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Committee on Subsidies
and Countervailing Measures

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SUBSIDIES

New and Full Notification Pursuant to Article XVI:1 of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures

CYPRUS

The following communication, dated 4 August 1999, has been received from the Permanent Mission of Cyprus.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	2
(i) General remarks concerning the duration of the aid schemes.....	2
A. AGRICULTURE	2
(i) Halloumi cheese	2
(ii) Wine alcohol and other grape products	3
(iii) Fruit	3
(iv) Pig meat	4
B. INDUSTRY	5
(v) Resource centre for the clothing industry	5
(vi) Encouragement of establishment or expansion of manufacturing industries in rural areas	6
(vii) Establishment of Industrial Estates	6
(viii) Industrial Free Zone	7
(ix) Assistance to manufacturing industries to establish pollution control systems	8
(x) Duty relief for selected industries	8
(xi) Promotion of Handicrafts	9
(xii) Industrial Restructuring and Technical Upgrading	10
(xiii) Promotion of locally manufactured products	11
(xiv) Grant for technological upgrading of the manufacturing sector	11

	<u>Page</u>
(xv) Subsidization of loan interest for technological upgrading of the manufacturing industries	12
C. GENERAL	13
(xvi) Drawback on exported goods	13
(xvii) Exemption from taxation of profits derived from the exportation of locally manufactured/produced goods	14
(xviii) Export Credit Insurance Scheme	15
(xix) Incentives provided to exporters taking part in international trade fairs/trade missions abroad	16
(xx) Financial assistance for market research in foreign markets	17

INTRODUCTION

This report covers state aid programmes and schemes that were in operation in 1997; the amount of subsidies reported were paid out in the fiscal year 1997, (1 January 1997-31 December 1997). Aid programmes and schemes that have been terminated since the last full report of Cyprus covering the years 1993-1995, are reported with an indication of the latest year that payments have been effected. The amounts stated in this report are in Cyprus Pounds (£C). The average exchange rate between the Cyprus pound and the US dollar was £C1= US\$1.94 in 1997.

A. AGRICULTURE

(i) Halloumi cheese

1. Title of Subsidy

Halloumi export subsidy

2. Period covered by the notification

Year 1997

3. Policy objectives

To enable the halloumi cheese to penetrate the foreign markets.

4. Authority of subsidy

The subsidy is decided by the board of the Cyprus Milk Industry Organization (CMIO).

5. Form of subsidy

Export subsidy in the form of a grant to halloumi cheese.

6. To whom and how the subsidy is paid

It is paid by the Cyprus Milk Industry Organization directly to the halloumi cheese exporters.

7. Export subsidy per unit

In 1997 an amount of £C84,000 was paid for 949 tonnes of halloumi cheese exported, i.e. £C88.5 per tonne.

8. Duration of subsidy

One year renewable by decision of the Board of CMIO.

(ii) Wine alcohol and other grape products

1. Title of the subsidy

Bulk wine subsidy covering brennwein and grape must.

2. Period covered by the notification

Year 1997

3. Policy objective

To enable wineries to compete effectively in the foreign markets.

4. Authority of subsidy

The subsidy is decided by the Vine Products Commission and it is approved by decision of the Council of Ministers.

5. Form of subsidy

Export subsidy in the form of a grant to bulk wine and grape must.

6. To whom and how the subsidy is paid

It is paid by the Vine Products Commission directly to the four major wineries.

7. Export subsidy per unit

In 1997 4,340,161 litres anhydrous of bulk wines, were subsidized.

Total subsidy paid in 1997: £C680,119

8. Duration of subsidy

One year, renewable by decision of the Council of Ministers with no quantity limits attached.

(iii) Fruits

1. Title of subsidy

Dried Grapes (Raisins)

2. Period covered by the notification

Year 1997

3. Policy objective

To enable Vine Products Commission to compete effectively in the foreign markets.

4. Authority of subsidy

The subsidy is decided and approved by decision of the Council of Ministers.

5. Form of subsidy

Export subsidy on Sultana raisins.

6. To whom and how the subsidy is paid

The subsidy is paid to the fruit exporters and it represents the difference between export receipts and costs of purchase, processing and packing.

7. Export subsidy

£C56,465

8. Duration of subsidy

One year, renewable by decision of the Council of Ministers, with no quantity or monetary values attached.

(iv) Pig meat

1. Title of subsidy

Pig meat export subsidy.

2. Period covered by the notification

Year 1997

3. Policy objectives

To facilitate the export of pig meat surpluses.

4. Authority for the subsidy

The subsidy was proposed by the Ministry of Commerce, Industry and Tourism and was approved by the Council of Ministers.

5. Form of subsidy

It took the form of a grant.

6. To whom and how the subsidy was paid

It was paid by the Ministry of Commerce, Industry and Tourism directly to the Pig Farmers Association.

7. Export subsidy per unit

£C145,000 for 16,311 pigs exported.

8. Duration of subsidy

The subsidy was granted to the exporters of 16,311 pigs exported in 1997.

B. INDUSTRY

(v) Resource centre for the clothing industry

1. Title of subsidy

Resource Centre for the Clothing Industry

2. Period

A five-year period starting from 1996.

3. Policy objective

To improve the competitiveness of the clothing industry.

4. Authority of subsidy

Granted by the Ministry of Commerce, Industry and Tourism and approved by a Decision of the Council of Ministers.

5. Form of subsidy

A grant of £C694,000 to be distributed over a five-year period.

6. To whom and how the subsidy is paid

It is paid to the Fashion Resource Centre.

7. Amount of subsidy

Total payment in 1997: £C55,036

The rest will be distributed over the remaining three years.

8. Duration of subsidy

Five years as from 1996.

(vi) Encouragement of establishment or expansion of manufacturing industries in rural areas

1. Title of subsidy

A scheme to encourage the establishment or expansion of manufacturing industries in rural areas.

2. Period

Yearly.

3. Policy objectives

To encourage the establishment or expansion of manufacturing industries in rural areas.

4. Authority of subsidy

Ministry of Commerce, Industry and Tourism. Approved by the Council of Ministers Decisions (Nos. 35.265 dated 21 May 1991 and 38.776 dated 28 January 1993).

5. Form of subsidy

Grant.

6. To whom and how the subsidy is paid

To existing and newly established manufacturing industries in certain specified rural areas.

7. Amount of subsidy

Total payment in 1997: £C210,000.

8. Duration of subsidy

The scheme commenced in 1991 and is still in existence.

(vii) Establishment of Industrial Estates

1. Title of subsidy

Establishment of Industrial Estates.

2. Period

On a yearly basis.

3. Policy objectives

To assist industrial growth by providing the necessary infrastructure.

4. Authority of subsidy

Ministry of Commerce, Industry and Tourism by Decision of the Council of Ministers.

5. Form of subsidy

Leasing of land in the industrial estates and provision of the necessary infrastructure (electricity, water, telecommunication network) at reasonable rates.

6. To whom and how the subsidy is paid

Manufacturing industries.

7. Amount of subsidy

Total payment in 1997: £C1,148,312

8. Duration of subsidy

The scheme was introduced in 1965 and it is still in existence.

(viii) Industrial Free Zone

1. Title of subsidy

Industrial Free Zone

2. Period

Yearly.

3. Policy objective

To provide incentives for the establishment of exporting manufacturing companies in Cyprus.

4. Authority of subsidy

Ministry of Commerce, Industry and Tourism (according to the Free Zones Law 69/75).

5. Form of subsidy

Leasing of land at reasonable rates, tax incentives.

6. To whom and how the subsidy is paid

To approved manufacturing companies.

7. Amount of subsidy

Total payment in 1997: £C9,098.

8. Duration of subsidy

Yearly.

(ix) Assistance to manufacturing industries to establish pollution control systems

1. Title of subsidy

A grant scheme to assist manufacturing industries to establish pollution control systems.

2. Period

Yearly.

3. Policy objectives

To assist manufacturing industries to install systems for the minimization of pollution in the environment.

4. Authority of subsidy

Ministry of Commerce, Industry and Tourism by Decision of the Council of Ministers.

5. Form of subsidy

Grant (30 per cent on the value of the pollution control systems installed).

6. To whom and how the subsidy is paid

To manufacturing firms which were in operation prior to 1 January 1993.

7. Amount of subsidy

Total payment in 1997: £C129,000.

8. Duration of subsidy

The scheme came into effect in 1994 and its duration is five years.

(x) Duty relief for selected industries

1. Title of subsidy

Duty relief for certain industries:

- Food industry

- Clothing industry
- Chemical industry
- Spirits industry

2. Period

Yearly

3. Policy objective

Support of the manufacturing industries.

4. Authority of subsidy

Ministry of Finance.

5. Form of subsidy

Exemption from the payment of import and excise duty on certain imports-mainly raw materials.

6. To whom and how the subsidy is paid

To existing and newly established manufacturing industries - Relief from payment of import duty on raw materials.

7. Amount of subsidy

£C5,133,434

(xi) Promotion of Handicrafts

1. Title of subsidy

Promotion of Handicrafts.

2. Period

Yearly.

3. Policy objective

Promotion of Cypriot cultural inheritance through popular art.

4. Authority of subsidy

Ministry of Commerce, Industry and Tourism.

5. Form of subsidy

Training of local craftsmen and promotion of items made by them.

6. To whom and how the subsidy is paid

Local craftsmen.

7. Amount of subsidy

Total payment in 1997: £C200,000.

(xii) Industrial Restructuring and Technical Upgrading

1. Title of subsidy

A project for Industrial Restructuring and Technological Upgrading administered by the Institute of Technology. The Project comprises:

- (i) A scheme for Competitiveness Enhancement studies to be carried out by industrial enterprises.
- (ii) A scheme for the Development - Accreditation of Consultants involved in the studies mentioned in (I) above.

2. Period

Yearly.

3. Policy objectives

- (i) To assist and encourage local enterprises to upgrade their units by subsidizing the cost of specialized studies carried out by accredited consultants.
- (ii) To promote the upgrading of consultancy services for the manufacturing industry.

4. Authority of subsidy

Institute of Technology.

5. Form of subsidy

- (a) Grant of up to 40 per cent of the cost of competitiveness enhancement study.
- (b) Grant of up to 50 per cent of the cost of training programmes.

6. To whom and how the subsidy is paid

To existing and newly established manufacturing industries.

7. Amount of subsidy

Total payment in 1997: £C220,224

8. Duration of subsidy

The schemes were introduced in 1992 and are still in progress.

(xiii) Promotion of locally manufactured products

1. Title of subsidy

Promotion of locally manufactured products.

2. Period

Yearly.

3. Policy objective

Promotion of locally manufactured products.

4. Authority of subsidy

Ministry of Commerce, Industry and Tourism.

5. Form of subsidy

Grant of up to 50 per cent of cost of advertising campaign organized by an industrial association, with a ceiling of £C40.000.

6. To whom and how the subsidy is paid

To industry associations.

7. Amount of subsidy

Total payment in 1997: £C92,220.

8. Duration of subsidy

The scheme was introduced in 1994 and is still in existence.

(xiv) Grant for technological upgrading of the manufacturing sector

1. Title of subsidy

Grant for technological upgrading of the manufacturing sector.

2. Period

Yearly.

3. Policy objective

The objective of the scheme is to encourage investments in modern technology with the aim of improving both productivity and quality of locally produced goods.

4. Authority of subsidy

Ministry of Commerce, Industry and Tourism.

5. Form of subsidy

The grant as a percentage of the eligible investment is 20 per cent of the investment in new machinery and equipment. The amount of grant is limited to a maximum of £C150,000 per applicant for the duration of the scheme.

6. To whom and how the subsidy is paid

To existing and newly established manufacturing units.

7. Amount of subsidy

Total payment in 1997: £C4,725,493.

8. Duration of subsidy

The scheme was introduced in 1996 and is still in existence.

(xv) Subsidization of loan interest for technological upgrading of the manufacturing industry

1. Title of subsidy

Subsidization of loan interest for technological upgrading of the manufacturing industry.

2. Period

Yearly.

3. Policy objective

The objective of the scheme is to encourage investments in modern technology with the aim of improving both productivity and quality of locally produced goods.

4. Authority of subsidy

Ministry of Commerce, Industry and Tourism.

5. Form of subsidy

The subsidy as a percentage of the eligible investment is the difference between 5 per cent and the current interest rate with the maximum subsidy being 3.5 percentage points. The amount of grant is limited to £C150,000 per applicant for the duration of the scheme.

6. To whom and how the subsidy is paid

To existing and newly established manufacturing units.

7. Amount of subsidy

Total payment in 1997: £C231,589.

8. Duration of subsidy

The scheme was introduced in 1996 and is still in existence.

C. GENERAL

(xvi) Drawback on exported goods

1. Title of subsidy

Drawback on exported goods.

The drawback procedure provides for the refund of duties and Temporary Refugees' Levy paid on prescribed materials and goods used in the manner specified in the Law, when exported, shipped for use as stores or delivered locally to persons, bodies, authorities or organizations entitled to the duty free importation of such goods.

2. Period

January to December 1997.

3. Policy objective

Export promotion and support of industry.

4. Authority of subsidy

Customs and Excise Duties Law No. 109/95.

Customs and Excise Law No. 14(I)/97.

Temporary Refugees' Levy Law 14/77.

5. Form of subsidy

Refund of the import duty and Temporary Refugees' Levy paid on importation of the goods.

6. To whom and how the subsidy is paid

It is paid (i) to any natural or legal person being the actual payer of duty and T.R.L. or (ii) to the exporter, shipper etc., provided a disclaimer from the actual payer is produced together with the claim.

It is paid after exportation or loading of the goods on ships or aircraft for use as stores or after delivery of the goods to persons, bodies or organizations entitled to duty free importations of such goods.

Drawback can be claimed on the goods specified in the Fifth Schedule of the Customs and Excise Duties Law No. 109/95 and 14(I)/97 and to the extent shown for each category of goods.

7. Amount of subsidy

Amount refunded in 1997: £C3,091,808

8. Duration of subsidy

Year during which it came into force: 1962.

Duration has not been specified.

(xvii) Exemption from taxation of profits derived from the exportation of locally manufactured/produced goods

1. Title of subsidy

Taxation of profits from the exportation of locally manufactured/produced goods at 50 per cent of the normal rates (Petroleum products are not covered)

2. Period

For each tax year.

3. Policy objective

Encourage the exports of locally manufactured products.

4. Authority of subsidy

Granted by the Ministry of Finance, Inland Revenue Department. Income Tax Law Article 28E.

5. Form of subsidy

Special method of taxation.

6. To whom and how the subsidy is paid

It is provided to the exporters provided that profits from the exportation of locally manufactured/produced goods are transferred back to the Republic of Cyprus.

7. Amount budgeted

Total tax benefits provided for 24 cases and amounted in 1997 to £C53,316.

8. Duration of subsidy

The scheme commenced in 1990 and is still in existence.

(xviii) Export Credit Insurance Scheme

1. Title of subsidy

Export Credit Insurance Scheme

2. Period

Yearly.

3. Policy objective

To provide insurance cover for Cyprus manufacturers/exporters aiming at encouraging, facilitating and developing trade with other countries.

4. Authority of subsidy

Ministry of Commerce, Industry and Tourism

Law No. 41 of 1974

5. Form of subsidy

Commercial and political risks covered for non-payment in case of insolvency/or failure of buyer to pay for goods delivered and accepted.

6. To whom it is provided:

To all Cypriot interested manufacturers/exporters.

7. Amount budgeted

Varies according to the cover. Approximately 80 members were covered by the scheme.

8. Duration of subsidy

The scheme commenced in 1975 and is still in existence.

(xix) Incentives provided to exporters taking part in international trade fairs/trade missions abroad

1. Title of subsidy

Export promotion of industrial products by providing financial incentives to the Cyprus manufacturers/exporters who participate in Trade Fairs/Missions abroad.

2. Period

Yearly.

3. Policy objective

To promote exports of Cyprus industrial products exhibited in foreign Trade Fairs and Trade Missions abroad.

4. Authority of subsidy

Ministry of Commerce, Industry and Tourism.

5. Form of subsidy

When a manufacturer/exporter participates in a Trade Fair organized by the Ministry, the rent for space and construction expenses of the stand are covered by the Ministry.

For manufacturers/exporters participating in international exhibitions on their own, the Ministry covers 50 per cent of the rental and construction costs of the stand up to £C1,500.

For Trade Missions abroad the Ministry covers the rent of the stand and construction costs of the stand.

6. To whom the subsidy is paid

This incentive is provided to Cypriots exporters/manufacturers interested in export promotion purposes.

7. Duration of subsidy

The scheme is provided every year and is still in existence.

8. Amount budgeted

Varies according to the number of international exhibitions the Ministry or the manufacturers/exporters decide to participate in and the number of Trade Missions organized by the Ministry of Commerce, Industry and Tourism.

(xx) Financial assistance for market research in foreign markets

1. Title of subsidy

Scheme for granting financial assistance to manufacturers/exporters for market research in foreign markets.

2. Period

Yearly.

3. Policy objectives

The objective of the scheme is to encourage Cypriot manufacturers/exporters to undertake on their own market research in foreign markets for the purpose of identifying export potentials for Cyprus products.

4. Background authority

Ministry's decision. Not bound by any legislation.

5. Form of subsidy

Grant of a sum up to £C500 for each applicant for covering the cost of a return air fare (economy).

6. To whom and how the subsidy is provided

The grant is provided by the Ministry to Cypriot manufacturers/exporters on presentation of valid evidence (air ticket, receipt of payment of cost of ticket) and a completed questionnaire.

7. Subsidy

The total amount budgeted each year for the subsidy (grant) is £C20,000.

8. Duration

The scheme was introduced in 1994 and continues ever since.
