

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

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SUBSIDIES

Notifications Pursuant to Article XVI:1

SOUTH AFRICA

The following notification, dated 30 August 1994, has been received from the Permanent Mission of South Africa.

I. FOODSTUFFS

1. **NATURE AND EXTENT OF THE SUBSIDY**

(a) Background and authority

It is no longer the policy of the South African Government to subsidize foodstuffs to reduce the cost of products to the consumer. The price formation mechanism is the market. The subsidies paid in the past on certain products have been discontinued.

However, during the year under review the profits resulting from the importation of wheat were utilised to subsidize the price of bread to the consumer.

The domestic wheat crop for the 1993/94 season will be insufficient to meet local demand and the Government is thus importing wheat for its own account. Because the imported wheat is sold at domestic prices, the Government will realize a profit amounting to approximately R 90 million on imports. This amount will be utilized to maintain the net selling price of wheat during the current season at the 1992/93 price levels for as long as funds are available.

II. FILMS

1. **NATURE AND EXTENT OF THE SUBSIDY**

(a) Background and authority

Subsidies on locally produced films are intended to improve their quality and to encourage the training of local actors and technicians in the film industry.

The first subsidies payable date back to 1957. Payments are made from funds voted for this purpose by Parliament from year to year. The guidelines of 5 February 1993 entered into force on 1 April 1993.

(b) Incidence

According to the guidelines of 5 February 1993, the following changes will occur:

- A South African film producer must be a South African citizen, and in the case of a partnership/company 75 per cent of the shares must belong to (a) South African citizen(s);
- Licensing agreements will not be subsidized any more;
- A subsidy of 75 per cent can be claimed, after receiving R 150,000 from box offices, for a period of one year, but it must not exceed R 2 million.

(c) Amount of the subsidy

Financial year	Total payments (Rand)	Average subsidy per film (Rand)	No. of films
1989/90	25,705,627	157,703	163
1990/91	13,320,825	246,682	54
1991/92	10,565,902	285,565	37

2. **EFFECTS OF THE SUBSIDY**

The subsidy is aimed at improving the quality of the production and the training of local personnel rather than increasing the number of locally produced films and has had very little, if any, effect on South Africa's exports or imports of films.

III. GENERAL EXPORT INCENTIVE SCHEME (GEIS)1. **NATURE AND EXTENT OF THE SUBSIDY**(a) Background and authority

South Africa has over many years experienced problems due to a relatively high rate of inflation, continued deficits on the current account of the balance of payments and inflationary financing of capital expenditure, which became progressively worse as a result of unsettled monetary and trading conditions. These problems, *inter alia*, necessitated the institution of various export incentive measures which were designed to help South Africa's export community to overcome some of the more important drawbacks which they were experiencing in international markets. The original export assistance measures which became known as the Categories A, B, C and D schemes have all now been withdrawn. In their place two new schemes were introduced on 1 April 1990, namely the General Export Incentive Scheme (GEIS) and the Export Marketing Assistance Scheme (EMA).

The implementation of the GEIS was approved in principle by the Cabinet whilst the details concerning the scheme were approved by the Minister of Trade and Industry. The scheme is not supported by specific legislation but its funding is approved by Parliament under the Budget Act each year.

Many basic products and products of a special nature are excluded from benefits under the scheme.

(b) Incidence

Benefits under the GEIS are paid to exporters regardless of whether they are producers or traders. The basic requirement is that the claimant must be the owner of the goods which are exported. Cession of claims is allowed under certain conditions. The scheme is performance based in the sense that exporters are compensated on the basis of actual export sales values (fob) in line with four categories of products, viz primary products, beneficiated primary products, basic manufactured products and other manufactured products.

The levels of the four categories are as follows:

- Category 1 = 0%
- Category 2 = 7.5%
- Category 3 = 12.5%
- Category 4 = 25%

Allowance is also made for fluctuations in the exchange rate which affect the net values of the above-mentioned categories.

(c) Amount of the subsidy

The amount budgeted for the GEIS in the 1993/94 financial year amounts to R 1,654 million.

(d) Estimated cost per unit

Total exports which benefited from the GEIS during the fiscal years 1990/91 and 1991/92 came to R 23,158 million. Total GEIS payments during this period came to R 1,680 million.

2. **EFFECTS OF THE SUBSIDY**

GEIS-induced exports seem to have a positive effect on the South African economy, particularly regarding increased output, employment, labour remuneration and net exports. However, GEIS-induced exports appear to have had a minimal effect on the creation of new export capacity and the further beneficiation of exports.