

SUBSIDIES

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

KOREA

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I. AGRICULTURE

A. FOODGRAIN MANAGEMENT PROGRAMME

1. Title of the subsidy programme

Foodgrain Management Programme

2. Period covered by the notification

1998- 1999

3. Policy objective and/or purpose of the subsidy

To maintain an adequate level of stock of basic grains for food security purposes.

4. Background and authority for the subsidy

Law:

- Foodgrain Management Act (Article 4)
- Act on Distribution and Price Stabilization of Agricultural and Fishery Products (Article 10)
- Special Act for Rural Development (Article 14)

Authority: Ministry of Agriculture and Forestry (MAF)

5. Form of the subsidy

Government purchase of selected items: rice, barley, soy bean, corn

Source of fund:

- rice, barley: Government budget (Special Account for Foodgrain Management)
- soy bean: Fund for Agriculture & Fisheries Product Price Stabilization
- corn: Government budget (Special Account for Structural Improvement of Rural Areas)

6. Recipient and criteria

(1) Rice and barley

The government purchases rice and barley from farmers. The quantities and prices are approved by the National Assembly within the AMS under the WTO Agreement on Agriculture.

(2) Soy beans

The MAF determines the purchasing price and quantity every year before the planting of soy beans within the AMS of the WTO Agreement on Agriculture. Pursuant to the MAF decision, the Agriculture and Fishery Marketing Corporation (AFMC) purchases soy beans from farmers during the harvest season.

(3) Corn

Pursuant to the guidelines for purchasing price and quantity set by the MAF within the AMS of the WTO Agreement on Agriculture, the National Agricultural Cooperatives Federation (NACF) purchases corns from farmers during the harvest season and sells the commodity at market price. The MAF compensates the NACF for losses incurred as a result of the above transaction.

7. Amount of the subsidy (Government expenditures for foodgrain purchases)

(Unit: W billion)

Item /Year	1998	1999
Rice	1,019.2	958.2
Barley	56.8	58.4
Soy Beans	10.1	5.4
Corn	2.0	3.6

8. Duration of the subsidy

The government purchase system for the above items was introduced before the beginning of the UR negotiations, and will be implemented within the AMS commitments as agreed upon with the WTO.

9. Trade effects of the subsidy

- The self-sufficiency level of Korea's grain production has been declining considerably from 56 per cent in 1980 to 31.7 per cent in 1998.
- As stated above, the government intervention in the grain market is to secure the stable food supply and the adequate stock of basic grains for food security. Therefore, the effects of government purchases on trade are considered to be insignificant.
- The subsidy programme is subject to the WTO Agriculture Agreement.

TABLE 1

Statistics on foodgrain production, consumption and trade

Commodity		Unit	1998	1999
Rice	Production	1,000 M/T	5,450	5,097
	Imports	"	75	97
	Exports	"	0	0
	Consumption	"	5,217	5,278
Barley	Production	"	94	138
	Imports	"	25	25
	Exports	"	0	0
	Consumption	"	176	147
Soya Beans	Production	"	154	140
	Imports	"	1,261	1,423
	Exports	"	0	0
	Consumption	"	1,544	1,540
Corn	Production	"	87	80
	Imports	"	6,990	7,679
	Exports	"	0	0
	Consumption	"	7,401	7,740

Note: Years refer to the 12-month period from November to October.

B. LIVESTOCK SUPPORT PROGRAMME

1. Government Purchase of Beef

1.1. Title of the subsidy programme

Government Purchase of Beef

1.2. Period covered by the notification

1998-1999

1.3. Policy objective and/or purpose of the subsidy

This programme had been introduced provisionally in 1997 in order to prevent a drastic fall in beef price and support farmers' income, but it was suspended from January 1999 as beef prices increased at the end of 1998.

1.4. Background and authority for the subsidy

Law: Livestock Act (Article 3)

Authority: Ministry of Agriculture and Forestry

1.5. Form of the subsidy

Government purchase (Source of fund: Livestock Development Fund)

1.6. Recipient and criteria

(1) Recipient: National Livestock Cooperatives Federation, Korea Cold-Storage Company Ltd.

(2) Content of the support: the government provides financial assistance to National Livestock Cooperatives Federation and Korea Cold-Storage Company Ltd. for their beef purchase.

1.7. Amount of the subsidy (Government expenditures for beef purchase)

(Unit: W billion)

	1998	1999
Amount of subsidy	247.1	-

1.8. Duration of the subsidy

Due to the increase in beef prices at the end of 1998, this programme was suspended from January 1999

1.9. Trade effects of the subsidy

- The government purchase is not directly related to beef production but to boost the demand for beef and support farmers by stabilizing beef price. Therefore, the direct effect on trade is insignificant.

<Beef production, consumption and trade>

(Unit: 1,000 M/T)

Classification	1997	1998	1999
Production	329	376	324
Imports	217	125	239
Exports	0	0	0
Consumption	517	517	561

2. Support for Pigmeat Production

2.1. Title of the subsidy program

Support for Pigmeat Production

2.2. Period covered by the notification

1998-1999

2.3. Policy objective and/or purpose of the subsidy

To support the production and supply of high-quality pigmeat.

2.4. Background and authority for the subsidy

Law: Livestock Act

Authority: Ministry of Agriculture and Forestry

2.5. Form of the subsidy

Grant or loan

Source of fund: Livestock Development Fund

2.6. Recipient and criteria

(1) Recipient:

Pig breeding farms and meat processing companies that have supply contracts with pigmeat quality improvement complexes or livestock cooperatives.

(2) Content of the subsidy:

- Pig Breeding Farms: Grants to farmers producing pigmeat that meets the quality standards
- Meat Processing Companies: One-year loans to support purchase of standard pigmeat at an annual interest rate of 5 per cent.

2.7. Amount of the subsidy

(Unit: W million)		
Year	1998	1999
Grant (A) (Support for pigmeat quality improvement)	9,056	6,297
Loan (Support for standard pigmeat purchase)	34,861	25,057
Estimated subsidy (B)	3,612	2,037
Total subsidy (A+B)	12,668	8,334

- * The subsidy effect is estimated based on the difference between the average market interest rate and the loan rate.

2.8. Duration of the subsidy

No fixed time period

2.9. Trade effects of the subsidy

The programme is not directly related to pigmeat production, but to produce and supply safe and high-quality pigmeat to consumers. Since the amount of the subsidy accounts only for 0.35 per cent of the total value of pigmeat production in 1998, its effect on trade is presumed to be insignificant.

<Pigmeat production, consumption and trade>

(Unit: 1,000 M/T)

Classification	1997	1998	1999
Production	896	940	899
Imports	79	71	160
Exports	66	113	103
Consumption	895	898	968

C. MARKETING IMPROVEMENT PROGRAMME FOR FRUITS AND FLOWERS

1. Title of the subsidy programme

Marketing Improvement Programme for Fruits and Flowers

2. Period covered by the notification

1998-1999

3. Policy objective and/or purpose of the subsidy

To improve quality of fruits and flowers.

4. Background and authority for the subsidy

Law: Special Act for Rural Development (Article 16)

Authority: Ministry of Agriculture and Forestry

5. Form of the subsidy

Financial assistance

Source of fund: Government budget (Special Account for Structural Improvement of Rural Areas)

6. Recipient and criteria

Recipients: Exporters of fruits and flowers

- Content of the subsidy: provide financial assistance for selection, packaging, transportation, etc.

7. Amount of the subsidy

(Unit: W billion)

	1998	1999
Total amount of the subsidy	5.3	7.4
(Fruits)	3.0	3.0
(flowers)	2.3	4.3

8. Duration of the subsidy

The subsidy is classified as Export Subsidy permitted for Developing Countries and will be provided until 2004 pursuant to Article 9 (1) (d), (e) and (4) of the WTO Agreement on Agriculture.

9. Trade effects of the subsidy

This programme provides financial assistance to support packaging, transportation etc. to improve quality of fruits and flowers, but the trade effect is presumed to be insignificant.

<Fruits & flowers production, consumption and trade>

Fruits(Apples and pears)

(Unit: M/T)

	1996	1997	1998	1999
Production	870,728	911,946	718,800	749,300
Import	0	0	0	0
Export	9,622	7,775	7,459	6,683
Consumption	861,106	904,171	711,341	742,617

Flowers

(Unit: \$US million)

	1996	1997	1998	1999
Production	687	639	431	502
Import	30	30	13	17
Export	4	5	12	20
Consumption per person(\$)	15.2	13.7	9.7	10.7

II. FORESTRY

A. PLYWOOD & BOARD ASSISTANCE PROGRAMME

1. Title of the subsidy programme

Plywood & Board Assistance Programme

2. Period covered by the notification

1998-1999

3. Policy objective and/or purpose of the subsidy

- To support the replacement of plywood production facilities designed for broad-leaf trees with ones that can also use coniferous trees.
- To promote the use of domestic wood by providing support for board production facilities, using culled-out trees, small unmarketable trees and waste wood materials.

4. Background and authority for the subsidy

Law: Forestry Development and Promotion Act (Article 10)
Authority: Forestry Administration

5. Form of the subsidy

Loan

Source of fund: Special Account for Financial Investment and Loan

6. Recipient and term

- Recipient: plywood and board producers
- Conditions: Interest rate (7.5 per cent)
- Term of loan: 10 years(7-year repayment period with a 3 year grace period)

7. Amount of the subsidy

(Unit: W billion)		
Year	1998	1999
Subsidy effect	0.3	0.26

- * The subsidy effect is estimated, based on the difference between the interest rate on the loan and market interest rate(13.13 per cent).

8. Duration of the subsidy

There is no fixed time period for the subsidy. The support will be provided as long as it is necessary to promote the domestic industry.

9. Trade effect of the subsidy

Most of board and plywood production is used to meet the domestic demand. Therefore, the trade effect is presumed to be insignificant.

< Production, Consumption and Trade>

	Unit	1998	1999
Production	1000 m3	1,731	2,249
Imports	1000 m3	701	1,277
Exports	1000 m3	273	225
Consumption	1000 m3	2,159	3,301

B. FOREST PRODUCTS UTILIZATION ASSISTANCE PROGRAMME

1. Title of the subsidy programme

Forest Products Utilization Assistance Programme

2. Period covered by the notification

1998-1999

3. Policy objective and/or purpose of the subsidy

- To foster domestic wood industry by providing financial assistance for modernization of forestry machinery and facilities and thereby promote the use of domestic wood materials by providing financial assistance for the purchase of domestic wood.

4. Background and authority for the subsidy

Law: Forestry Development and Promotion Act (Article 10), Forestry Act (Article 109)

Authority: Forestry Administration

5. Form of the subsidy

Loan

Source of fund: Special Account for Structural Improvement of Rural Areas

6. Recipient and terms

- Recipient: individuals or corporations that operate wood processing facilities
- Terms of loan:
 - Utility processing facilities: Interest rates: 5.0-8.0 per cent (7-year repayment period with a 3-year grace period)
 - Purchase of materials raw: Interest rates 5.5 per cent (2-year repayment period with a 3-year grace period)

7. Amount of the subsidy

(Unit: W billion)		
Year	1998	1999
Subsidy effect	1.2	1.1

- * The subsidy effect is estimated, based on the difference between the loan rate on the loan and market interest rate (13.13 per cent).

8. Duration of the subsidy

There is no fixed time period. The subsidy will be provided as long as it is necessary to promote the domestic industry.

9. Trade effects of the subsidy

Most of domestic wood production is used to meet the domestic demand. Therefore, the effect on trade is presumed to be insignificant.

<Production, Consumption and Trade>

	Unit	1998	1999
Production	1000 m3	2,200	4,626
Import	1000 m3	480	697
Export	1000 m3	7	7
Consumption	1000 m3	2,673	5,316

* The statistics for the production is estimated figures.

III. FISHERY

A. SUPPORT FOR DEVELOPMENT OF DEEP-SEA FISHERY

1. Title of the subsidy

Support for Development of Deep-Sea Fishery

2. Period covered by the notification

1998-1999

3. Policy objective and/or purpose of the subsidy

- To support the management of deep-sea fishery

4. Background and authority for the subsidy

Law:

- Article 87 of the Fisheries Act
- Operation Principle of the Support for Overseas Resources Production
- Operation Guide for the Support of the Antarctic Ocean Development

Authority: Ministry of Maritime Affairs and Fisheries

5. Form of the subsidy

Loan

6. Recipient and term

- Recipient: deep-sea fishermen
- Content of the support: Providing loans for fishing in distant waters
- Term of loan: One-year loan at the interest rate from 7.0-11.0 per cent.
- Duration of the subsidy: One year

7. Amount of the subsidy

(a) Support for Overseas Resource Development

(Unit: W million)

Year	Amount of the loan	Estimated subsidy amount
1998	301,000	17,669
1999	352,000	17,600

* The subsidy amount is estimated based on the difference between the loan rate and the market rate.

(b) Support for Antarctic Ocean Development

(Unit: W million)

Year	Amount of the loan	Estimated subsidy amount
1998	544	46

* The subsidy amount is estimated based on the difference between the interest rate on the loan and the market rate.

8. Duration of the subsidy

There is no fixed time period.

9. Trade effect of the subsidy

It is difficult to estimate the trade effects.

B. SUPPORT FOR FISH PRODUCTS PROCESSING DEVELOPMENT

1. Title of the subsidy

Support for Fish Products Processing Development

2. Period covered by the notification

1998-1999

3. Policy objective and/or purpose of the subsidy

To develop new fishery products, increase the production of high quality products and modernize the storage and processing facilities.

4. Background and authority for the subsidy

Laws :

- Article 5 of the Law on the Support for Agriculture and Fish Processing Industry
- Article 15 of the Special Act for Rural Development
- Authority: Ministry of Maritime Affairs and Fisheries

5. Form of the subsidy

Grants, Loan

6. Recipient and criteria

- Recipient: Companies engaged in constructing facilities for handling, storing and processing fish.
- Content of the support: Supporting the cost necessary for fish processing facilities.
- Period of the loan
 - Support for operations of fish processing: 1 year
 - Support for the storage and processing facilities of fish products: 10 years (repayment within 7 years with a 3-year grace period)
 - Interest rate: 5 per cent

7. Amount of the subsidy

(Unit: W million)

	1998	1999
Grants(A)	1,925	2 355
Loan	28,300	16,763
Estimated subsidy by loan(B)	849	942
amount of Total subsidy (A+B)	2,774	3,927

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- * The subsidy effect is estimated based on the difference between the market interest rate and the loan rate.

8. Duration of the subsidy

There is no limitation on this programme.

9. Trade effect of the subsidy:

It is difficult to estimate the trade effect.

C. SUPPORT FOR FISHING ACTIVITIES

1. Title of the subsidy

Support for Fishing Activities

2. Period covered by the notification

1998-1999

3. Policy objective and/or purpose of the subsidy

To support stable fishing business operation by providing loans

4. Background and authority for the subsidy

Laws:

- Article 87 of the Fisheries Act
- Operation Principle of the Funds for Supporting Fishing Activities

Authority: Ministry of Maritime Affairs and Fisheries

5. Form of the subsidy

Loan

6. Recipient and criteria:

- Coastal and off-shore fishermen as well as inland fishermen
- Content of the support: Provide loans that cover more than 20 per cent of the business operation costs according to the business scale
- Period of the loan: 1 year
- Interest rates: 5.0 -7.0 per cent

7. Amount of the subsidy

(Unit W billion)

Year	1998	1999
Loan amount	566.6	581.4
Subsidy effect*	45.7	46.9

- * The subsidy effect is estimated based on the difference between the market interest rate and the loan rate.

8. Duration of the subsidy

There is no fixed time period.

9. Trade effect of the subsidy

It is difficult to estimate the trade effect.

D. SUPPORT FOR AQUACULTURE FISHERY DEVELOPMENT

1. Title of the subsidy

Support for Developing Aquaculture Fishery

2. Period covered by the notification

1998-1999

3. Policy objective and/or purpose of subsidy

- To promote the development of aquaculture fishing to ensure stable supply of fishery products and develop income sources of fishermen

4. Background and authority for the subsidy

Law: Special Account for Infrastructure Improvement of Rural Areas

Authority: Ministry of Maritime Affairs and Fisheries

5. Form of the subsidy

Grants, Loan

6. Recipient and criteria

- Recipient: fishermen engaged in aquaculture
- Content of the subsidy: Provide loans that cover 80 per cent of the cost (in case of common aquafarm development, 40 per cent covered by government grant, 40 per cent by loan and 20 per cent financed by the developer)
- Term of loan: a 7-year repayment period with a 3-year grace period
- Interest rates: 5 per cent

7. Amount of the subsidy

(Unit: W billion)

Year	1993	1994	1995	199 6	1997	1998	1999
Amount of subsidy(A)	0.3	1.2	3.5	3.5	3.5	2.8	2.0
Loan	4.0	2.1	5.6	6.0	6.7	7.2	24.1
Subsidy effect of loan(B)	0.3	0.2	0.4	0.4	0.5	0.3	1.6
Total (A+B)	0.6	1.4	3.9	3.9	4.0	3.1	3.6

* The subsidy effect is estimated based on the difference between the loan rate and the market rate.

8. Duration of the subsidy

There is no fixed time period.

9. Trade effect of the subsidy

It is difficult to estimate the trade effect.

E. LOCAL TAX REDUCTION FOR BUILDING AND ACQUISITION OF DEEP-SEA FISHING VESSELS

1. Title of the subsidy programme

Local Tax Reduction for Building and Acquisition of International Line Vessels

2. Period covered by the notification

1998-1999

3. Policy objective and/or purpose of the subsidy

To reduce the tax burden on building and acquisition of international line vessels.

4. Background and authority for the subsidy

Law: Paragraph 1&2, Article 289 of Local Tax Act

Authority: Ministry of Administration and Home Affairs

5. Form of the subsidy

Tax reduction

6. Recipient and term

- Exemption of acquisition tax on vessels acquired for the purpose of registering as international ship according to the International Vessel Registration Law.
- Exemption of Common Facility Tax on vessels registered as international ship as of the date of taxation and 50 per cent reduction in property tax.
- If the vessel is not registered as international ship within 6 months from the date of acquisition, the exempted acquisition tax will be levied.

Acquisition tax and Property tax shall be reduced by 50 per cent for Vessel which is acquired for coastal line and not registered under the International Vessel Registration Law

7. Amount of subsidy

(Unit: W billion)

Year	1998	1999	Total
Amount	11.4	13.9	2 5.4

8. Duration of the subsidy

Until 31 December, 2000

9. Trade effect

The subsidy is to promote the shipping industry by relieving tax burden on international ships and it is not related to trade.

IV. COAL INDUSTRY

A. SUPPORT PROGRAMME FOR THE COAL INDUSTRY

1. Title of the subsidy programme

Support Programme for the Coal Industry

2. Period covered by the notification

1998 1999

3. Policy objectives and /or purpose of the subsidy

- To support the restructuring of the coal industry resulted from drastic decline in the demand for briquette and subsequent reduction of production.
- To activate regional economy that is being shrinking as a result of the restructuring.
- To stabilize sales prices of coal and briquettes, and subsidize the difference between sales prices and production costs.
- To support local economies that have been adversely affected by the restructuring of the industry.
- To promote pollution control in coal mines and support briquette industry

4. Background and authority for the subsidy

Law: Coal Industry Law (Article 26) and the Enforcement Decree (Article 22)

Authority: Ministry of Commerce, Industry and Energy

5. Form of the subsidy

- Grants: Provided to stabilize the price of coal briquettes, support mine closings, promote economic development of coal mining areas, to install safety and production facilities, etc.
- Loans : Provided for the development of coal mining, facilities of briquette plants, substitute business start-ups in areas affected by mine closings.

6. Recipient and term

- Support for stabilizing sales prices of coal and briquettes:

Set maximum sales price levels, and subsidize the difference between sales price and production cost to mine owners, mine employees and briquette manufacturers.
- Support for coal mine closings:

Provide grants for miners and workers in case that mines are closed.
- Support for safety and production facilities:

Provide grants for pollution control and coal mining mechanization.

Loans:

Provide loans to briquette manufacturers to support improvement of facilities, and to substitute business enterprises in areas where coal mines have been closed.
- Support for storage of anthracite coal:

Purchase surplus anthracite coal during the "Demand and Supply Coordination Period" (1995-99), and to provide support for its storage.

7. Amount and duration of the subsidy

(Unit: W million)			
Year	1998	1999	Duration
Support for stabilizing price of coal and Briquette	3,238	3,230	No time limit
Support for coal mine closings	61	12	No time limit
Support for mining area	724	626	Until 2005
Support for storing management of Anthracite coal	145	18	Until 2000
Loans	155	30	Until 2005
Support for storing management of Anthracite coal	500	428	Until 2000
Total	4,823	4,344	

8. Trade effect of the subsidy

Due to decline in demand for domestically mined anthracite coal, the government has implemented a policy for reducing coal production and closing coal mines. As a result of this policy, demand for such imported energy resources as bituminous coal is increasing.

V. MANUFACTURING INDUSTRY

A. SUPPORT FOR FOREIGN INVESTED ENTERPRISES

1. Title of the subsidy

Support for Foreign Invested Enterprises-

2. Period covered by the notification

1998-1999

3. Policy objective and /or purpose of the subsidy

To induce foreign direct investment.

4. Background and authority for the subsidy

Law: Article 121 of Special Tax Benefit Limitation Law, Foreign Investment Promotion Act

Authority: Ministry of Finance and Economy, Ministry of Commerce, Industry and Energy

5. Form of the subsidy

Tax reduction

Reduction in government land rental fee

6. Recipient and term

- Foreign invested enterprises which engaged in service sector supporting other industries or which use advanced technology.
- Foreign invested enterprises that operate in Foreign Investment Zones including Free Export Zones

7. Amount of the subsidy

- Full exemption of corporation tax and income tax for foreign invested enterprises for the first 7 years after income is generated and 50% reduction for the following 3 years.
- Full exemption of acquisition tax, registration tax, property tax and aggregate land tax on land acquired or owned by foreign invested enterprises for the first 5 years after income is generated and 50% reduction for the following 3 years.
- Full exemption of customs duty, special excise tax and value-added tax on capital goods brought into Korea by foreign invested enterprises within 3 years for operation of businesses eligible for tax exemption or reduction.
- Reduction and exemption of land-use fees for foreign invested enterprises
 - 100 per cent exemption for foreign invested enterprises located in Foreign Investment Zones or Industrial Parks for Foreign Invested Enterprise which make an investment of more than one million dollar in high technology businesses or businesses supporting other domestic industries.
 - 75 per cent reduction for foreign invested enterprises operating in Industrial Parks for Foreign Invested Enterprise making an investment of more than 10 million dollars in manufacturing industry.
 - 50 per cent reduction for foreign invested enterprises contribute to increasing social overhead capital.

8. Duration of the subsidy

There is no fixed time period

- * Tax reduction or exemption regime regarding foreign direct investment was first introduced in January 1960, and the current tax system was put into effect on 17 November 1998.

9. Trade effect of the subsidy

The main purpose of this subsidy is to induce FDI, so it is difficult to estimate the trade effects.

B. TARIFF REDUCTION ON AIRCRAFT PARTS

1. Title of the subsidy program

Tariff Reduction on Aircraft Parts

2. Period covered by the notification

1998-1999

3. Policy objective and/or purpose of the subsidy

To encourage the importation of aircraft parts which are not produced domestically and to reduce production cost.

4. Background and authority for the subsidy

Law :

- Customs Act (Article 28-4)
- Enforcement Decree of Customs Act (Article 16-2)
- Enforcement Ordinance of the Customs Act (Article 14, 14-2, 15)

Authority: Ministry of Finance and Economy

5. Form of the subsidy

Tax reduction

6. Recipient and criteria

Those who manufacture or repair aircrafts according to the Promotion Act for the development of aircrafts and space industries.

7. Amount of the subsidy

(Unit: W billion)

Year	1998	1999
Amount of Duty Reduction	8.2	9.2

8. Duration of the subsidy

No fixed time period

9. Trade effect of the subsidy

None

C. RESERVE FOR FARM MACHINERY PRODUCTION

1. Title of the subsidy programme

Reserve for Farm Machinery Production

2. Period covered by the notification

1998-1999

3. Policy objective and/or purpose of the subsidy

- To assist off-season production of farm machinery and meet the high demand for farm machinery in busy seasons.
- To provide financial support to promote development, production and use of new technology farm machinery.

4. Background and authority for the subsidy

Laws: The Farm Mechanization Promotion Law

Authority: Ministry of Agriculture and Forestry

5. Form of the subsidy

Loan

- * Source of fund: Government budget (Special Account for Structural Development of Rural Areas)

6. Recipient and criteria

- (1) Recipient: Farm machinery manufacturers, new machinery technology developers
- (2) Content of the support: 1 year loan for farm machinery production and new technology development at 5 per cent annual interest rate .

7. Amount of the subsidy

(Unit: W billion)

Year	Amount of the loan	Estimate of the subsidy
1997	60.0	4.5
1998	44.3	3.9
1999	45.7	3.7

- * The subsidy amount is estimated based on the difference between the average market rate and the loan rate

8. Duration of the subsidy

No fixed time period

9. Trade effect of subsidy

This subsidy amount accounts only for 0.3 to 0.4 per cent of the total value of farm machinery production. Therefore, its effect on trade is almost non-existent.

<Statistics of sales and trade>

Classification	1998	1999
Sales (W billion)	956.7	930.2
Imports (U\$ million)	113.7	94.2
Exports (U\$ million)	82.3	92.7

D. SUPPORT FUND FOR THE STONE INDUSTRY

1. Title of the subsidy

Support Fund for the Stone Industry

2. Period covered by the notification

1998-1999

3. Policy objective and/or purpose of the subsidy

- To develop domestic stone resources and stabilize its supply

4. Background and authority for the subsidy

Law:: Article 6 of the Law Concerning the Special Account for the Energy and Resources Industry

Authority: Ministry of Commerce, Industry and Energy

5. Form of the subsidy

Loans at an annual interest rate of 7.5 per cent to 8.5 per cent

6. Recipient and criteria

- Quarrying industry, stone processing industry

Terms of the loans

	Term	Maximum Amount	Interest Rate
Facility Fund	5-year repayment period with a three-year grace period	100 per cent of the facility investment	Special Account for Financial Loan: 8.5 per cent Special Account for Energy Management: 7.5 per cent
Working capital	2.5-year repayment with a 1.5-year grace period	Up to 80 per cent of the cost	Special Account for Financial Loan : 8.5 per cent Special Account for Energy Management: 7.5 per cent

7. Amount of the subsidy

(Unit: W million)

Year	1998	1999
Direct Loan	632	632
Subsidy Effect	402	173
Total	1,034	805

- * The subsidy effect is estimated based on the difference between the market interest rate and the loan rate.

8. Duration of the subsidy

No fixed time period

9. Trade effects of the subsidy

The effect on trade is insignificant.

VI. RESEARCH AND DEVELOPMENT

A. DIESEL VEHICLE LOW EMISSION TECHNOLOGY DEVELOPMENT

1. Title of the subsidy program

Diesel Vehicle Low Emission Technology Development

2. Period covered by the notification

1998-1999

3. Policy objective and/or purpose of the subsidy

Though large-sized diesel vehicles account only for 4.3 per cent, the pollutants they emit is 47 per cent of the total pollutants generated by all vehicles. 85.3 per cent of air pollutants in Seoul was caused by vehicles in 1997 and this calls for urgent measure to reduce pollution by large-sized diesel vehicles.

As an anti-pollution measure, the government further limited the gas emission (specified in Enforcement Decree for Air Preservation Law) and anti-pollution technology needs to be developed to meet the strengthened gas emission standards effective from 2000.

In addition to the limit on gas emission, anti-pollution technology development project has been launched to reduce air pollution. In this regard, the government support is provided to promote such development.

<NO_x Reduction Plan>

Type of vehicle	1997	Long-term emission level	Project objective
Large-sized vehicle	11.0 g/kwh	5.0 g/kwh	4.0 g/kwh
Medium/small vehicle	1.43 g/km	0.64-0.71 g/km	0.5-0.6 g/km

4. Background and authority for the subsidy

Law: Air Preservation Law (Article 31), Support for Technology Development (Article 31.2), Environment Improvement Fund (Article 11) and Enforcement Decree (Article 18). Law on Special Account for Environment Improvement (Article 4), Air Preservation Law (Article 32)

Authority: Ministry of Environment

5. Form of the subsidy : Government contribution

6. Recipient and criteria

- Recipient: research institutions developing the following 3 technologies:
 - high pressure injection pumps
 - cold ERG technology
 - combustion chamber design and engine mapping
- Amount: government contribution amounting to 50 per cent of R&D costs, 20 per cent of which will be repaid to the government after the technology is developed (in case of 1996, 50 per cent of the financial contribution to be repaid). The actual government contribution will cover 30 per cent of the costs.
- Criteria: research institutions that have research facilities, equipments and human resources to carry out the project and have accepted the financial responsibility of the project.
 - Selection process: public notice in newspaper or official gazette
 - Institutions are required to submit a proposal to the Deliberation Committee on Low Emission Technology for deliberation and final decision.

7. Amount of the subsidy

(Unit: W billion)

Year	1996	1997	1998	1999 (preliminary figures)
High pressure injection	0.8	0	0.3	0.3
Cold ERG technology	0	0	0.5	0.5
Combustion chamber design and engine mapping	0.2	0	0.2	0.2
Total	1	0	1	1

8. Duration of subsidy

Until 2001 because the gas emission standards will be strengthened gradually from 2000 to 2002.

9. Trade effect of the subsidy

This project is to protect environment through reduction of green house effect generated by air pollution and protection of ozone layer by reducing pollutants such as NOx emitted by diesel vehicles, using anti-pollution technology. The purpose of the project is to relieve air pollution caused by large-sized diesel vehicles. Therefore, no effect on trade is expected.

<Gas Emission Reduction Objective for Large-Sized Vehicles>

Type of gas	Hydrocarbon	Carbon monoxide	NOx
Reduction objective(g/kwh)	1.2 0.9	6.8 4.0	11.0 4.0

B. ASSISTANCE FOR RESEARCH AND DEVELOPMENT ACTIVITIES FROM BASIC ACT ON INFORMATION PROMOTION (RESEARCH AND DEVELOPMENT ACTIVITIES SUPPORTED BY THE INFORMATION AND COMMUNICATION PROMOTING FUND)

1. Title of the subsidy programme

Assistance for Research and Development activities from Basic Act on Information Promotion

2. Period covered by the notification

1998-1999

3. Policy objective and/or purpose of the subsidy

Assistance for research and development activity on information and communication.

4. Background and authority for the subsidy

Law: Article 34 of Basic Act on Information Promotion, Article 31 of the Enforcement Decree.

Authority: Ministry of Information and Communication

5. Form of the subsidy

Loan (Source: Information Promotion Fund)

6. Recipient and Criteria

- Recipient of support: Private firms in the field of information and communication
- Content of support: Assistance for research and development activities on information and communication:
 - the subsidy is limited to research activities for industrial purposes and pre-competitive development activities
 - R&D for commercial purposes is excluded from the subsidy.
- Conditions of the loan: 6.5 per cent a year
- Duration of the support: less than five years (with a two-years' grace period)
- Recipient or selection criteria
 - Firms which desire to develop technology in the field of information and telecommunications like Multi-media etc;
 - Only "industrial research" and "pre-competitive development activities" can be assisted.

Authority in charge: IITA (Institute of Information Technology Assessment)

7. Amount of the subsidy

Unit: W billion)

Year	1998	1999
Loan	261.1	211.0
Amount of the subsidy	14.4	5.8

- * The subsidy effect is estimated based on difference between the market interest rate and the loan rate.

8. Duration of the subsidy

1993 (no fixed time period)

9. Trade effect of the subsidy

This subsidy is for R&D and commercial development activities are excluded from the subsidy. Therefore, the effect on trade is non-existent.

C. ENVIRONMENTAL ENGINEERING & TECHNOLOGY DEVELOPMENT PROGRAMME

1. Title of the subsidy programme

Environmental Engineering & Technology Development Programme

2. Period covered by the notification

1998-1999

3. Policy objective and/or purpose of the subsidy

- To obtain internationally-competitive environmental technology and promote environment industry to raise the national competitiveness
- To provide financial support to research institutes invested both by private investors and the government which are dedicated to R&D on high technology in the field of environment.

4. Background and authority for the subsidy

Law: Act on Environmental Technology Development and Assistance (Article 4),
Technology Development Promotion Act (Article 8.3)

Authority: Ministry of Environment

5. Form of the subsidy

Grant (source of fund: Special Account for Environment Improvement)

6. Recipient and criteria

Government invested research institutions, universities, research institutions and private enterprises that participate in the G-7 Environmental Engineering Technology Project.

7. Amount of the subsidy

(Unit: W billion)

Year	1998	1999
Amount of the subsidy	23.4	21.4

8. Duration of the subsidy

First introduced in 1992 and continue to be provided to promote environmental technology development.

9. Trade effect of the subsidy

It is very difficult to estimate trade effect of the subsidy, since this subsidy is an indirect support for basic environmental technology.

D. SCIENCE AND TECHNOLOGY PROMOTION FUND

1. Title of the subsidy programme

Science and Technology Promotion Fund

2. Period covered by the notification

1998-1999

3. Policy objective and/or purpose of subsidy

To assist R&D activities of private enterprises

4. Background and authority for the subsidy

Law :

- Science and Technology Promotion Act 14
- The Enforcement Decree of Science and Technology Promotion Act.
- The Enforcement Regulation of Science and Technology Promotion Fund

Authority: The fund is managed by the Korea Science Foundation, a private organization, entrusted by the government.

5. Form of the subsidy

Loan

6. Recipient and criteria

- Beneficiaries: Organizations that carry out research and development on science and technology which is important to national interests.
- Conditions of support
 - Lending period: 7 years, including of a maximum 3- year grace period.
 - Interest rate: 6.0-6.5 per cent per year:
 - Limits on subsidy amounts:
 - W 1 billion per project
 - W 3 billion per company
 - W 100 per cent of the total amount required by a company for a project (a large enterprise: 80%)
 - Scope of activities eligible for the subsidy: R&D on high technology industry and pre-competitive R&D activities.

7. Amount of the subsidy

	(Unit : billion won)	
	1998	1999
Loan	109.3	54.3

8. Duration of the subsidy

1993 (no fixed time period)

9. Trade effect of the subsidy

Its effect on trade is insignificant.
