Replies to Questions Raised by the United States on the Israeli Notification of Subsidies Under Article XVI:1

Reproduced herewith are replies by Israel to questions raised by the United States in document SCM/W/162 on the Israeli notification of subsidies under Article XVI:1 of the General Agreement (L/6111/Add.23).

I. Questions

Why did the GOI not report the following:

a) Grants directly contingent upon export performance, accelerated depreciation, tax reductions and exemptions, and interest rebates provided under the Encouragement of Capital Investments Law (ECIL),

b) an exchange rate risk insurance scheme administrated by the Israeli Foreign Trade Risk Insurance Corp.,

c) the Minimum Farm Income Guarantee Program, and

d) a 5 per cent export encouragement levy used to promote the sale of Israeli wines overseas.

II. Answers

a) As of 1 April 1985, Israel had abolished all benefits contingent upon export performance under the Encouragement of Capital Investment Law (ECIL).

b) As was stated by the Representative of Israel at the Subsidies and Countervailing Measures Committee meeting on 27 October 1988, in Israel's view the exchange rate insurance scheme does not constitute a subsidy (document SCM/M41 paragraphs 85 and 87).
In addition, it should be noted that as an effort to cut the scheme's losses, the premium rate paid by the exporter to the insurance company was increased recently. Therefore, it is hoped that the increase in the premium rate, together with the recent devaluations of the Israeli shekel will help to put the scheme into balance.

c) A Minimum Farm Income Guarantee Program does not exist in Israel.

d) There is no export encouragement levy used to promote Israel's exports of wine.