

# WORLD TRADE ORGANIZATION

RESTRICTED  
**G/SCM/Q2/KOR/22**  
3 April 2002

(02-1688)

**Committee on Subsidies  
and Countervailing Measures**

Original: English

## **SUBSIDIES**

### Reply of KOREA to Questions from the EUROPEAN COMMUNITIES<sup>1</sup>

The following communication, dated 2 April 2002, has been received from the Permanent Mission of Korea.

#### **VI. AGRICULTURE**

##### **A. FOOD GRAIN MANAGEMENT PROGRAMME**

##### **Q1. Duration: Is the programme of unlimited duration? If not, what is the end-date?**

###### Reply

There is no fixed end-date for this programme.

##### **B. LIVESTOCK SUPPORT PROGRAMME**

##### **1. Hanwoo-raising stabilization programme**

##### **Q2. Form of the subsidy: Please indicate the form of the subsidy**

###### Reply

Non-Exempt (from reduction commitment under the WTO Agreement on Agriculture) direct payments to producers, which are dependent on price gap.

##### **Q3. Recipient and criteria: What is the basis for the level of the threshold upon which the subsidy is paid?**

###### Reply

The basis for setting a standard price for stabilization is as follows:

- Yr. 1999 : operating costs(100%) and family labour (50%)
- Yr. 2000 : operating costs(100%) and family labour (100%)

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<sup>1</sup> G/SCM/Q2/KOR/21

**2. Support for pork production**

**Q4. Recipient and criteria: What is the number of pigs a breeding farm has to supply in order to be eligible?**

Reply

In order to be eligible, a pig-breeding farm has to supply more than 800 heads of pigs per year.

**C. MARKETING IMPROVEMENT PROGRAMME FOR AGRICULTURE AND LIVESTOCK PRODUCTS**

**Q5. Form of the subsidy: Please explain in more detail what falls under "financial assistance"**

Reply

30 per cent of costs (transportation cost, packaging cost, and collection cost) is reimbursed to exporting enterprises in cash.

**III. FISHERY**

**D. SUPPORT FOR AQUACULTURE FISHERY DEVELOPMENT**

**Q6. Policy objective and/or purpose of the subsidy: Please specify the fishery products involved**

Reply

- Shellfish : abalone, scallop, baby clams, oyster, ark shell, top shells
- Fish : flat fish, sea-bream, sea bass, plaice, yellow tail, true bass

**Q7. Background and authority for the subsidy: What articles of the law are relevant?**

Reply

- (a) Authority: Ministry of Maritime Affairs and Fisheries
- (b) Applied article of the Act: Paragraph 2 of Article 4 and Article 6 of Special Account Act for Infrastructure Improvement of Rural Areas
  - Article 4 of Special Account Act for Infrastructure Improvement of Rural Areas: Revenue and expenditures for Infrastructure Improvement of Rural Areas
  - Paragraph 2 of Article 4 of Special Account Act for Infrastructure Improvement of Rural Areas: Fund transferred from General Account in accordance with Article 6
  - Article 6 of Special Account Act for Infrastructure Improvement of Rural Areas: Fund transferred from General Account

**Q8. Recipient and criteria/Amount of subsidy: Please give more information about the subsidy in form of grants, including eligibility criteria and amount granted**

Reply

(a) Eligibility criteria

Grant

- Criteria: District Fishery Cooperative Association or fisher's association intending to increase income by building aquaculture facilities on the fishing ground for village.

Loan

- Criteria: Aquaculture fishermen
- Due to limited government budget, the number of applicants may vary.

(b) Amount granted

Please refer to Korea's notification document G/SCM/N/71/KOR.

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

**Q9. Policy objective/Recipient: Please explain in more detail what falls under "international line vessels". What are the conditions for ships being registered as "international ship"?**

Reply

- The international line vessels are commercial ships that cruise between domestic and overseas harbours, or between overseas harbours. They are registered as international line vessels.
- The following ships are eligible for being registered as "international line vessels" or "international ships".
  - "Korean ships" as defined under Article 2 of the Vessel Act (ships owned by Korean nationals, including natural and legal persons)
  - Foreign ships leased by the persons below under the condition of registration in Korea ;
    - (i) Those who have received a licence to operate international passenger transporting business
    - (ii) Those who have registered for the international cargo transporting business
  - Ships weighing more than 500 tons and less than 20 years in age

**V. MANUFACTURING INDUSTRY**

A. SUPPORT FOR FOREIGN INVESTED ENTERPRISES

**Q10. Recipient and term: Please specify what falls under "service sector supporting other industries" and give a definition of "advanced technology".**

Reply

According to Article 116-2 of the Presidential Order for the Restriction of Special Taxation Act:

"Service sector supporting other industries" refers to a high value-added service sector that supports development of other industries including the manufacturing industry. It includes engineering services, environment-improving services, e-commerce-related services, etc.

"Advanced technology" refers to a technology that is underdeveloped or not developed in Korea.

**Q11. Recipient and term: Please give a description of foreign investment zones, free trade zones and industrial parks, and explain the differences. Please also explain which companies can settle in these areas and indicate the location of these zones and parks.**

Reply

(a) Foreign Investment Zones (FIZs)

The area selected by an individual foreign investor can be designated as an FIZ. The businesses for which FIZ is designated are expected to be manufacturing sector, advanced technology-promoting sector, service sectors supporting other industries or tourism sector. Large foreign-invested enterprises that have invested over US\$50 million, or those with foreign investment ratio of 50 per cent or more and employing 1,000 employees or more are eligible. At present, there are 7 FIZs all over the country.

(b) Industrial parks for foreign-invested enterprises

Industrial parks for foreign-invested enterprises are designated within the existing industrial parks in order to attract foreign investors by supplying them with factory sites at low prices and reducing rental fees. Manufacturing and advanced technology-promoting sectors are mainly expected to operate in those parks. There are 4 industrial parks for foreign-invested enterprises.

(c) Free Trade Zones (FTZs)

A free trade zone refers to a zone which has been designated in order to promote trade by assuring no tariffs to parts or intermediary goods, thereby inducing foreign investment and facilitating international trade. The major types of business operation in these zones are manufacturing, logistics and trade sectors. Currently three FTZs are operated around a harbour or industrial parks. (Masan, Iksan and Gunsan)

C. RESERVE FOR FARM MACHINERY PRODUCTION

**Q12. Background and authority of the subsidy: Please specify the relevant articles of the farm mechanization promotion law**

Reply

The Farm Mechanization Promotion Act Article 4 (Financial Assistance)

(i) The central or a local government may support all or parts of funds necessary for buying farming machines or installing the related facilities.

- (ii) The central or a local government may provide all or parts of funds to develop, produce and manage after-sale service of farming machines to producers of farming machines.

## **VI. RESEARCH AND DEVELOPMENT**

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

**Q13. Policy objective and/or purpose of the subsidy: Can you explain in more detail what kind of projects can be supported by this programme. Is eligibility limited to certain sectors? If yes, please indicate them.**

#### Reply

Eligible projects include development of the combined environment management technology, ecology preservation or restoration technology, pollution prevention technology, and technology on global environment and climate change.

There is no eligibility limitation by sector. However the recipient organizations need to be designated by the Presidential Decree, under the following categories.

- Research institutions established by the state or public organizations
- Research institutions designated by the Specific Research Institutions Promotion Act
- Research institutions funded by the government
- Universities
- Corporate R&D centers designated by the Specific Research Institutions Promotion Act and Presidential Decree
- Environmental R&D center
- Environmental business operator

### **D. SCIENCE AND TECHNOLOGY PROMOTION FUND**

**Q14. Policy objective and/or purpose of the subsidy: Please explain in more detail what kind of projects can be supported by this programme. Is eligibility limited to certain sectors? If yes, please indicate them.**

#### Reply

This programme supports activities such as: science and technology promoting activities including science research, academic activities, international cooperation, R&D activities of private companies, and science-culture promoting activities. There is no limit in eligibility, i.e, all kinds of activities that promote R&D in the fields of science and technology can be supported.

**Q15. Recipient and criteria: Please explain how it is determined which programmes are in the "national interest"**

Reply

There is no clear-cut definition for “national interest” in the related Act. Determination of eligibility is based on the anticipated results of the programme in terms of the publication of theses and patents registered, contribution to building research man power, technology spill-over, possibility of commercialization and productivity increases, etc.

**Q16. Recipient and criteria : How is "high technology industry" defined? Please explain what falls under "pre-competitive R&D activities"**

Reply

“High technology” generally refers to a new technology achieved by further developing and improving existing technology.

“Pre-competitive activities” generally refers to follow-up R&D activities to the government-support national R&D programmes, not directly promoting business activities, or R&D activities to develop and improve private sector-held technologies.

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