

GENERAL AGREEMENT ON

TARIFFS AND TRADE

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SUBSIDIES

Notifications Pursuant to Article XVI:1

FINLAND

The following notification, dated 16 April 1993, has been received from the Permanent Mission of Finland.

This document is the revised and updated version of the notification (5 November 1991) including the response to the questionnaire on subsidies notifiable under Article XVI:1 (GATT document L/7162).

The figures reported for years 1988-1991 are from government accounts and for 1992 budgeted or estimated amounts. Figures for 1991 have been revised in this report.

INDUSTRIAL SUBSIDIES

I. Promotion of export marketing

1. Nature and extent of the subsidy

(a) Background and authority

The Ministry of Trade and Industry promotes the internationalization of Finnish industrial enterprises by granting support for export marketing activities. These measures have benefited especially small and medium-sized enterprises.

The legal provisions are laid down in the following decisions:

- Decision of the Council of State on grants to small and medium-sized firms for employing export personnel (769/79, amendment 797/83).
- Decision of the Council of State on loans for preparing a tender for an export project (650/77, amendments 716/81, 181/87). This law was in force until 31 December 1989.

- Decision of the Council of State on grants to preparing a tender for an export project (210/90). This law has been in force since 1 March 1990.
- Decision of the Council of State on loans for the promotion of marketing export products (78/82, amendment 180/87).

(b) Incidence

Grants and loans are paid to exporters or organizers of export promoting activities. Grants can be maximum 50 per cent and loans 75 per cent of total expenditure. Grants are given for market promotion of export products, for participation in foreign fairs and exhibitions and for export campaigns arranged jointly by several firms.

For loans for the promotion of marketing of export products the maturity period ranges from 0 to 6 years and the rate of interest is at least 5 per cent.

For loans of preparing a tender for an export project the maturity period is from 0 to 5 years. The rate of interest is the base rate of the Bank of Finland, and at least 7 per cent.

(c) Amount of subsidy (million FIM)

	1987	1988	1989	1990	1991	1992
Grants	129.2	153.5	150.0	172.0	186.5	236.7
Loans	27.0	61.8	32.2	54.7	33.6	19.5

(d) Estimated amount per unit

A common characteristic of the subsidies is their general purpose. They are not designed to promote a specific product or category of products. It is not feasible to break down the total amount of a subsidy by purpose of production.

2. Effect of subsidy

These export promotion measures have stimulated the export projects of small and medium-sized firms and helped them in their own marketing efforts. However, the impact of grants on total export cannot be calculated but is assessed to be minor.

II. Energy grants

1. Nature and extent of the subsidy

(a) Background and authority

The Ministry of Trade and Industry promotes economically efficient and environmentally sustainable energy production and the international transfer of energy technology by granting subsidies for investments utilizing new energy technology and domestic energy sources. Subsidies are also granted for investments reducing the environmental hazards of energy production and for investments enhancing the utilization of natural gas and the reliability of energy provision.

The legal provisions are laid down in the following law:

- Law on the energy grants (1607/91, amendment 1051/92).

(b) Incidence

The grants are intended for firms and communities, e.g. municipalities and municipal energy production plants. The maximum grant is 25 per cent for total investment costs and maximum 50 per cent of total investment costs for plants involving new technology.

(c) Amount of subsidy (million FIM)

	1987	1988	1989	1990	1991	1992
Grants	19.0	46.4	42.6	48.8	23.3	65.0

2. Effect of subsidy

The subsidy is not directed to productional investments, such as the use of fuels as raw materials in production, but towards a more efficient and environmentally friendly application of domestic and other energy technology used in energy provision. The effect of the subsidy on investment activity has not been calculated.

III. Interest rate subsidy for energy investments aimed at energy conservation, new energy technology and promoting the use of domestic fuels and natural gas

1. Nature and extent of the subsidy

(a) Background and authority

The Ministry of Trade and Industry grants interest rate subsidies for investments aimed at the conservation of energy and promoting the

production and use of domestic fuels as well as investments in the use and distribution of natural gas. From the beginning of 1989 it has been possible to give these subsidies also for new energy technology in general.

The legal provisions are laid down in the following law:

- Law on the specific interest rate subsidized loans granted by credit companies (1015/77, amendments 1040/89 and 356/92).

(b) Incidence

The interest rate subsidy is intended for firms and municipal energy production plants, thermal power stations and district heating plants.

The maximum loan is 50 per cent of the total investment costs.

The interest rate subsidy is 4 per cent for the first four years and 2 per cent for the following four years. No subsidy is paid after the eighth year. In some special cases the maximum interest rate subsidy can be 6 per cent for the first four years and 4 per cent for the following four years.

(c) Amount of subsidy (million FIM)

	1987	1988	1989	1990	1991	1992
Grants	1.1	2.5	6.6	10.0	9.7	15.0

2. Effect of subsidy

The effect of the subsidy on investments has not been calculated.

IV. Guarantees for small and medium size industry

1. Nature and extent of the subsidy

(a) Background and authority

The Finnish Guarantee Board is an independent government agency under the jurisdiction of the Ministry of Trade and Industry. It was founded on 1 September 1989 to continue the operations of the Export Guarantee Board and the State Guarantee Board.

(b) Incidence

The guarantees are intended for industrial enterprises and also to businesses engaged in tourism, fur farming, fish farming, cultivation of garden produce and peat production. Guarantees for industry can be granted to companies which have no more than 500 employees, have no more than

FIM 350 million worth of fixed assets, and in which a large company owns no more than 1/3 of its shares. The Finnish Guarantee Board collects a non-recurring premium of 0.75 per cent of the amount of the loans up to FIM 10 million and 0.2 per cent of the exceeding amount. The annual payment is from 0.25 to 3.0 per cent of the amount still due.

(c) Amount of subsidy (million FIM) (the total amount of loans guaranteed)

	1987	1988	1989	1990	1991	1992
Loans	181	239	218	250	268	446
(Number of loans)	(321 loans)	(372 loans)	(300 loans)	(314 loans)	(379 loans)	(650 loans)

2. Effect of subsidy

The effect of subsidy has not been calculated.

V. Support for technological research and development

1. Nature and extent of the subsidy

(a) Background and authority

The Technology Development Centre (TEKES) supports R&D activity in order to improve the level of technology in Finland and to strengthen the scientific basis of the utilization of new technology. TEKES is a government agency under the Ministry of Trade and Industry.

The support is intended primarily for the partial financing of development projects involving new technology, applied research and product development aimed at adapting the Finnish economy to international technological development and thus diversifying the structure of Finnish industry. The industrial research and development work is supported by means of grants and loans.

The legal provisions are laid down in the following decision:

- Decision of the Council of State on general conditions of grants and loans for R&D (150/85, amendments 655/86 and 352/89).

(b) Incidence

Grants are directed mainly to industrial applied research, to industrial joint research, to small and medium-size firms and to projects involving costly research in the beginning of the innovation chain of a

product. Maximum 50 per cent of acceptable research project costs are paid. Investments are not acceptable. The income directly due to project must be subtracted.

Loans are directed mainly to product development utilizing new technologies where the risks in applying new technology are especially high. Maximum 75 per cent of acceptable R&D-costs are paid. Investments are not acceptable.

	(c) <u>Amount of subsidy</u> (million FIM)					
	1987	1988	1989	1990	1991	1992
Grants	130.0	165.0	182.0	212.3	236.6	325.0
Loans	140.0	165.0	180.0	201.0	216.0	248.0

VI. Export credits

1. Nature and extent of the subsidy

(a) Background and authority

In Finland medium- and long-term export credits are financed by Finnish Export Credit Limited (FEC), a limited liability company owned by the State.

The company finances the exports of capital goods and services as well as domestic deliveries by providing medium- and long-term credits.

The terms and conditions of export credits conform with the OECD Arrangements on Guidelines for Officially Supported Export Credits and the OECD Understanding on Export Credits for Ships. Finnish Export Credit also extends non-subsidized export credits on market terms and credits for exports to developing countries on concessional terms (mixed credits).

FEC finances its operations by issuing long-term domestic subordinated debentures and by borrowing on international capital and money markets. In the early 1980's the Government replaced its participation in the subsequent debenture programme by an interest rate subsidy scheme.

The reported figures also include interest rate subsidies for the domestic ship deliveries.

(b) Incidence

The credits are extended either to the supplier (supplier credit refinancing) or to the buyer, his bank or other financial institution (buyer credit).

(c) Amount of interest rate subsidy

	1987	1988	1989	1990	1991	1992
Subsidies	38.1	33.5	39.7	83.4	180.1	319.0

2. Effect of subsidy

The effect of the Government support is difficult to quantify. Major beneficiaries are metal and engineering industry and wood-processing industry.

Notification of Agricultural Subsidies

Notification Pursuant to GATT Article XVI:1

Million FIM

Form of Subsidy		1989	1990	1991	1992 (preliminary)
I	Regional Support for Agriculture total	698.7	734.9	715.8	...
	1. Subsidy based on the number of domestic animals	180.5	191.8	188.8	207.0
	2. Milk Production Subsidy	252.5	265.4	240.8	211.2
	3. Meat Production Subsidy	162.0	187.6	215.9	...
	4. Subsidy on Rye	9.3	11.5	6.7	abolished
	5. Subsidy on Starch Potato	9.1	7.8	10.4	8.0
	6. Subsidy on Feed Grains	42.0	45.7	33.6	27.5
	7. Freight Subsidies for milk, meat and eggs	35.5	17.6	12.9	12.5
	8. Regional Subsidy for Sugar Beet Production	7.8	7.5	6.7	6.7
II	Export Subsidies for Agricultural Products	1627.3	2407.7	3159.4	2315.0
III	Export Refund for Food Industry Products	413.1	469.5	415.0	445.0

NOTIFICATION OF AGRICULTURAL SUBSIDIES

Pursuant to GATT Article XVI:1

Years 1989-1991 (1992 preliminary)

I Regional support for agriculture

1. Subsidy based on the number of domestic animals

Based on the number of domestic animals, a regionally differentiated subsidy is paid. This subsidy amounted to FIM 180.5 million in 1989, FIM 191.8 million in 1990, FIM 188.8 million in 1991 and FIM 207.0 million in 1992.

2. Milk Production Subsidy

In accordance with an annual cabinet decision a regionally differentiated production subsidy on milk is paid through dairies in northern and eastern Finland, and in the outer archipelago. The total milk production subsidy was FIM 252.5 million in 1989, FIM 265.4 million in 1990, and FIM 240.8 million in 1991 and FIM 211.2 million in 1992.

3. Meat Production Subsidy

A similar regional production subsidy on beef, pork and mutton is paid through slaughterhouses in northern and eastern Finland, and in the outer archipelago. The total meat production subsidy was FIM 162.0 million in 1989, FIM 187.6 million in 1990, FIM 215.9 million in 1991.

4. Subsidy on Rye

A subsidy on rye produced in northern and central Finland is paid through the Finish Grain Board. The amount paid was FIM 9.3 million in 1989, FIM 11.5 million in 1990, FIM 6.7 million in 1991. (This subsidy was abolished in 1992.)

5. Subsidy on Starch Potato

Production subsidy on starch potato, produced in northern and central Finland, was FIM 9.1 million in 1989, FIM 7.8 million in 1990, FIM 10.4 million in 1991 and FIM 8.0 million in 1992.

6. Subsidy on Feed Grains

A subsidy on feed grains produced in northern and central Finland was paid through the Finnish Grain Board totalling FIM 42.0 million in 1989, FIM 45.7 million in 1990, FIM 33.6 million in 1991 and FIM 27.5 million in 1992.

7. Freight subsidies for milk, meat and eggs are paid to dairies in remote areas totalling FIM 35.5 million in 1989, FIM 17.6 million in 1990, FIM 12.9 million in 1991 and FIM 12.5 million in 1992.

The total amount paid for the above-mentioned forms of subsidy including the subsidy for sugar beet was FIM 698.7 million in 1989, FIM 734.9 million in 1990, FIM 715.8 million in 1991.

II Export subsidies for agricultural products

Export dairies receive through the State budget an export subsidy for dairy products exported which enables them to pay the milk producers a price corresponding to the target price of milk annually agreed upon.

A similar support system exists for eggs, veal and beef, pork and grains.

The amount paid for all the above-mentioned export subsidies was FIM 1627.3 million in 1989, FIM 2407.7 million in 1990, FIM 3159 million in 1991 and FIM 2315.0 million in 1992.

III Export refund for food industry products

The export refund is paid for domestically produced raw materials which are included in processed food industry products exported. The refund covers the difference between the domestic price and the prevailing world market price.

The total amount of export refunds was FIM 413.1 million in 1989, FIM 469.5 million in 1990, FIM 415.0 million in 1991 and FIM 445.0 in 1992.