	3,500.00
[…]		
Ministry of Shipping	Subsidy to Shipping Corporation of India: the Shipping Corporation of India runs passenger services between mainland and Andaman Nicobar Islands and mainland and Lakshadweep Islands. The subsidy is provided to meet the operational losses for running these services.	..
	Other programmes: grants to develop ship ancillary services, National Ship Design and Research Centre, research and development schemes for ship-building, and subsidy to sailing vessel industry.	2.00
Ministry of Tourism and Culture	Other programmes: The provision is for payment of interest differential subsidy to specific financial institutions on the loans to finance construction of one, two and three star hotels projects.	90.00
[…]		

.. Not available.

Source: Ministry of Finance (2001c), *Budget 2001/2002.*

[…]

Table III.15
Explicit (non-plan) subsidies, 1997/98 and 2001/02
(US$ million and per cent)

	1997/98[a]	2001/02[b]	Growth rate (%)
Total subsidies	5,285.6	6,565.2	24.2
Major subsidies	4,941.7	6,134.3	24.1
[…]			
Other subsidies	322.9	399.4	23.7
[…]			
Payments to state governments in lieu of sales tax on aviation fuel sold to international airlines (including Air India)	0.0	n.a.	-
Subsidy for operations of charter flights for Haj pilgrims	20.6	34.0	65.0
Subsidy to the railways for dividend relief and other concessions	141.6	n.a.	-
[…]			
Subsidy to Shipping Corporation of India for uneconomic shipping lines	3.0	n.a.	-
Subsidy to shipyards	12.8	10.6	-17.1
Cochin Ship Yard Ltd	2.8	4.4	57.3
Hindustan Shipyard Ltd	3.5	0.9	-74.9
Acquisition of Ships - interest differentials	6.5	5.3	-17.9
[…]			
Compensation for exchange loss	37.4	323.1	763.8
Industrial Development Bank of India	4.9	32.6	571.3
Industrial Credit and Investment Corpn. of India	19.2	12.6	-34.5
National Housing Bank	0.8	1.8	125.2
Housing Development Finance Corpn.	12.6	14.3	14.1
Exchange loss under NRI Bond Scheme	n.a.	1.8	-
Exchange loss on Resurgent India Bonds	n.a.	259.9	-
[…]			
Subsidy for Assam gas project	n.a.	0.0	-
[…]			

n.a. Not applicable.
.. Not available.
a Revised
b Budgeted.

Note: Rupee/US$ exchange rate used for 2001/02 = 2000/01 April-December only (= 45.39244).

Source: Ministry of Finance online information. Available at www.nic.in/indiabudget/budget98-99 and www.nic.in/indiabudget/ub2000.

P. 125, para. 91

Significant steps have thus been taken since the early 1990s to strengthen the **banking** sector. […] For the three public banks identified thus far as being weak, the Reserve Bank has recommended additional injections of capital by the Government to help them achieve the required minimum capital adequacy ratios. These and other recommendations discussed above are currently under consideration by the Government. […] Fiscal measures, to allow banks to deduct up to 7.5% of their total income (previously 5%) against provisions made for bad and doubtful debts as well as to deduct up to 10% of their NPAs falling in the category of loss or doubtful assets (previously 5%) on the last day of the accounting year, were also announced.[34] […]

[34] Ministry of Finance (2002b), Part B, paragraph 68.

P. 131, para. 105

Under the NTP 99, the licence issuing authority remains the Department of **Telecommunications**. […] A range of incentives are also provided to encourage investment in the sector. These include amortization of licence fee, tax holidays of up to five years, rebate on subscription of shares/debentures, tax relief for financing through venture capital, and reduced rates of import duty on various telecommunications equipment.[35]

P. 133, para. 109

[Construction] Road services are being improved, including through upgrading the present national highway infrastructure and developing new highways connecting major cities.[36] The National Highways Act, 1956 was amended in 1995 to allow participation by the private sector, which is being encouraged to invest through build, operate and transfer (BOT) schemes. Incentives for private-sector investment include tax holidays of up to ten years[37], and zero rates of import duty on construction equipment; FDI up to 100% is also permitted.[38]

P. 135, paras. 114-115

In addition, to encourage exports of **software**, profits derived from software exports are exempt from income tax under Section 80HHE of the Income Tax Act, although the extent of these exemptions is being reduced gradually.[39] The Government has also created software technology parks, which are administered by an autonomous society (Software Technology Parks of India, STPI) under the Department of Information Technology, Ministry of Communication and Information Technology. The STPI provides state-of-the-art high speed data communication facilities and single window services to exporters. It has set up 24 centres, including 24 international gateways across the country. The parks, along with similar parks for computer hardware firms, provide infrastructure facilities, and other benefits such as exemptions from payment of income tax for a period of ten years (up to 2010) under Sections 10A and 10B of the Income Tax Act and exemption from payment of excise duties on inputs purchased in the domestic tariff area (DTA).[40] Foreign direct investment of up to 100% is permitted. All computer software companies established either in export-processing zones or as export-oriented units have the same liberal framework for imports and investment; as export-oriented companies, however, there may be certain export obligations in order to qualify for tax

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[35] Equity held by non-resident Indians (NRIs), OCBs or International Funding Agencies will be counted as foreign equity (Ministry of Communications, 2002, p. iv).

[36] The National Highways Authority of India estimates that although India's national highway network is less than 2% of the country's total road network, it carries some 40% of total traffic (NHAI, "Road Network", [Online]. Available at: http://www.nhai.org/roadnetwork.htm, [4 April 2002]).

[37] Up to 100% for five years and 30% for the next five years, which may be availed of over a 20 year period (NHAI, "Government policy", [Online]. Available at: http://www.nhai.org/govtpolicy.htm, [4 April 2002]).

[38] Subject to total foreign equity limit of Rs 15 billion.

[39] Under Section 80 HHE of the Income Tax Act, computer software is defined as any computer program recorded on any disc, tape, perforated media or other information storage device or any customized electronic data or any product or service of similar nature, as notified, which is transmitted from India by any means. Exemptions under Section 80 HHE of the Income Tax Act are granted as follows: 80% of profits for the assessment year beginning 1 April 2001; 70% for the year beginning 1 April 2002; 50% for the year beginning 1 April 2003; 30% for the year beginning 1 April 2004; no deductions will be granted as of assessment year beginning 1 April 2005.

[40] Firms that manufactured computer software on or after 1 April 1981 in any free-trade zone, or on or after 1 April 1994 in any software or hardware technology park, or on or after 1 April 2001 in any special economic zone, are eligible for income tax holidays up to 31 March 2010. Key infrastructure facilities provided in the software parks include high speed data communication services.

exemptions. As at 1 April 2001, a total of 6,652 software units were registered with the STPI Centres; software exports by these units were valued at some US$3.6 billion in 2000/01.[41]

WT/TPR/S/101 – Barbados

P. 23, paras. 18-19

A number of tax incentives are available for domestic and foreign investment under the Income Tax Act. Additional incentives cover capital allowances, dividend taxation, and loss carry-forwards.[42] In addition, sector-specific legislation has been enacted for **offshore banking, trusts, insurance and other financial companies, as well as for shipping companies and hotels** (Chapter III(4)(iii)).[43]

Foreign investment incentives are administered by the Ministry of Finance and the Ministry of Tourism, in coordination with the Barbados Investment and Development Corporation (BIDC). The BIDC also provides advisory services and other assistance to companies looking to establish businesses in Barbados. Applications for investment incentives are evaluated on the basis of a number of criteria, including local value added, net foreign exchange, potential export sales, and environmental impact. Foreign investment is not, however, subject to performance requirements.

P. 54, para. 108

The Government of Barbados is committed to actively supporting businesses, notably through the provision of tax incentives and, to a lesser extent, financial assistance. Assistance is available to companies in an array of sectors, ranging from agri-food and manufacturing to **tourism and financial services**. Proposals contained in the 2001 Financial Statement mentioned additional support for sugar and cotton producers, grants to improve technology, marketing and product quality in agri-food production, funding for **hotels and restaurants and other tourism-related industries**; and further financial assistance to the manufacturing sector. There are no available estimates of the overall budgetary cost of assistance to private and public commercial companies. According to the authorities, revenue loss from tax exemptions in 2000/01 amounted to BDS$140 million or 2.7% of GDP.

P. 80, paras. 79-82

Tourism services are provided mainly by private operators, although the Government retains partial or full ownership of certain hotels. Government policy is to create an attractive environment for private investment. The Government also gets involved in the development of areas considered essential but unattractive to the private sector. For example, the Government has participated in the redevelopment of the former refinery site into a hotel project, and has also injected public funds in the rescue of small hotels.

The Ministry of Tourism is in charge of formulating tourism policy. The Barbados Tourism Authority is a statutory board responsible for marketing Barbados as a tourist destination. The Ministry of Tourism administers the Hotel Aids Act, which provides concessions to hotels during the construction phase and allows for capital expenditure to be written off against revenue for nine years

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[41] Software units established under the EOU/EPZ/STP schemes may sell up to 50% of the f.o.b. value of their exports in the domestic tariff area (DTA) (Ministry of Information Technology, undated, p. 5).

[42] Lowtax.net online information. Available at: http://www.lowtax.net/lowtax/html/jbsnews.html; and Ministry of Economic Development online information. Available at: http://www.barbadosbusiness.gov.bb/miib/Legislation/Acts/Investment_acts.cfm).

[43] Ministry of Economic Development online information. Available at: http://www.barbadosbusiness.gov.bb/miib/Legislation/Acts/Investment_acts.cfm).

after the period of construction. Among other government support schemes, the Tourism Loan Fund of BDS$30 million provides hotels with concessionary financing. The Small Hotels Investment Fund provides concessionary loans to properties with less than 75 rooms; some BDS$500,000, or about 10% of the amount allocated to this fund, had been disbursed in February 2002.

The Ministry of Tourism announced a new bill in 2001 to stimulate investment in the tourism sector. The proposed legislation encompasses the entire hospitality industry, whereas the existing Hotel Aids Act 1967 focuses on concessions to hotels only. New provisions under the Draft Sustainable Tourism Bill include the right to import or purchase locally free of duties and taxes, building materials and a number of specified items. In addition, new concessions to qualifying tourism projects were to be added to the Income Tax Act. These differ from those currently made available under the Hotel Aids Act. They include a provision to allow investors to write off expenditure against revenue over a 15-year period, rather than the present ten years; the accelerated write-off of up to 150% of interest incurred on loans to invest in or upgrade inland hotels, historical, cultural or heritage assets.

To facilitate the opening of new air routes to Barbados, the Government announced in 2001 that it would make available an additional BDS$20 million over the following three years; BDS$6.5 million would be provided immediately. The funds were used to market Barbados as a destination in the cities that are the gateways to the recently established US Airways flight out of Philadelphia. In October 2001, as part of the National Emergency Programme, BDS$30 million was released in support of the industry. Half of these funds were to be used in marketing support.

P. 82, paras. 87-90

Under the Shipping Incentives Act of 1982, **shipping companies** registered under the Barbados flag, when involved in the operation or leasing of ships, or in shipbuilding or repairs are entitled to a number of tax benefits. These include duty-free imports of ships and materials, exemption from tax for dividends paid to residents, reductions in taxes on dividends paid to non-residents and, at the Minister's discretion, full or partial exemption from taxes on profits. The Principal Registrar is based in London, with a subsidiary Registrar in Bridgetown. The Registry has had an ISO 9002-94 Quality certificate since March 1996.

To qualify for these benefits, ships must be registered under the Barbados Flag. Eligible ships must be: "foreign-owned", i.e. not owned by citizens of Barbados or by a company registered under the Companies Act; and either "foreign-going" vessels (see below) or pleasure yachts that do not carry passengers or cargo for hire or reward. There are currently 83 vessels registered under the Barbados flag. These include 35 cargo ships, 15 yachts, eight barges, and eight bulk carriers. […]

The existence of bilateral taxation agreements together with the provisions described above results in particularly favourable opportunities for ships owned and operated by nationals of partner countries, who can obtain domestic tax benefits by operating through a Barbados shipping company managed and controlled from Barbados.

WT/TPR/S/102 – European Union

P. 59-60, paras. 166 and 120

No figures are available on subsidies granted by the 15 Member States, but the Commission has estimated that the category of "State aid" (see below) was € 80 billion in 1999, amounting to 1% of EU's GDP.[44] For the period 1997-99, state aid averaged € 90 billion annually, down by about 10%

[44] COM(2001)412.

from 1995-97.[45] **Rail transport** was the leading category on average (€ 31.5 billion annually), followed by manufacturing (€ 27.6 billion). […]

In the wake of the events of 11 September 2001, which led the United States to make commitments to support **air transport service** providers, the Commission decided to continue the existing framework for state aid in the sector, with a few minor modifications (e.g., subsidizing increased insurance expenditure), but to propose the adoption of a new instrument "to react against unfair competition from subsidised third country airlines".[46] The instrument would allow for duties to be imposed on foreign air carriers equal to the amount of subsidies granted, and the procedures to do so would follow closely along the lines of the existing instrument for manufactured products (section (1)(xi)(b)). The proposed instrument is designed to fill a gap in the existing EU legislative framework to counter allegedly unfair practices in the air transport sector, noting that an instrument exists for unfair pricing practices in maritime transport; it should also be noted that countervailing procedures for subsidies in the services sector do not exist under GATS although the possibility of their negotiation is foreseen.[47]

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[45] COM(2001)403.
[46] European Commission Press Release IP/02/394. For background, see COM(2001)574.
[47] See Article XV of GATS.