

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

RESTRICTED

L/5102/Add.3/Suppl.1

29 April 1982

Limited Distribution

Original: English

SUBSIDIES

Notifications Pursuant to Article XVI:1

FINLAND

Supplement

The following notification concerning industrial subsidies has been received from the Permanent Mission of Finland.

INDUSTRIAL SUBSIDIES

I. Promotion of export marketing (Market studies, market organization abroad, advertising, product exhibitions etc.)

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 incentives have benefitted especially small and medium-sized enterprises.

The legal provisions are laid down in the following government decisions:

- Decision of the Council of State of 25 August 1977 on loans for project exports
- Decision of the Council of State of 11 October 1979 allocating support for the employment of export personnel
- Decision of the Council of State of 25 January 1982 on loans for promotion of export products.

(b) Incidence

Grants and loans will be paid to exporters. Grants can be maximum 50 % and loans 75 % of total expenditure. As of 1982 the emphasis in the promotion of export marketing has been on loans rather than grants.

(c) Amount of subsidy

The amount of the subsidies budgeted is as follows:

<u>1980</u>	<u>1981</u>
(million FIM)	
120,0	129,5

(in comparison US \$ rate in April 1982 : 1 \$ = 4.65 FIM)

(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 therefore impossible to break down the total amount of a subsidy by purpose of production.

II. Investment grants for the use of domestic fuels

1. Nature and extent of the subsidy

(a) Background and authority

The Ministry of Trade and Industry appropriates grants for building the plants using domestic fuels.

The legal provisions are laid down in the law of 9 February 1979 concerning promotion of use of domestic fuels.

(b) Incidence

The grants are intended for Finnish firms and municipal heating and power plants. The maximum grant is 20 % of total investment costs.

(c) Amount of subsidy

The amount of the subsidies budgeted is as follows:

<u>1980</u>	<u>1981</u>
(million FIM)	
42,6	160,0

(d) Estimated amount per unit

In 1981 the grant was in average 10 % of total investment costs.

III. Interest rate grant

1. Nature and extent of the subsidy

(a) Background and authority

The Ministry of Trade and Industry appropriates interest rate grant for promoting energy-saving investments in industry.

The legal provisions are laid down in the law of 23 December 1977 concerning interest rate grants.

(b) Incidence

The interest rate grant is paid to Finnish firms and municipal heating and power plants. The grant is the difference between normal lending rates for investment loans and 5,25 %.

(c) Amount of subsidy

The amount of the subsidies budgeted in 1981 was 2,5 million FIM.

IV. Guarantees for small and medium size industry

1. Nature and extent of the subsidy

(a) Background and authority

Government guarantees will be appropriated for small and medium size industry to assist enterprises to obtain credits

The legal provisions are laid down in the law of 4 July 1963.

(b) Incidence

The guarantees are intended for industrial enterprises and workshops with a maximum of 500 employees and production of an annual value under 10 million FIM. Guarantee of debtors' promissory notes; premium: first year 1 %, following year 1/2 % of loans guaranteed.

V. Compensation for foreign exchange losses and interest rate

1. Nature and extent of the subsidy

(a) Background and authority

The Ministry of Trade and Industry appropriates grants for exporters compensation for foreign exchange losses and interest rate.

The legal provisions are laid down in the law of 20 December 1969.

(b) Incidence

Grants are paid to small exporters.

(c) Amount of subsidy

The amount of subsidies is as follows:

<u>1980</u>	<u>1981</u>
(million FIM)	
1,7	3,7

VI. Grants and loans for product development

1. Nature and extent of the subsidy

(a) Background and authority

The Ministry of Trade and Industry has supported enterprises' R&D by granting them aid for individual product development projects since 1967.

The support is intended primarily for the partial financing of development projects for new products capable of competing on the international markets, thus diversifying the structure of Finnish industry.

The Ministry can also finance research projects in research institutions and universities.

The development work is supported by means of grants and loans as follows:

- A. Product development grants
- B. Product development loans
- C. Loans for the improvement of export products and productivity
- D. Grants for long-term scientific research

The legal provisions are laid down in following decisions of 30 December 1981:

- Decisions of the Council of State concerning (1) grant and (2) loans for product development.
- Decision of the Council of State concerning loans for the improvement of export products and productivity.

(b) Incidence

- A: Paid to Finnish firms: maximum 50 % of direct expenditures.
- B: Paid to Finnish firms: maximum 75 % of total expenditures.
- C: Paid to Finnish firms particularly small and medium size: maximum 75 % of total financing with interest rate of 6 %.
- D: Paid to Finnish firms and research institutions.

(c) Amount of subsidy

The amount of subsidies is as follows:

	<u>1980</u>	<u>1981</u>
	(million FIM)	
A:	40,0	57,0
B:	52,0	68,0
C:	20,0	25,0
D:	16,3	20,0

VII. 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 Ltd (FEC), a joint-stock company whose shares are held by the Finnish State, three major commercial banks, and several industrial enterprises engaged in exports. FEC's principal sources of funds are the sale of subordinated debentures to the Republic and shareholder banks, and other borrowings in the domestic and international capital markets.

FEC's primary purpose is to promote exports of Finnish industrial products by financing medium- and long-term export credits and predelivery costs.

As Finland has adhered to the OECD Arrangement on Guidelines for Officially Supported Export Credits, all loans granted by FEC are in conformity with the conditions of the arrangement.

The legal provisions are laid down in the law of 30 December 1980.

(b) Incidence

Credit will be paid to exporters or banks. The credit normally covers 70-80 % of the export contract value.

(c) Amount of subsidy

The incidence of the Government support is difficult to calculate.

