

WORLD TRADE ORGANIZATION

RESTRICTED

G/SCM/Q2/CYP/11

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(00-4606)

**Committee on Subsidies
and Countervailing Measures**

Original: English

SUBSIDIES

Replies to Questions posed by the UNITED STATES¹
Regarding the New and Full 1998 Notification of CYPRUS²

SECTION A: AGRICULTURE

1. Halloumi cheese

Q1. Is the Cyprus Milk Organization a government organization? Please indicate under what legislation the subsidy is granted.

Reply

The Cyprus Milk Industry Organization is a semi-government organization headed by a 16-member board in which the government, the milk producers and the milk processors are represented.

The organization was created under the Law 4/69 passed through Parliament.

The Subsidy on halloumi is granted after a decision is taken by the board, always on the basis of the commitments of Cyprus towards the World Trade Organization (WTO).

Q2. How is the amount each exporter receives under this programme determined? Does this amount vary from year to year? Is the same amount granted each year?

Reply

The amount of Subsidy each exporter receives is always decided by the board within the level of budgetary outlay and quantity reductions that Cyprus is allowed to subsidize every year under its schedule of commitments CVII Part IV section II: Export Subsidies.

Q3. In what year did the halloumi cheese programme originate?

Reply

The Subsidy of halloumi originated in the year 1988.

¹ G/SCM/Q2/CYP/10

² G/SCM/N/38/CYP

2. Wine alcohol and other grape products: Bulk Wine Subsidy covering bennwein and grape must.

Q1. Is the subsidy available to only the four wineries? Are other wineries allowed to apply for the subsidy?

Reply

All wineries are allowed to apply for the subsidy as long as they export bulk wine. However the subsidy is actually paid only to the four major wineries which are the only ones that export bulk wine.

Q2. Is the Vine Products Commission a government organization?

Reply

The Vine Products Commission is an independent body, with executive powers but ultimately responsible to the Government, which finances all its activities.

Q3. How is the amount each winery receives under this programme determined?

Reply

The amount of the bulk wine subsidy to each winery varies according to the quantity of wine that each one exports.

3. Fruits: Dried Grapes (Raisins)

Q1. Must this Subsidy Programme be renewed each year by the Council of Ministers?

Reply

The subsidy is provided through the annual budget of the Vine Products Commission, which has to be approved by the Council of Ministers.

Q2. Under what criteria is the subsidy given?

Reply

It is given in the form of cost reduction measures i.e. upgrading, processing and handling costs as well as costs of international transport, freight and marketing.

Q3. Have funds been allocated to continue the programme after 1997?

Reply

No funds have been allocated to continue the programme after 1997 since the Council of Ministers have decided that as from 1998 the collection of raisins by the Commission is terminated. Should there be a future need to continue the programme for individual exporters, the Council of Ministers would decide accordingly to renew the programme.

Q4. In what form is the subsidy provided?

Reply

It is provided in the form of aid per ton to cover costs for upgrading, processing and handling as well as costs of international transport, freight and marketing.

4. Pig meat subsidy

Q1. Was the programme continued after 1997?

Reply

Yes, the programme was reactivated in 1999 and was concluded on 13/1/2000 in early 2000.

Q2. Please explain how the funds were disbursed to individual pig exporters by the Pig Farmers Association

Reply

The Pig Farmers Association prepares the list of eligible farmers according to the criteria, which is described below in question No: 4. The export documents are attached to this list (bill of lading, veterinary inspection certificate, export certificate issued by Customs Services, etc.), which is forwarded to the Department of Agriculture. Based on the quantities and classification of whole or half carcasses (sometimes live animals) the Department proceeds with the necessary verification of information and finalizes the list for payment, which is then sent back to the Pig Farmers Association with the total amount of money required. The Pig Farmers Association distributes the money accordingly. The farmers upon receipt of payment singe the necessary documents, which are returned to the Department of Agriculture. The whole procedure is, of course subject to audit by the Auditor General of the Republic.

Q3. Is the Pig Farmers Association a government organisation?

Reply

The Pig Farmers Association is a non-Governmental organization but a private voluntary professional association registered on 15 March, 1993 under the Law No57 of 1972 Associations and Institutions and Associations and Institutions Regulations of 1993 (Reg. 4).

Q4. What are the criteria to receive aid under this subsidy programme?

Reply

This programme is part of a package of measures to reduce the total number of sows by around 20 per cent in an effort to stabilize the market and to prevent constant oversupply. Farmers are required to undertake commitments as regards the reduction of their breeding stock according to an agreed schedule.

The detailed criteria to receive export subsidies under the programme are as follows:

- (i) The programme covers all pig farmers and all live animals and/or meat produced in Cyprus.

- (ii) Subsidy is paid for the export of live sows and/or hogs or (fattened pigs) and/or carcasses of them as well as for live piglets as follows:

	Sows Cent/Kg	Hogs Cent/kg	Piglets
Half carcasses	15	15,1	
live animals	9	9,5	£5/pce
deboned meat	20	20,5	

- (iii) The programme provided for a maximum number of animals and amount of subsidy as follows:

- (a) Up to 4 000 sows or 640 tons LW (or 384 tons of half carcass meat or 288 tons of deboned meat).
- (b) Up to 30 000 live fattened pigs or 2 850 tons L.W (or 1 795,5 tons half carcass meat or 1 339,5 tons of deboned meat).
- (c) Up to 15 000 live piglets up to 23 kg weight @ CP£5 each or 345 t. L.W.

Total subsidy aid C.P.£403.350. (1 Cyprus Pound = 100 cents = US\$1,47)

- Notes:
- a. Conversion of sows L.W. to half carcass meat factor: 0,60 and conversion of L.W. to deboned meat factor: 0,45.
 - b. Conversion of fattened pigs L.W. to half carcass meat factor: 0,63 and L.W. to deboned meat, factor 0,47.
 - c. Total number of piglets and fattened pigs eligible for aid was 45 000 head.

Q5. How is the amount each exporter receives under this programme determined?

Reply

The amount each exporter receives under this programme is determined under the criteria outlined in question 4 above while a certain degree of priority is given to first comers towards the end of funds. The scope of the programme is to remove from the market, excess supply ensuring that all farmers dispose off part of their surpluses.

Q6. In what year did this subsidy programme originate?

Reply

The programme was initiated for the first time before 1974 and was repeated thereafter whenever the market showed a severe drop in producers price due to oversupply. In general it follows the 2-3 year cycle of low-high supply and demand observed in the pig industry.

II. SECTION B: INDUSTRY

1. Resource Centre for the clothing industry

Q1. How does the government monitor disbursement of funds by the Resource Centre?

Reply

Funds: An annual budget is submitted to the Government, which is based on the agreed five-year management plan. Funding is provided usually twice a year according to the budget. Six-month and annual control of expenses and revenues is carried out by the Government and by External Auditors.

Choice of Services: Two Representatives of the Government are members of the Board of Directors, the body which approves the services programmes adopted by the Centre.

Q2. Explain how the funds were disbursed to individual companies by the resource centre. How is the amount each recipient receives under this programme determined?

Reply

Individual companies do not receive funds directly but in the form of subsidized services i.e. fashion design. These services are provided by the resource centre at lower prices than their actual cost.

Provided that the recipient is a reliable customer and is able to complete all his obligations to the centre, then there is no restriction on the amount of services rendered to any one recipient.

2. Scheme to encourage the establishment or expansion of manufacturing industries in rural areas

Q1. What rural areas are eligible?

Reply

The eligible rural areas are those which are far away from urban areas especially those located in the mountain region.

Q2. What are the eligibility criteria for recipients in rural areas to receive grants under this programme?

Reply

Manufacturing units the activities of which are classified as such by NACE Rev. 1 Section D (Council Regulations (EEC) No.3037/90 and No.761/93) excluding mining and quarrying activities.

Q3. Are all the industries in these specified rural areas eligible for this aid?

Reply

The scheme covers the expansion of existing and establishment of new manufacturing units in these areas.

Q4. In your response to questions posed by the Republic of Korea, you stated that subsidies are provided as a percentage of the eligible investments. Please explain what constitutes an eligible investment.

Reply

Eligible costs are investments related to buildings, machinery and investment for infrastructural services (installation of telephone line, electricity connection and water supply connection).

3. Establishment of Industrial Estates

Q1. What types of infrastructure projects are eligible for this aid?

Reply

According to regulations 89/94 only companies which come under category 3 (group) of International Standard Industrial Classification of all Economic Activities of the United Nations are considered as eligible enterprises to locate at Industrial Estates (are given permit to operate within Industrial Estates).

Q2. What form does the subsidy take (i.e. loan, grant, rebate of taxes etc.)?

Reply

No subsidy is provided to companies located in Industrial Estates. However, enterprises to which a permit to operate within Industrial Estates is granted are requested to sign a contract of lease for the land allocated to them with reasonable rent.

Further to the above, the Government provides to enterprises infrastructural services (installation of telephone lines, electricity connection and water supply).

Q3. Are all manufacturing industries located in Industrial Estates eligible for aid under this programme? What are the criteria for receiving aid under this programme?

Reply

All manufacturing industries located in the Industrial Estates enjoy the indirect aid in the form of infrastructural services as already mentioned in answer 2 above.

Q4. Is the same amount of money guaranteed for the programme each year? How is the annual amount decided?

Reply

The funds needed for the establishment of new Industrial Estates and the maintenance of the existing ones are provided for under a specific vote of the Annual Development Budget of the Republic.

Q5. You indicated in your response to questions posed by the Republic of Korea (G/SCM/Q2/CYP/9) that eligible enterprises should be “viable manufacturing industries”. Can you please clarify what you mean by this statement? Is “viable” determined according to the company’s debt-to equity ratios? Predicted future success? Outstanding loans?

Reply

Profitability, economic and financial soundness, marketability of the products produced, secured markets, etc are among the main elements considered in assessing the viability of a project of a manufacturing enterprise before it is granted a permit to operate in an Industrial Estate.

4. Industrial Free Zone

Q1. Under what criteria are companies eligible to receive aid under this programme (i.e. how is it decided that a company is an “approved” manufacturing company)?

Reply

According to the Free Zones Law (Law 69/75) the Minister of Commerce, Industry and Tourism is authorized to approve applications of trade or manufacturing enterprises wishing to become established in the Free Zone. An Advisory Committee was set up which evaluates applications and advises the Minister of the eligibility of a company. The following criteria are taken into consideration in assessing the applications:

- The viability of the project (a feasibility study is requested in all cases).
- The percentage value added to the finished product.
- The employment opportunities to be created.
- The proposed production methods (priority is given to projects utilizing advanced technologies).
- The requested utility loads in relations to the available capacity.
- Environmental impact.
- Use of raw materials and equipment from local sources.
- The impact on the local industry.

It should be noted, however, that the above criteria carry different weights and each project is examined on a case – by – case basis.

Q2. Are all manufacturing industries eligible for aid under this programme? Must the industry be located in the Industrial Free Zone to receive aid? Are only exporting manufacturing industries eligible for aid?

Reply

All companies approved to become established in the Free Zone enjoy all the facilities provided.

5. Duty Relief for certain industries

Q1. Does the amount of funds available for this programme change every year?

Reply

It is not a matter of availability of funds since the subsidy is granted in the forms of “exemption from the payment of import duties on certain imports – mainly raw materials”.

Q2. Under what criteria is aid provided under this programme?

The percentage of the imported raw materials component to the end product.

Q3. Can you please indicate more clearly what you mean when saying that the policy objective of the programme is “support of the manufacturing industries” ?

Reply

The specified manufacturing industries are supported by granting them an exemption from payment of import duties on certain raw materials used for the production of end products.

Q4. How is it determined how much aid each company will be given?

Reply

As the subsidy is granted in the form of an exemption from payment of import duties its level is based on the value of imported raw materials.

6. Promotion of locally manufactured products

Q1. Please indicate the criteria under which aid is granted

Objective:

Reply

The objective of the scheme is to provide financial support to the Cypriot manufacturing industry in cases of organizing an advertising campaign at the local market level for the promotion of locally produced products.

Eligible:

Business/Industrial Associations representing various sectors of the manufacturing industry e.g. Cyprus Clothing Manufacturers Association

Activity Cost	Grant %
	50
for the first £40.000	25
for the next £40.000	10
for all additional (over £80.000)	

The total amount of grant will not exceed £40.000.

Level of Grant:

The grant provided is calculated as a percentage on the cost of the advertising campaign as shown below:

Q2. Are all industry associations eligible for aid under this programme?

Reply

Yes.

Q3. Is aid contingent on export performance?

Reply

No. The aid provided as already mentioned in our answer to question 1 aims at promoting locally produced manufacturing goods at the local market level.

III. SECTION C: GENERAL

1. Drawback on exported goods

Q1. Is this programme still in existence?

Q2. You indicated in your response to questions posed by the Republic of Korea (G/SCM/Q2/CYP/9) that no refund is made in excess of the amount actually paid. Would you please explain what provisions have been put in place by the government to ensure this does not occur?

Reply

The programme of drawback on exported goods is still in existence.

As regards the amount of duty refunded as drawback on exported goods, according to the Customs and Excise Law, is the actual amount paid as customs duty or excise duty on materials used for the manufacture of the exported goods.

The exporter is obliged to produce to the Customs officers the copy of the customs clearance document under which the payment of the import duty on materials used for the production of goods intended for exportation was effected. The relevant original receipt of payment is attached on the copy of the Customs clearance document.

The Customs officers, at the time of the examination of the goods and the examination of the relevant export documents together with the claim for drawback verify the correctness of the exporter's declaration as regards quantities used and the amount of duties claimed for drawback and at the same time endorse the relevant Customs Clearance documents, the receipt included, with the total quantity of materials and the duty corresponding to the certain exportation. Cards, showing the movement of materials used in the manufacture of goods intended for exportation, are kept by the exporters. These cards are properly annotated and signed by the Customs officers.

In this way no drawback of duty in excess of the actual amount paid can be affected.

2. Exemption from taxation of profits derived from the exportation of locally manufactured/produced goods

Q1. What is the expected termination date of this programme?

Reply

This programme will be abolished during the process of accession of Cyprus into the European Union.

Q2. How are funds disbursed under this programme?

Reply

There is no direct disbursement of funds. The producers that may claim this exemption pay tax on the profits from the exportation of locally manufactured/produced goods at 50 per cent of the normal rates of taxation.

3. Export Credit Insurance Scheme

Q1. What are the specific criteria under which aid from the programme is granted?

Reply

Cover will be available only for categories of goods decided by the Export Credit Insurance Scheme - The Ministry of Commerce, Industry and Tourism - from time to time. At least 25 per cent of the value of the goods must have been added in Cyprus: that is, the difference between the CIF cost of any imported content and the net FOB price of the exports must be at least 25 per cent of the net FOB price of the exports.

Q2. You said 80 members were covered by this Scheme in 1997. Can you please explain to what organization these numbers belong?

Reply

In 1997, the Export Credit Insurance Scheme covered 80 members. Analysis of Current Guarantees by Trade as at 31/12/1997 is given here below:

Analysis of Current Guarantees by Trade as at 31/12/1997

Ser. No.		No. of Policies
1.	Clothing	30
2.	Shoes & soles & heels for shoes	7
3.	Belts & handbags	2
4.	Cosmetics & cleaning materials	3
5.	Confectionery	5
6.	Concrete mixers, pumps and other machinery	1
7.	Canned fruits & vegetables	3
8.	Packing materials	2
9.	Electric appliances & welded electrodes & wires	4
10.	Bentonite and gypsum	1
11.	Animal feeds	1
12.	Insecticides	2
13.	Paints and other building materials	3
14.	Pharmaceutical products	1

15.	Floor mops, pan scourers, paint rollers & brushes	2
16.	Furniture	4
17.	Cans for the canning	4
18.	Cigarettes	1
19.	Mattresses	1
20.	Wines & spirits	2
21.	Refrigerators	1
	TOTAL	80

Q3. Does the company or exporter have to contribute to this programme? Do recipients of the insurance pay any fees?

Reply

Yes, the company or exporter has to contribute to this programme. Premium at the rate of 10 cent per £100 of annual exports, with a minimum premium of £25 and a maximum of £250, will be payable at the time the policy is issued and on each annual renewal. Further premium at a rate per £100 depending on the terms of payment will be payable monthly on the value of business done. This premium will be CAD terms 30 cent; not exceeding 90 days credit 50 cent; not exceeding 180 days credit 70 cent per £100 plus a further 10 cent per £100 if preshipment cover is required.

4. Incentives provided to exporters taking part in international trade fairs/trade missions

Q1. What is the total amount of aid given under this programme in 1977?

Reply

The total amount of financial incentives (not aid) provided under this programme in 1997, was equal to CY£828.000 divided as follows:

- (a) Participation in International Trade Fairs abroad organized by the Ministry: £ 700.000
- (b) Trade Missions abroad: £ 45.000
- (c) Provided to manufacturers for their participation in International Trade Fairs not organized by the Ministry: £ 83.000

Q2. What is the specific Criteria under which aid from this programme is granted?

Reply

The specific criteria under which the financial incentive is granted, is the participation of the manufacturer/exporter in a Trade Fair or Trade Mission. Without their participation and presence at the Cyprus Stand, no financial incentive is granted.

Q3. How is it decided what exhibitions and how many exhibitions will be attended? Is the aid under this programme focused on specific exhibitions?

Reply

The Ministry of Commerce Industry & Tourism being the competent authority for the formulation and implementation of export promotional policies, decides to which International Trade Fairs Cyprus will participate, with a national pavilion, every year.

This decision is taken, after having consultations and meetings with various Associations of Exporters and the Cyprus Chamber of Commerce and Industry. The number of the fairs and the extend of the Cyprus participation is decided taking always into consideration the approved annual budget of the specific promotional activity. Specialized (sectoral) Trade Fairs are of greater interest and offer better opportunities for the export of the Cyprus products.

5. Financial assistance for market research in foreign markets

Q1. Are any other funds provided either before or during the market research aspects of this programme for which these same manufacturers/exporters are eligible?

Reply

No other funds are provided either before or during the market research aspect of this programme for which the same manufacturers/exporters are eligible.

Q2. Is the amount under this programme limited to a certain applicant/manufacturer/exporter on an annual basis?

Reply

The amount under this programme is limited to each applicant/manufacturer/exporter to two trips per year in different markets.

Q3. Are any other costs during the process of market research covered under this programme?

Reply

No other costs are covered during the process of market research

Q4. Are the results of the market research undertaken made public?

Reply

The results of the market research are not made public.
