

GENERAL AGREEMENT ON
TARIFFS AND TRADE

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SUBSIDIES

Notifications Pursuant to Article XVI:1

KOREA

The following notification has been received from the Permanent Mission of Korea.

1. EXPORT FINANCING PROGRAM

I. Nature and extent of the subsidy

(a) Background and authority

The Bank of Korea is authorized by the Bank of Korea Law of 1950 to provide credits to promote exports of goods and services.

Under this Law, the Monetary Board of the Bank of Korea promulgated "Regulation for Export Financing" on February 1972.

This export financing program is operated by the individual foreign exchange banks at their own discretion with their own money that has nothing to do with governmental budget.

The purpose of this loan is to minimize the disadvantageous standing of Korea exporters in their competition with other foreign exporters who benefit from similar financing and whose exports compete with Korean exports.

With efforts towards improvement of productivity and technical innovation, the general trend has been towards a phasing out of present financial supports.

(b) Incidence

Under the program, there have been three financial supports.

(1) Domestic currency (won) export loans

Exporters can borrow money for up to 90 days on annual interest rate of 12% at the end of 1981 (afterwards 11% in 1982) lower than the generally available commercial interest rate of 15.5% (prime) at the end of 1981 (afterwards 13.5% in 1982).

As of June 28, 1982, the Bank of Korea reduced commercial interest rate from 14% to 10% and the interest rate for export credit from 11% to 10%. Virtually, since last June, all bank lending rates have been lowered to a uniform rate of 10% per annum without any special consideration for prime borrowers or small and medium sized firms.

To obtain such loans exporters must provide the supporting documents of export transaction in the form of an letter of credit or other export documents (D/P or D/A contracts, etc.)

A loan ceiling for export loans is established, based upon the value of a company's total net foreign exchange earning in a previous year or the 12 month period previous to application, by converting the dollar value of those exports into Korean won at a loan ceiling conversion rate.

The resulting figure established the maximum eligibility of a company under this program. This conversion rate has nothing to do with the official foreign exchange rate and is used only to determine the upper limit of export financing available to company under this program.

- (2) Foreign currency supply loans for construction or services.

Loan terms are the same as for domestic currency export loans. The eligible borrowers are those who have concluded supply contracts for construction or services with foreign government, foreign agencies or international organizations.

- (3) Domestic currency loans for preparing exports of agricultural and marine products.

Loan terms are the same as for domestic currency export loans, except that the difference of maturity lies in the case of certain products. Besides the above-mentioned statement, the purpose of this loan is to finance the collection or stockpiling of certain designated agricultural and marine products destined for export.

Beneficiaries are collectors of eligible items from farmers and fishermen, and also exporters who purchase the eligible items from collectors or farmers and fishermen to stockpile or use them as raw materials for export.

- (c) Amount of the subsidy

There are no estimated figures of the subsidies. The benefits from this program are very insignificant because they have negligible figures and sometimes beneficiaries have to pay interest at 19% in case of late payment.

The following figures show only the total amounts of export loans themselves for the three most recent years :

<u>Year</u>	<u>Loans (outstanding basis)</u>
1981	2,197 Million won
1982	2,278 Million won
1983	2,620 Million won

Furthermore the Government of the Republic of Korea does not act as guarantor of any export loans.

II. Effect of subsidy

There are no estimated quantitative trade effects of the measures.

2. AGRICULTURAL PRICE STABILIZATION PROGRAM

I. Nature and extent of the subsidy

(a) Background and authority

Under the Law concerning Marketing and Price-stabilization of Agricultural and Fishery Products of 1976, the Government administers the supply and demand operation of some agricultural products as well as the price stabilization program in order to protect both producers and consumers and thus to ensure stabilization in the national economy. The following major products are subject to this program : red pepper, garlic and onion.

(b) Incidence

The Government purchases the products from the producers at the Government purchasing prices which are established on the basis of the production cost and the market price in order to prevent the prices from falling at the time of harvest. On the other hand, the Government releases the product during periods of shortage at a price which is 30% less than the prevailing price in order to prevent the market prices from rising sharply.

When supply is well below the demand, the Government encourages importers to supplement the shortage.

(c) Amount of subsidy

The following amounts were used to finance the supply and demand operation in order to ensure price stabilization :

(Unit : Million won)

Year	Red pepper	Garlic	Onion
1981	13,636	-	-
1982	13,464	5,762	5,379
1983	17,388	-	-

II. Effect of subsidy

This program is designed to protect both producers and consumers through avoiding sharp fluctuations in price, and under it the Government regulates the supply and demand situation.

It assures not only the producer of a stable income but also the consumer of a satisfactory supply of the product, by the means of a proper price support mechanism. These measures are not considered to have effects on international trade.

The following are the relevant statistics :

(Unit : 1,000 Metric Tons)

Commodity	Year	Production	Consumption	Imports	Exports
Red pepper	1981	138	138	-	-
	1982	130	130	-	-
	1983	194	194	-	-
Garlic	1981	154	164	10	-
	1982	354	347	7	-
	1983	186	185	2	-
Onion	1981	281	280	-	1
	1982	439	438	-	1
	1983	542	522	-	20

3. FOODGRAING PROCUREMENT PROGRAM

I. Nature and extent of the subsidy

(a) Background and authority

Under the Foodgrain Management Law of 1963, the Government regulates the supply and demand operation as well as price stabilization program for foodgrains (rice, barley and wheat) in order to secure the required supply of foodgrains and to ensure stability in the national economy. The Government is authorized by Law to control the importation and exportation of foodgrains.

(b) Incidence

The Government purchased foodgrains from the producers at the Government purchasing prices which are established for a given standard quality for each type of foodgrains on the basis of the production cost, parity price, market price indicator and other relevant economic circumstances.

The Government releases foodgrains at the Government selling prices which are established on the basis of living costs, the prevailing market prices of other products, and which are less than the selling cost.

(c) Amount of subsidy

The Government expenditure on the foodgrain procurement program was as follows :

(Unite : Billion won)

Year	Rice	Barley	Wheat
1981	320.3	165.5	12.1
1982	767.6	198.0	17.1
1983	829.9	239.8	35.3

II. Effect of subsidy

This program provides the means of price stabilization and supply and demand adjustment, with a view to ensuring the stability of prices of basic foodgrains as well as protecting the producers and the consumers.

The major goal of this program is to ensure national economic security. These measures are not considered to have effects on international trade.

The following are the relevant statistics :

(Unit : 1,000 Metric Tons)

Commodity	Year	*Production	Consumption	Imports	Exports
	1981	3,550	5,366	2,245	-
Rice	1982	5,063	5,404	269	-
	1983	5,175	5,297	216	-
	1981	859	1,182	-	-
Barley	1982	749	872	-	-
	1983	815	680	-	-
	1981	57	2,098	2,095	-
Wheat	1982	66	1,950	1,940	-
	1983	115	1,924	1,861	-

* Period of Year : From November 1 to
October 31

4. SERICULTURAL PROMOTION PROGRAM

I. Nature and extent of the subsidy

(a) Background and authority

Under the Sericulture Law of 1961, the Korea Sericultural Association (KSA) is authorized to govern the Korean sericultural market.

The sericultural market depends largely upon the international sericultural business. The demand and supply for raw silk fluctuates very violently, which causes high instability in the sericultural industry. In such circumstances, the price stabilization program for fresh cocoon and raw silk was established.

(b) Incidence

KSA administers the standard sale prices for fresh cocoon and raw silk which are established on the basis of production cost, prices of other agricultural products, international transaction prices and other economic factors.

When the international transactions price of the raw silk exceeds the established domestic standard sales price, the exporting spinning manufacturer deposits half of the export surplus in the Sericultural Promotion Fund which is solely governed by KSA. The Fund is operated for the afforestation of the mulberry field and the development of the major producing district for the sericultural industry.

(c) Amount of subsidy

There was neither subsidy paid nor financial support given in connection with the price adjustment mechanism and the supply and demand operation.

II. Effect of subsidy

This price stabilization program is to ensure the national stability of the supply and demand situation from international violent fluctuation of prices of fresh cocoon and raw silk.

This program is not considered to have effects on international trade.

The following are the relevant statistics :

(Unit : Metric Tons)

Commodity	Year	Production	*Consumption	Import	Exports
	1981	13,339	15,750	242	108
Fresh cocoon	1982	12,980	15,543	810	205
	1983				
	1981	2,520	3,145	349	481
Raw Silk	1982	2,487	2,972	555	699
	1983				

* Production does not include the carried-over quantity

5. LIVESTOCK PRICE SUPPORT PROGRAM

I. Nature and extent of the subsidy

(a) Background and authority

Under the Livestock Law 1963, as revised in 1977
and the National Livestock Co-operative Federation

Law of 1980, the National Livestock Co-operative Federation (NLCF) is authorized to administer supply and demand operations to prevent violent fluctuations of market prices of bone-in beef, pork and chicken. NLCF is also provided to regulate the importation of such livestock products.

The major goals of this program are to secure the stability of the supply and demand situation of livestock products, and to encourage the producers to breed livestock, thereby ensuring the sound growth of the national livestock industry.

This program also provides improvement to the marketing structure and price adjustment mechanism of livestock products in order to protect the consumers.

(c) Incidence

NLCF purchases and stockpiles the bone-in beef meat, pork and chicken, in cases the prices of the live animals fall below the production cost and in cases the supply of the products exceeds the effective demand. On the other hand, NLCF releases the reserve stock of the products, where the prices of them soar very sharply such

as at the time of the traditional public holidays and during periods of shortage. From the same point of view, NLCF administers the importation of these products.

NLCF also exercises the price regulation of these products in order to protect the consumers from violent fluctuation in prices and to ensure the fair trade of these products. From 1980 a sliding scale price system had operated in the case of beef and pork, but in 1981 the price display system, by which the butchers themselves fix the selling price of beef was established.

(c) Amount of subsidy

The following amounts were used by NLCF to finance supply and demand operations and stockpiling of the products :

(Unit : Million Won)

Year	beef	pork	chicken
1981	1,008	-	497
1982	-	-	-
1983	-	-	163

II. Effect of subsidy

The main goal of this program is to stabilize the prices of beef, pork and chicken through supply and demand operations. These measures are not considered to have effects on international trade.

The following are the relevant statistics :

(Unit : Metric Tons)

Commodity	Year	Production	Consumption	Imports	Exports
Beef	1981	69.0	93.0	24.0	-
	1982	61.5	106.5	45.0	-
	1983	66.7	115.5	49.4	-
Pork	1981	209.0	209.0	-	-
	1982	237.5	237.5	-	-
	1983	294.9	294.9	-	-
Chicken	1981	91.0	91.0	-	-
	1982	99.2	39.2	-	-
	1983	119.9	119.9	-	-

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