

# WORLD TRADE ORGANIZATION

**G/SCM/N/3/CYP**  
**G/SCM/N/16/CYP**  
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**Committee on Subsidies and Countervailing Measures**

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## SUBSIDIES

### Notifications 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 1 November 1996, has been received from the Permanent Mission of Cyprus.

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This notification covers agricultural and industrial programmes granted or maintained by Cyprus for the years 1993-1995 unless otherwise specified.

Although Cyprus has some doubts as to whether some of these programmes fall within the definition of a subsidy, or whether they are specific under the Agreement on Subsidies and Countervailing Measures, they are being notified for transparency purposes.

## Table of Contents

	Page No.
A. <u>AGRICULTURE</u> . . . . .	2
(i) Bulk wine . . . . .	2
(ii) Dried grapes (raisins) . . . . .	3
(iii) Groundnuts . . . . .	4
(iv) Pigmeat . . . . .	5
B. <u>INDUSTRY</u> . . . . .	6
(v) Resource centre for the clothing industry . . . . .	6
(vi) Encouragement of establishment or expansion of manufacturing industries in rural areas . . . . .	7
(vii) Establishment of Industrial Estates . . . . .	7
(viii) Industrial Free Zone . . . . .	8
(ix) Assistance to manufacturing industries to establish pollution control systems . . . . .	9
(x) Duty relief for selected industries . . . . .	10
(xi) Promotion of Handicrafts . . . . .	10
(xii) Industrial Restructuring and Technical Upgrading . . . . .	11
(xiii) Promotion of locally manufactured products . . . . .	12
C. <u>GENERAL</u> . . . . .	13
(xiv) Drawback on exported goods . . . . .	13
(xv) Exemption from taxation of profits derived from the exportation of locally manufactured/produced goods . . . . .	14
(xvi) Export Credit Insurance Scheme . . . . .	15
(xvii) Incentives provided to exporters taking part in international trade fairs/trade missions abroad . . . . .	15
(xviii) Financial assistance for market research in foreign markets . . . . .	16
 A. <u>AGRICULTURE</u>	
(i) <b>Bulk wine</b>	
1. <u>Title of the subsidy</u>	
Bulk wine subsidy covering brennwein and grape must.	
2. <u>Period covered by the notification</u>	
Years 1993-1995.	
3. <u>Policy objective</u>	
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

£C 0.13 per litre anhydrous for bulk wines.

£C 65 per ton for grape must.

8. Duration of subsidy

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

9. Statistical data

<u>Export subsidized</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Bulk wine (anhydrous litres)	1,191,446	6,443,492	5,361,154
Grape must (tons)	1,096	4,483	4,992

(ii) **Dried grapes (raisins)**

1. Title of subsidy

Raisins export subsidy.

2. Period covered by the notification

Years 1993-1995.

3. Policy objective

To enable the Vine Products Commission 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 sultana raisins.

6. To whom and how the subsidy is paid

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

7. Export subsidy per unit

Not applicable.

8. Duration of subsidy

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

9. Statistical data

	1993 £C	1994 £C	1995 £C
Sales	134,595	141,172	233,455
Less cost of sales	145,000	158,507	366,170
Gross loss	10,405	17,355	132,715
Less packing & export expenses	17,633	17,895	37,162
Subsidy	28,038	35,230	169,877

**(iii) Groundnuts**1. Title of subsidy

Subsidy for the export of groundnut surpluses.

2. Period covered by the notification

Years 1993-1995.

3. Policy objective

To facilitate the export of groundnut surpluses.

4. Authority for the subsidy

The subsidy was proposed by the Ministry of Commerce, Industry and Tourism and was decided 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 directly to the Producers' Cooperative Union.

7. Export subsidy per unit

£C 313 per ton.

8. Duration of subsidy

One year, renewable if necessary, by Decision of the Council of Ministers.

9. Statistical data

	<u>Exports</u>	<u>Subsidy</u>
1995	198 tons	£C 62,000

**(iv) Pigmeat**

1. Title of subsidy

Pigmeat export subsidy.

2. Period covered by the notification

Years 1993-1995.

3. Policy objective

To facilitate the export of pigmeat 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

£C 60,000 for 550 tons of pigmeat = £C 109/ton.

8. Duration of subsidy

The subsidy was attached to the export of 550 tons of pigmeat in 1994.

9. Statistical data

Exports of pigmeat in 1994: 550 tons.

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 £C 694,000 to be distributed over a five-year period. Amount to be granted during 1996 £C 200,000.

6. To whom and how the subsidy is paid

It is paid to the Cyprus Association of Clothing Manufacturers.

7. Amount budgeted

1996: £C 200,000

1997: £C 190,000

The rest will be distributed over the remaining three years.

8. Duration of subsidy

Five years as from 1996.

9. Statistical data

Not applicable.

**(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 objective

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 budgeted

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
£C (thousands)	217.4	302.6	113.7	283.7

8. Duration of subsidy

The scheme commenced in 1991 and is still in existence.

9. Statistical data

Amount granted during the years 1992-1995 is given in No. 7 above.

**(vii) Establishment of Industrial Estates**

1. Title of subsidy

Establishment of Industrial Estates

2. Period

On a yearly basis.

3. Policy objective

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 budgeted

An amount of £C 9,898,320 for the period 1965-1994.

8. Duration of subsidy

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

9. Statistical data

425 manufacturing industries benefited from the scheme.

**(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 budgeted

Total expenditure since establishment (1975): £C 1,023,000

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 objective

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 budgeted

<u>1995</u>	<u>1996</u>
£C 136,000	£C 400,000

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 selected industries:

- Food industry
- Clothing industry
- Chemical industry

2. Period

Yearly.

3. Policy objective

To assist manufacturing industries.

4. Authority of subsidy

Ministry of Finance.

5. Form of subsidy

Exemption from the payment of import duties for certain inputs.

6. To whom and how the subsidy is paid

To existing and newly established manufacturing industries.

7. Amount budgeted

Variable depending on the level of imports.

**(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 budgeted

1993	1994	1995	1996
£C 60,000	£C 99,000	£C 155,000	£C 170,000

**(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 objective

- (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

Grant of up to 40 per cent of the cost of competitiveness enhancement study.

6. To whom and how the subsidy is paid

To existing and newly established manufacturing industries.

7. Amount budgeted

1992	1993	1994	1995	1996
£C 104,000	£C 253,000	£C 300,000	-	£C 290,000

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.

6. To whom and how the subsidy is paid

To industry associations.

7. Amount budgeted

1994	1995	1996
£C 8,000	£C 18,000	£C 70,000

8. Duration of subsidy

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

C. GENERAL

(xiv) **Drawback on exported goods**

1. Title of the subsidy programme, if relevant, or brief description or identification of the 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 covered by the notification

January to December 1995.

3. Policy objective and/or purpose of the subsidy

Export promotion and support of industry

4. Background and authority for the subsidy (including identification of the legislation under which it is granted)

Customs and Excise Duties Law No. 4(I)/1995.  
Temporary Refugees' Levy Law 14/77.

5. Form of the subsidy (i.e. grant, loan, tax concession etc.)

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. 4(I)/1995 and to the extent shown for each category of goods.

7. Amount refunded in 1994: £C 2,687,194  
Amount refunded in 1995: £C 2,279,297

8. Duration of the subsidy and/or any other time limits attached to it (including date of inception/commencement)

Year coming into force: 1962  
Duration has not been specified.

9. Statistical data is not available.

**(xv) 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 were:

1992 = £C 88,334  
1993 = £C 485,323

Data for other year will be available after the new computerized system is completed.

8. Duration of subsidy

The scheme commenced in 1990 and is still in existence.

**(xvi) 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.

8. Duration of subsidy

The scheme commenced in 1975 and is still in existence.

9. Manufacturers/exporters benefited, varies every year according to membership to the scheme. (Approximately 100 members per year.)

**(xvii) 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/Mission abroad.

2. Period

Yearly.

3. Policy objective

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

4. Authority of subsidy

Granted by the Ministry of Commerce, Industry and Tourism.

5. Form of subsidy

When the exporter participates in a Trade Fair organized by the Ministry, the rent for space and construction expenses of the stand is paid 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 £C 1,000.

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 Cypriot interested exporters/manufacturers for 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 and the Trade Missions organized.

9. Statistical data

Vary according to interest shown every year by exporters/manufacturers.

**(xviii) 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 objective/purpose of the subsidy

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 £C 500 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 £C 20,000.

8. Duration

The scheme was introduced in 1994 and continues ever since.

9. Statistical data

Not applicable.