

# WORLD TRADE ORGANIZATION

RESTRICTED

**G/SCM/Q2/KOR/17**

25 January 1999

(99-0251)

**Committee on Subsidies  
and Countervailing Measures**

Original: English

## **SUBSIDIES**

### Questions from the UNITED STATES Regarding the New and Full Notification of KOREA<sup>1</sup>

The following communication, dated 19 January 1999, has been received from the Permanent Mission of the United States.

The following are questions regarding the notification of Korea made pursuant to Article XVI:1 of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures (SCM Agreement), in document G/SCM/N/38/KOR.

1. Concerning "Support Programme for the Coal Industry" on page 19, please explain under what terms loans are granted.
2. Under "Reduction in Customs Duty on Parts of Aircraft" on page 22, please explain what form the tax concession takes. What is the percentage of the tax concession and how long is the concession in effect?
3. Under "Diesel Vehicle Low Emission Technology Development" on page 26, is the subsidy provided to only one enterprise?
4. Finally, based upon the information available to us, the following programmes appear to meet the notification requirements of Article 25 of the SCM Agreement. Please explain why these programmes were not included in your subsidy notification.

The Government of Korea has provided lending to the Korean semiconductor industry through various government loan funds and subsidy programmes. Much of this funding is provided through the Korean Development Bank, the Industrial Bank of Korea, and the Korea Long-Term Credit Bank, under the 5 following loan/fund programmes:

- Industrial Development Fund
- High Technology Industry Promotion Loans
- Science and Technology Promotion Fund
- Technology Development Loans
- Production Technology Development Loans

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<sup>1</sup> G/SCM/N/38/KOR

Additional non-notified programmes, including for other sectors/industries:

- Tax Incentives for Reserves for Factory Relocation to Rural Areas – certain tax incentives for reserves are provided to enterprises that move their factories from metropolitan cities to rural areas.
- Tax Incentives for Reserves for Corporate Head Office Relocation to Rural Areas – certain tax incentives for reserves are provided to enterprises that move their head or main office from metropolitan cities to rural areas.
- Tax Incentives for Factory Relocation to Rural Areas – certain tax incentives are provided to enterprises that move their factories from metropolitan cities to rural areas.
- Tax Incentives for Corporate Head Office Relocation to Rural Areas – certain tax incentives are provided to enterprises that move their head or main office from metropolitan cities to rural areas.
- Support for Improving Business Management of Fishing Cooperative Association – provides financial support to fishing cooperative associations to improve their business management.
- Subsidy for Interest Payment on Fishing Fund – provides a grant to cover losses that lending institutions sustain due to low interest rates.
- Support for Replacement of Old Fishing Vessels – provides grants to replace small old fishing vessels or loans at a lower than market interest rate.
- Tax Exemption for Fishing Boats Weighing Less than 20 Tons – provides an exemption of the Acquisition Tax, Registration Tax, Property Tax and Public Facilities Tax for fishing boats weighing less than 20 tons.
- Tax Reduction for Forestry Income – provides a 50 per cent tax reduction for forestry income generated from forest development.
- Support for Forest Managers and Developers – provides low-interest loans to support forestry business.
- Support for Reforestation and Forest Tending – provides grants or low-interest loans for the purpose of reforestation and forest tending.
- Support for Private Forest Road Construction – provides grants or low-interest loans for construction or maintenance of roads providing access to forest areas.
- Support for Forestry Successors – provides low-interest loans for forestry management.
- Support for Forestry Mechanization – provides low-interest loans for the purchase of forestry machinery.
- Support for Wood Production and Processing – provides low-interest loans for timber production and processing.
- Tax Exemption for Relocation of Factories or Head Offices to Local Areas – provides an exemption from the Acquisition Tax and Registration Tax for real estate purchased for relocation of factories or head offices to provincial areas.
- Tax Incentives for Enterprises Relocating to Agricultural and Industrial Complexes – provides an exemption of the Acquisition Tax, Registration Tax and 50 per cent reduction of the Property Tax and Composite Land Tax for real estate used for factory relocation to specially designated agricultural and industrial complexes.
- Rural Industry Development Fund – provides low-interest loans to cover 70-100 per cent of the cost of certain projects in order to promote a balanced regional development.
- The Mutual Assistance Fund – provides low-interest loans to prevent bankruptcies, stabilize cash flow and support collective purchases and sales for small and medium-sized enterprises (SMEs) that are members of the Mutual Assistance Fund.

- Rural Industry Development Programme – provides low-interest loans and working capital for enterprises with approved business plans that intend to move to agricultural and industrial complexes.
- Support for Cooperative Projects – provides low-interest loans and working capital to SMEs that intend to move to pollution-causing Manufacturers' Complexes or Technology and Facilities Sharing Complexes.
- Support for the Development and Commercialization of Environmental Technology – provides loans to enterprises or individuals who intend to develop or commercialize new environmental technology.
- Tariff Reduction for High Technology Products – provides a 30 per cent tariff reduction for enterprises in the high technology industry, such as the precision electronics industry.
- Industrial Technology Development Programme – provides low-interest loans to cover up to 80 per cent of the total cost of technology development projects for certain industries.
- Support for Overseas Mineral and Energy Resources Development – provides grants and low-interest loans for certain projects concerning overseas resources development.
- Assistance for Research and Development Activities – provide low-interest loans to support R&D activities in the information and communication industries.
- Industrial Technology Infrastructure Promotion Programme – provides matching funds to cover a maximum of 75 per cent of the cost to finance projects to promote technology infrastructure.
- Generic Industrial Technology Development Programme – provides grants amounting to approximately 50 per cent of the total cost of a research project to certain public and private institutions.

5. Would you please clarify whether tariff reductions provided under Tariff Reduction for items for Research Activities, a programme not included in your notification are available to commercial enterprises? If so, which enterprises?

6. The following programmes were not included in your notification and appear to be limited to small and medium-sized enterprises. Is there a universal definition that you use to determine which companies receive benefits?

- Tax Incentives and Reserves for Facility Investment of SMEs
  - Tax Reduction for New SMEs
  - Tax Reduction for SMEs
  - Tax Incentives for Equipment Donation to SMEs
  - Tax Incentives for Consolidation of SMEs
  - Tax Incentives for Business conversion of SMEs
  - Exemption of Capital Gains Tax for SMEs
  - Tax Incentives for Business Relocation
  - Tax Reduction for Business Conversion of SMEs
  - Tax Incentives for SMEs' Factory Relocation to Rural Areas
  - Tax Reduction for Enterprises Operating in Agricultural and Industrial Complex
  - Tax Deduction for Capital Increase Income
  - Restructuring Fund for SMEs
  - Environmental Protection Fund for SMEs
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