

# WORLD TRADE ORGANIZATION

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Committee on Subsidies and  
Countervailing Measures

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## SUBSIDIES

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

## KOREA

The following communication, dated 3 May 2004, is being circulated at the request of the Delegation of Korea.

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The following notification is submitted for the purposes of transparency and without prejudice to the legal status and nature including specificity, or effects of the notified programmes or measures under the ASCM and GATT 1994.

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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 : 2001-2002**

#### **3. Policy objective and/or purpose of the subsidy:**

To maintain buffering stocks of staple foods for food security

#### **4. Background and authority for the subsidy**

Law:

- Article 4 of Foodgrain Management Act
- Article 10 of the Agro-Fisheries Marketing and Price Stabilization Act
- Article 14 of the Special Act for Rural Development

Authority: Ministry of Agriculture and Forestry (MAF)

#### **5. Form of the subsidy**

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

\*Financial Resource

- Rice, barley: Government budget (Foodgrain Management Special Account)
- Soy bean: Fund for Agriculture & Fisheries Product Price Stabilization
- Corn: Government budget (Special Account for Structural Development of Rural Areas)

#### **6. Recipients and Terms**

##### **(1) Rice and barley**

The government purchases rice and barley from farmers. The quantities and prices are approved by the National Assembly within the Aggregate Measurement of Support (AMS) commitments under the WTO Agreement on Agriculture.

##### **(2) Soy bean**

The government determines the purchasing price and quantity every year before the planting of soybeans within the AMS commitment under the WTO Agreement on

Agriculture. Pursuant to the government decision, the Agriculture and Fishery Marketing Corporation (AFMC) purchases soybean from farmers during the harvest season.

(3) Corn

Pursuant to the guidelines for purchasing price and quantity set by the government within the AMS commitment under 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 government compensates the NACF for losses incurred as a result of the above transaction.

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

(Unit: billion KRW)\*

Item /Year	2001	2002
Rice	870.9	824.1
Barley	47.5	54.4
Soy bean	11.2	15.3
Corn	2.5	1.4

\* KRW: Korean Won

8. Duration of the subsidy

The governmental purchase system for the above items was introduced before beginning of the UR negotiations, and will be implemented within the AMS commitments as agreed upon under the WTO Agreement on Agriculture.

9. Trade effects of the subsidy

The self-sufficiency ratio of Korea's grain production has been declining from 56 per cent in 1980 and 43.1 per cent in 1990 to 30.4 per cent in 2002

As stated above, the governmental 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.

Statistics on Production, Consumption and Trade for Food Grain

(Unit: 1,000 M/T)

Commodity		2001	2002
Rice	Production	5,291	5,515
	Import	128	154
	Export	-	-
	Consumption	5,151	5,157
Barley	Production	268	212
	Import	162	183
	Export	-	-
	Consumption	347	351
Soy bean	Production	113	118
	Import	1,344	1,489
	Export	-	-

Commodity		2001	2002
	Consumption	1,463	1,614
Corn	Production	64	57
	Import	8,529	8,620
	Export	-	-
	Consumption	8,511	8,697

\* Note: 1. Years refer to the 12-month period from November to October.  
2.400,000 tons of food aid provided to North Korea in 2002 was excluded.

B. SUPPORT FOR MARKETING IMPROVEMENT AND PROMOTION OF AGRICULTURAL AND LIVESTOCK PRODUCTS

1. Title of the subsidy programme

Support for Marketing and Promotion of Agricultural and Livestock Products

2. Period covered by the notification: 2001-2002

3. Policy objective and/or purpose of the subsidy

To improve quality and reduce the marketing costs of agricultural products (Fruits, Flowers, Gimchi, Vegetables, Ginseng, Livestock products)

4. Background and authority for the subsidy

Law: Article 16 of the Special Act for Rural Development  
Authority: Ministry of Agriculture and Forestry

5. Form of the subsidy

Grants

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

6. Recipients and criteria

Recipients: Exporters of Fruits, Flowers, Gimchi, Vegetables, Livestock products  
Content of the subsidy: Financial assistance for selection, packaging, transportation, etc.

7. Amount of the subsidy

(Unit: million KRW)

	2001	2002
Total amount of the subsidy	25,955	26,605
Fruit	7,735	12,247
Flower	6,962	4,597
Gimchi	1,775	2,045
Vegetable	8,593	6,556

	<b>2001</b>	<b>2002</b>
Ginseng	727	1,040
Livestock product	163	138

8. Duration of the subsidy

No fixed time period

9. Trade effects of the subsidy

This programme provides financial assistance to support packaging, transportation, etc. and to improve quality and reduce distribution cost of agricultural and livestock products (only packaging for livestock products), but the trade effect is presumed to be insignificant

Statistics on Production, Consumption and Trade

## - Fruit (Apples and Pears)

(Unit: M/T)

	<b>2000</b>	<b>2001</b>	<b>2002</b>
Production	813,200	820,743	819,000
Import	-	-	-
Export	11,074	15,188	34,390
Consumption	802,126	805,555	784,610

## - Flower

(Unit: million US\$)

	<b>2000</b>	<b>2001</b>	<b>2002</b>
Production	510	536	540
Import	19	21	23
Export	29	32	32
Consumption (Billion KRW)	500	525	531

## - Gimchi

(Unit: M/T)

	<b>2000</b>	<b>2001</b>	<b>2002</b>
Production	487,405	449,806	472,296
Import	473	393	474
Export	23,433	23,785	29,213
Consumption	1,556,621	1,499,353	1,574,321

\*Note: Consumption here is the sum of consumption of processed, self-made and imported Gimchi.

## - Vegetable

(Unit: 1,000 M/T)

	<b>2000</b>	<b>2001</b>	<b>2002</b>
Production	11,282	11,310	9,796
Import	220	239	258
Export	41	70	50
Consumption	11,461	11,479	10,004

- Ginseng

(Unit: M/T)

	2000	2001	2002
Production	13,664	13,215	16,662
Import	107	133	140
Export	2,078	1,983	2,163
Consumption	11,693	11,275	14,639

- Livestock

(Unit: M/T)

	2000	2001	2002
Production	975,900	1,000,100	1,073,700
Import	213,325	188,523	225,326
Export	30,002	43,262	21,414
Consumption	1,159,223	1,145,361	1,277,612

C. SUPPORT FOR LIVESTOCK PRODUCTS

1. **Hanwoo Industry Stabilization Programme**

1.1. Title of the subsidy programme

Hanwoo Industry Stabilization Programme

1.2. Period covered by the notification : 2001-2002

1.3. Policy objective and/or purpose of the subsidy

To promote the competitiveness of Hanwoo through quality improvement, and to maintain Hanwoo (Korean native cattle) production capacity against the continuous decline of the number of cattle and calf

1.4. Background and authority for the subsidy

Law: Article 3 and Article 26 of the Livestock Act  
Authority: Ministry of Agriculture and Forestry

1.5. Form of the subsidy

Grants

\*Source of fund: The Livestock Development Fund

1.6. Recipients and terms

*Castration Subsidy*

In 2001~2002, 100,000~200,000 KRW per the castrated bull was subsidized to Hanwoo-raising farmers enrolled in Calf Production Stabilization Programme and farmers who raise dairy cattle, bull, and hybrid cattle of Korean origin.

### *Support for Calf Production Infrastructure*

Supports are provided to create infrastructure of a cattle production including building livestock barns, cultivation of feed with creation of grasslands, purchase of facilities and equipment. Recipients include members of the National Agricultural Cooperative Federation, Hanwoo-raising incorporated associations, and full-time Hanwoo-raising farmers who have already acquired more than 20 ha of grassland.

### *Subsidy for Hanwoo Productivity*

Subsidy is provided to Hanwoo-raising farmers enrolled in Calf Stabilization Programme, and producing more than three heads of calf per Hanwoo.

### *High Quality Cattle Production Reward*

In 2001~2002, 100,000~150,000 KRW per head was subsidized to farmers who produce castrated cattle obtaining certain grade or higher.

#### 1.7. Amount of the subsidy

(Unit: million KRW)

	<b>2001</b>	<b>2002</b>
Castration Subsidy	18,528	15,783
Support for Calf Production Infrastructure	-	800
Subsidy for Hanwoo productivity	29,337	40,451
High Quality Cattle Production Reward	2,302	-

#### 1.8. Duration of the subsidy: No fixed time period.

#### 1.9. Trade effects of the subsidy

As the number of domestic cattle head decreased, Korea's self sufficiency rate of beef has been in decline.

- The number of Hanwoo raised was decreased from 2,383,000 heads in December 1998 to 1,410,000 in December 2002.
- The self-sufficiency rate of beef was decreased from 75.4 per cent in 1998 to 36.6 per cent in 2002.

The programme's impact on trade is expected to be minimal, because it has been established to secure the domestic beef supply infrastructure under the declining beef self-sufficiency rate.

### Beef production, Consumption and Trade

(Unit: 1,000 M/T)

	<b>2001</b>	<b>2002</b>
Production	164	147
Import	181	338
Export	-	-
Consumption	384	403



## 2. Support for stabilizing the Demand and Supply of Livestock Products

### 2.1. Title of the subsidy programme:

Government Purchase of Pigs due to the outbreak of swine fever

### 2.2. Period covered by the notification: From May to December 2002

### 2.3. Policy objective and/or purpose of the subsidy

To minimize the damage by preventing classical swine fever from spreading to pig-raising farm households

### 2.4. Background and authority for the subsidy

Law: Article 3 of the Livestock Act

Authority: Ministry of Agriculture and Forestry

### 2.5. Form of the Subsidy

Grant and Loan

\*Source of fund: The Livestock Development Fund

### 2.6. Recipients and terms

Recipient: Grant and loan have been given to the pig-raising farm households within the designated area, and applying for them.

Purchasing was made at market price for pig-raising farm households

Terms of loan: Full redemption should be made all at once after 6 month at the annual interest rate of 0 per cent

### 2.7. Amount of the subsidy: 1,548 million KRW

(Unit: million KRW)	
Grant (A)	1,541
Loan	226
Estimated Subsidy of Loan (B)	7.6
<b>Total (A+B)</b>	<b>1,548</b>

\* 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

Trade effects of the subsidy is expected to be insignificant, considering the purpose of the subsidy of minimizing damage caused to pig raising farm households by preventing swine fever from spreading.

Production, Import, Export and Consumption of Pork

(Unit: 1,000 M/T)

	<b>2001</b>	<b>2002</b>
Production	733	785
Import	105	131
Export	41	20
Consumption	807	810

**II. FORESTRY**

A. PLYWOOD & BOARD ASSISTANCE PROGRAMME

1. Title of the subsidy programme: Plywood & Board Assistance Programme

2. Period covered by the notification: 2001-2002

3. Policy objective and/or purpose of the subsidy

To provide 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

Authority: Forestry Administration

5. Form of the subsidy

Loan

\*Source of fund: The Special Account for Financial Investment and Loan (2001), The Special Account for agro-fisheries & rural structure improvement (2002)

6. Recipient and terms

Recipient: plywood and board producers, Conditions: Interest rate of 5.5 per cent

Terms of loan: 10 years (7-year repayment period with a 3-year grace period)

7. Amount of the subsidy

(Unit: million KRW)

	<b>2001</b>	<b>2002</b>
Subsidy effect	120	40

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

8. Duration of the subsidy: No fixed time period

9. Trade effect of the subsidy

Most of board and plywood production is used to meet the domestic demand and the export of these products which have been declining. Therefore, the trade effect is presumed to be insignificant.

Production, Consumption and Trade

	(Unit: 1,000m <sup>3</sup> )	
	2001	2002
Production	2,478	2,788
Imports	1,922	2,483
Exports	154	98
Consumption	4,246	5,173

B. FOREST PRODUCTS UTILIZATION ASSISTANCE PROGRAMME

1. Title of the subsidy programme: Forest Products Utilization Assistance Programme

2. Period covered by the notification: 2001-2002

3. Policy objective and/or purpose of the subsidy

To provide financial assistance for modernization of forestry machinery and facilities

4. Background and authority for the subsidy

Laws: 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 of 4.0-8.0 per cent (7-year repayment period with a 3-year grace period)
- Purchase of raw materials: Interest rate of 5.5 per cent (2-year repayment period with a 3-year grace period)

7. Amount of the subsidy

	(Unit: million KRW)	
	2001	2002
Subsidy effect	900	90

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

8. Duration of the subsidy : No fixed time period

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: 1,000m<sup>3</sup>)

	<b>2001</b>	<b>2002</b>
Production	4,319	4,009
Import	761	848
Export	19	14
Consumption	5,061	4,843

### III. FISHERY

#### A. SUPPORT FOR DEVELOPMENT OF DEEP-SEA FISHERY

1. Title of the subsidy programme: Support for Development of Deep-Sea Fishery

2. Period covered by the notification: 2001-2002

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

Authority: Ministry of Maritime Affairs and Fisheries

5. Form of the subsidy: Loan

6. Recipient and terms

- Recipient: deep-sea fishermen

- Terms of loan: One-year loan at the interest rate ranging from 4.50 to 5.50 per cent.

7. Amount of the subsidy

(Unit: million KRW)

	<b>Amount of the loan</b>	<b>Estimated subsidy amount</b>
2001	331,000	2,000
2002	300,000	1,900

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

8. Duration of the subsidy or time restriction under related laws: 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 programme: Support for Fish Products Processing Development

2. Period covered by the notification: 2001-2002

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

Law: Article 15 and 16 of the Law on the Fisheries Products Quality Control

Authority: Ministry of Maritime Affairs and Fisheries

5. Form of the subsidy: Grants, Loan

6. Recipient and terms

Recipient: Companies engaged in constructing facilities for handling, storing and processing.

Terms 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: million KRW)

	2001	2002
Grants (a)	2,000	3,000
Loan	17,500	11,500
Estimated subsidy by loan (b)	400	200
Amount of total subsidy (a+b)	2,400	3,200

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

8. Duration of the subsidy: No fixed time period.

9. Trade effect of the subsidy: It is difficult to estimate the trade effect.

C. SUPPORT FOR FISHING ACTIVITIES

1. Title of the subsidy programme: Support for Fishing Activities

2. Period covered by the notification: 2001-2002

3. Policy objective and/or purpose of the subsidy

To relieve financial burden and support stable fishing business operation by providing loans

4. Background and authority for the subsidy

Laws: Article 87 of the Fisheries Act

Authority: Ministry of Maritime Affairs and Fisheries

5. Form of the subsidy:

Loan

6. Recipient and terms

- Coastal and off-shore fishermen as well as inland fishermen
- Period of the loan: 1 year
- Interest rates: 4.0 - 4.5 per cent

7. Amount of the subsidy

(Unit: billion KRW)

	<b>2001</b>	<b>2000</b>
Loan amount	1,205	1,405
Subsidy effect*	53.6	40

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

8. Duration of the subsidy: No fixed time period.

9. Trade effect of the subsidy

It is difficult to estimate the trade effects.

D. SUPPORT FOR AQUACULTURE FISHERY DEVELOPMENT

1. Title of the subsidy programme: Support for Aquaculture Development

2. Period covered by the notification: 2001-2002

3. Policy objective and/or purpose of subsidy

To have stable supply of fishery products by supporting the establishment of aquaculture fishery under the changing circumstances of domestic and overseas industries.

4. Background and authority for the subsidy

Law: Article 4 of the Law on the Special Account for Infrastructure Improvement of Rural Area.

Authority: Ministry of Maritime Affairs and Fisheries

5. Form of the subsidy

Grants, Loan

6. Recipient and terms

- Recipient: fishermen engaged in aquaculture fishery.
- Terms of loan: 10 years (repayment within 7-year with a 3-year grace period)
- Interest rate: 5 per cent

7. Amount of the subsidy

(Unit: million KRW)

	<b>2001</b>	<b>2002</b>
Amount of grants (a)	1,000	1,400
Loan	5,500	11,400
Subsidy effect of loan (b)	100	200
Total amount of the subsidy (a + b)	1,100	1,600

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

8. Duration of the subsidy: Until 2011

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 and Deep-Sea Fishing Vessels

2. Period covered by the notification: 2001-2002

3. Policy objective and/or purpose of the subsidy

To contribute to the promotion of shipping industry by reducing the tax burden on acquiring international line vessels and deep-sea fishing vessels.

4. Background and authority for the subsidy

Law: Article 284 of Local Tax Act

Authority: Ministry of Administration and Home Affairs

5. Form of the subsidy

Tax reduction

6. Recipient and term

*Local Tax Reduction for International Line vessels*

- 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 be levied.

*Local Tax Reduction for Deep-sea Fishing Vessels*

- Acquisition tax and Property tax be reduced by 50 per cent for freight vessel and international vessels on the coastal service.

7. Amount of subsidy

(Unit: billion KRW)

	<b>2001</b>	<b>2002</b>
Amount	24.5	9.8

8. Duration of the subsidy: Until 31 December 2003

9. Trade effect

The subsidy is to promote the shipping industry by relieving tax burden on international line vessels, deep-sea fishing vessels and coastal line vessels. Therefore it is not directly related to trade.

**IV. COAL INDUSTRY**

A. SUPPORT FOR THE COAL INDUSTRY THROUGH THE SPECIAL ACCOUNT FOR ENERGY AND RESOURCES

1. Title of the subsidy programme

Support for the Coal Industry through the Special Account for Energy and Resources

2. Period covered by the notification: 2001-2002

3. Policy objectives and /or purpose of the subsidy

- To support the restructuring of the coal industry, such as the shutdown of coal mines and reduction in coal production, in line with the reduced demand for hard coals.
- To stimulate the local economy contracted due to the restructuring of the coal industry.
- To compensate for the difference between production cost and retail price of coal and briquettes. (The difference was due to the controlling of the retail price of coal and briquettes to secure the demand for domestically-produced hard coal)



4. Background and authority for the subsidy

Law: Article 26 of the Coal Industry Act

Authority: Ministry of Commerce, Industry and Energy

5. Form of the subsidy

Grants, Loan

6. Recipient and term

(a) Grants

- Coal producers who sought to install modernized coal-producing facilities were given the subsidy for coal production. However, this subsidy was phased out in 2000.
- Briquette producers and coal miners are granted the subsidy in the form of direct payment and premium for industrial accident compensation insurance and education fees.

(b) Loan

- Entrepreneurs who start business in the abandoned mine areas are financed with a low preferential interest rate of 5.25 per cent for the equipment and operation cost.

7. Amount and duration of the subsidy

(Unit: million KRW)

	<b>2001</b>	<b>2002</b>
Lump sum transfer (a)	314,810	269,385
Loan	20,000	16,000
Benefit of loan*(b)	90	88
Total (a+b)	314,900	269,473

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

8. Duration of the subsidy

Grants for stimulating the economy in abandoned mine areas and the loans with preferential interest rates will be made available by 2005.

9. Trade effects of the subsidy

The reduced domestic demand for hard coal led to the abandonment of coal mine and the reduction in production with the aid of the subsidy, which contributed to the upward trends in the import of soft coal. However, it is hard to measure the quantitative effects of the subsidy.

## **V. MANUFACTURING INDUSTRY**

### **A. SUPPORT FOR FOREIGN INVESTED ENTERPRISES**

1. Title of the subsidy programme: Support for Foreign Invested Enterprises

2. Period covered by the notification: 2001-2002

3. Policy objective and /or purpose of the subsidy

To induce Foreign Direct Investment (FDI)

4. Background and authority for the subsidy

Laws: Article 121 of Special Tax Treatment Control Law, Foreign Investment Promotion Act

Authority: Ministry of Finance and Economy; Ministry of Commerce, Industry and Energy;  
Ministry of Administration and Home Affairs

5. Form of the subsidy

Tax reduction

Reduction in the rental fee of government land.

6. Recipient and term

- Foreign-invested enterprises engaged in service sector supporting other industries or using advanced technology.
- Foreign invested enterprises that are operated in Foreign Investment Zones including Free Trade 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 per cent 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 per cent 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.

8. Duration of the subsidy

No fixed time period

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 programme

Tariff Reduction on Aircraft Parts

2. Period covered by the notification: 2001-2002

3. Policy objective and/or purpose of the subsidy

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

4. Background and authority for the subsidy

Laws: Article 89 of Customs Act

Authority: Ministry of Finance and Economy

5. Form of the subsidy

Tax reduction

6. Recipient and terms

Those who are authorised as manufacturing or repairing aircraft in accordance with the Promotion Act for the Development of Aircrafts and Space Industries.

7. Amount of the subsidy

8. (Unit: billion KRW)

	<b>2001</b>	<b>2002</b>
Amount of Duty Reduction	25	25.5

9. Duration of the subsidy

No fixed time period

10. Trade effect of the subsidy

None

C. SUPPORT FOR FARM MACHINERY MANUFACTURING

1. Title of the subsidy programme

Support for Farm Machinery Manufacturing

2. Period covered by the notification: 2001-2002

3. Policy objective and/or purpose of the subsidy

To assist off-season manufacturing of farm machinery and to help machinery manufactures to meet high demand for farm machinery in the farming seasons

4. Background and authority for the subsidy

Laws: Article 4 of Farm Mechanization Promotion Act  
Authority: Ministry of Agriculture and Forestry

5. Form of the subsidy

Loan  
Source of fund: Special Account for Structural Development of Rural Areas

6. Recipient and terms

1-year loan is provided for farm machinery manufacturers and developers of new-tech machinery at the annual interest rate of 5 per cent.

7. Amount of the subsidy

(Unit: million KRW)

	<b>Amount of the loan</b>	<b>Estimate of the subsidy</b>
2001	40,000	700
2002	20,000	350

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

8. Duration of the subsidy

No fixed time period

9. Trade effect of subsidy

Its effect on trade is expected to be insignificant since the amount of the subsidy accounts only for 0.1 per cent to 0.2 per cent of the annual sale of farm machinery production.

Statistics of Sales and Trade

<b>Classification</b>	<b>2001</b>	<b>2002</b>
Sales (billion KRW)	738	564
Imports (million US\$)	134	118
Exports (million US\$)	146	147

D. SUPPORT FOR THE STONE INDUSTRY THROUGH THE SPECIAL ACCOUNT FOR ENERGY AND RESOURCES

1. Title of the subsidy programme

Support for the Stone Industry through the Special Account for Energy and Resources

2. Period covered by the notification: 2001-2002

3. Policy objective and/or purpose of the subsidy

To support rational exploitation of domestic stone resources

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

Grants, Loan

6. Recipient and criteria

(a) Grants

- The following persons are granted subsidies equivalent to the whole drilling and construction costs:

Stony mountain developers;

Owners of the stone-quarrying rights who wish to exploit stony mountains

Persons who acquired the recommendation of the mayor or the governor

(b) Loan

- Quarriers and stone-processors are financed with a low preferential interest rate of 4.75 per cent for the equipment and operation cost.

7. Amount of the subsidy

(Unit: million KRW)

	2001	2002
Lump sum transfer(A)	437	381
Loan	11,000	10,000
Benefit of loan*(B)	105	95
Total(A+B)	542	476

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

8. Duration of the subsidy

No fixed time period

9. Trade effects of the subsidy

It is hard to measure the quantitative effect of the subsidy.

## VI. ENVIRONMENT, RESEARCH AND DEVELOPMENT

### A. ENVIRONMENTAL IMPROVEMENT LOAN PROGRAMME

#### 1. Title of the subsidy programme

Environmental Improvement Loan Programme

#### 2. Period covered by the notification: 2001-2002

#### 3. Policy objectives and/or purpose of the subsidy

To encourage and promote private firm's environmental investment

#### 4. Background and authority for the subsidy

Laws: Article 34 of Basic Environmental Policy Act

Authority: Ministry of Environment

#### 5. Form of the subsidy

Loan

\*Source of fund: Special Account for Financial Loan

#### 6. Recipient and term

Loan of 7-year repayment period with a 3-year grace period is provided for small & medium enterprises subject to installing, purchasing, operating and improving the environmental equipment, at the annual interest rate of 4.78 per cent.

#### 7. Amount of the subsidy

(Unit: billion KRW)

	<b>2001</b>	<b>2002</b>
Amount of loan	60	70

#### 8. Duration of the subsidy: No fixed time period.

#### 9. Trade effect of the subsidy

The subsidy is expected to have almost no trade effect since the purpose of this programme is to support the instalment or improvement of environmental equipment

### B. SUPPORT FOR R&D OF ENVIRONMENTAL TECHNOLOGY DEVELOPMENT PROJECTS

#### 1. Title of the subsidy programme

Support for R&D of Environmental Technology Development Projects

#### 2. Period covered by the notification: 2001~2002

3. Policy objectives and/or the purpose of the subsidy

To develop cutting-edge environmental technologies in order to improve the nation's environment

4. Background and authority for the subsidy

Laws:

Article 5 of Act Relating to Environmental Technology Support and Development

Authority: Ministry of Environment

5. Form of the subsidy

Government contribution

\*Source of fund: Special Account for Environmental Improvement

6. Recipient and terms

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

7. Amount of the subsidy

(Unit: billion KRW)

	<b>2001</b>	<b>2002</b>
Amount	50	70

8. Duration of the subsidy: No fixed time periods

9. Trade effect of the subsidy

Since the subsidy focuses on basic environmental technologies, it would not have significant trade effect that is normally expected in the field of applied industrial technology.

C. AUTOMOBILE LOW EMISSION TECHNOLOGY DEVELOPMENT SUPPORT

1. Title of the subsidy programme

Automobile Low Emission Technology Development Support

2. Period covered by the notification: 2001 ~ 2002

3. Policy objective and/or purpose of the subsidy

To develop low emission technology for large-size diesel vehicles

4. Background and authority for the subsidy

Laws:

- Article 31.2 of Air Quality Preservation Act (Support for Technology Development)
- Article 5 of Act Relating to Environmental Technology Support and Development

- Article 11 of the Law on Environmental Improvement Fee
- Article 4 of the Law on Special Account for Environmental Improvement

Authority: Ministry of Environment

5. Form of the subsidy

Government contribution for R&D

6. Recipient and terms

Research institutions developing the following 4 technologies:

- High pressure injection technology
- Recycling technology for waste gas
- Function matching technology
- Hybrid automobiles intended for public shuttle buses in small and medium size

Terms: Research institutions that have appropriate research facilities, equipments and human resources to carry out the project and have accepted the financial responsibility of the project.

7. Amount of the subsidy

(Unit: billion KRW)

	<b>2001</b>	<b>Total</b>
Amount	1.5	1.5

8. Duration of subsidy: 1998-2001

This programme was terminated in 2001. Because it has been included and conducted in the project of "Eco-technopia 21" to promote cutting-edge core environmental technologies.

9. Trade effect of the subsidy

It is hard to secure statistical data on its effect on trade, since it is primarily to provide support for environmental technology development, with a view to resolving domestic air pollution problem.

D. NATURAL GAS BUS SUPPLY PROJECT

1. Title of the subsidy programme

Subsidy for the natural gas bus procurement and/or fuel expenses

2. Period covered by the notification: 2001-2002 (Started in 2000)

3. Policy objective and/or purpose of the subsidy

To expedite air quality amelioration in metropolitan areas, it is required to replace diesel engine buses that offer more frequent commuter services and are responsible for air pollution in urban areas, into cleaner and low-emission vehicles.



4. Background and authority for the subsidy

Law: Article 36.2 of Air Quality Preservation Act  
Authority: Ministry of Environment

5. Form of the subsidy

Grants for vehicle and fuel procurement

6. Recipient and terms

Recipient:

- Subsidy for natural gas bus purchase is granted to the parties that purchase natural gas buses for the purpose of providing urban commuter services in accordance with the Air Quality Preservation Act.
- Fuel subsidy is granted to the parties that intend to purchase natural gas for vehicles that use natural gas as fuel, in accordance with the Air Quality Preservation Act.

Terms: In the case of the procurement of natural gas buses for an urban commuter service

7. Amount of the subsidy

(Unit: billion KRW)

	<b>2001</b>	<b>2002</b>
Amount	14.1	13.9

8. Duration of the subsidy: 2000~2007

9. Trade effect of the subsidy

Since the subsidies are intended to support natural gas bus service providers and natural gas suppliers, its trade effect is expected to be insignificant.

E. SUPPORT FOR RECYCLING EQUIPMENT AND TECHNOLOGY DEVELOPMENT

1. Title of the subsidy programme

Loan Programme for recycling industry promotion

2. Period covered by the notification: 2001~2002

3. Policy objective and/or purpose of the subsidy

To promote and encourage recycling and recycling industry by offering long-term, low interest loan to private firms engaged in recycling business for the development in recycling equipment and related technology, management of distribution & sales.

4. Background and authority

Laws:

- Article 31 of Act Relating to Promotion of Resource Saving and Re-utilization
- Article 4 of Act Relating Special Accounting for Environmental Improvement

Authority: Ministry of Environment

5. Form of the subsidy

Loan

\*Source of fund : Special Account for Environmental Improvement

6. Recipient and terms

Recipient :

(a) Equipment

- A party or parties engaged in recycling business under the Resource Conservation and Recycling Promotion Act that intends to install recycling equipment.
- Parties that discharge industrial wastes under the Waste Management Act

(b) Technology development

- Parties intend to be engaged in R&D activities related to resource recycling under the Resource Conservation and Promotion Act

(c) Management stabilization

- Firms engaged in recycling business and repairs or sales of second-hand electric appliances, furniture, etc.

(d) Distribution & sales support

- Parties engaged in recycling product sales that sell general manufacturing products at the price lower than 30 per cent of original prices and engaged in repairs and sales of business of second-hand electric appliances, furniture, etc.

Terms of loan

(a) Equipment & (b) Technology development

- 7-year repayment period with a 3-year grace period at the annual interest rate of 4.78 per cent

(c) Management stabilization & (d) Distribution & sales support

- 3-year repayment period with a 2-year grace period at the annual interest rate of 4.78 per cent

7. Amount of the subsidy

(Unit: billion KRW)

	2001	2002
Amount of loan	60	60

8. Duration of the subsidy: No fixed time period

9. Trade effect of the subsidy

Trade effect of the subsidy is expected to be insignificant for the following reasons:

First, rather than being a direct subsidy to the recycling industry, it is a loan programme that does not restrict foreign investment or foreign participation;

Second, considering inferior quality of recycled products in general, they would hardly have consequential competitive edge against general products.

F. LOAN PROGRAMME FOR R&D OF INFORMATION AND COMMUNICATION

1. Title of the subsidy programme

Loan Programme for R&D of Information and Communication

2. Period covered by the notification: 2001-2002

3. Policy objective and/or purpose of the subsidy

To provide loan to research and develop the information and communication project that is large size and involves high risks.

4. Background and authority for the subsidy

Laws: Article 34 of Basic Act on Information Promotion  
Authority: Ministry of Information and Communication

5. Form of the subsidy

Loan  
\*Source of fund: Information Promotion Fund

6. Recipient and terms

Loan is provided for private firms in the field of information and communication including domestic corporations owned by foreigners.

Conditions of the loan: changeable depending on market interest rates.

7. Amount of the subsidy

(Unit: billion KRW)

	2001	2002
Amount of loan	274	268

8. Duration of the subsidy

No fixed time period

9. Trade effect of the subsidy

This support programme provides no special benefits in terms of interest rates and loan period compared to those provided by private financial institutions. Therefore, trade effect is expected to be insignificant.

G. SCIENCE AND TECHNOLOGY PROMOTION FUND

1. Title of the subsidy programme

Science and Technology Promotion Fund

2. Period covered by the notification: 2001-2002

3. Policy objective and/or purpose of subsidy

To assist R&D activities of private enterprises

4. Background and authority for the subsidy

Laws: Article 22 of Science and Technology Framework Law

Authority: Ministry of Science and Technology

5. Form of the subsidy

Loan

6. Recipient and terms

Loan of 7-year repayment period with a 3-year grace period at the annual interest rate of 4.75-5.25 per cent is provided for Organizations that carry out R&D on high technology industry and pre-competitive R&D activities.

7. Amount of the subsidy

(Unit: billion KRW)

	<b>2001</b>	<b>2002</b>
Amount of loan	108	102

8. Duration of the subsidy

No fixed time period

9. Trade effect of the subsidy

Difficult to estimate.

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