

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

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SUBSIDIES

Notifications Pursuant to Article XVI:1

FINLAND

The following notification concerning subsidies has been received from the Delegation of Finland.

Agricultural Subsidies

million Fmk

Subsidy	1981	1982	1983
1. Regional support for agricultural production	423.7	499.3	547.2
2. Export subsidies for agricultural products	1634.4	1477.5	1609.8
3. Export refund for food industry products	334.0	373.0	450.0

1. Regional support for agricultural production.

(a) Annual cabinet decision.

(b) A regional production subsidy of milk is paid through dairies in northern Finland, in eastern districts and in the outer archipelago. The total amount of production subsidies was in 1981 Fmk 206.1 million, in 1982 Fmk 222.0 million and in 1983 Fmk 243.6 million.

A production subsidy for beef, pork and mutton is paid through slaughterhouses in northern Finland, in the eastern districts and in the outer archipelago. The total amount of production subsidies was in 1981 Fmk 95.3 million, in 1982 Fmk 101.9 million and in 1983 Fmk 127.2 million.

A special regional subsidy of the transportation of milk is paid to dairies in northern Finland, in the eastern districts and in the outer archipelago. The total amount of transportation subsidies was for 1981 Fmk 37.2 million, for 1982 Fmk 35.4 million and for 1983 Fmk 35.3 million.

The subsidy for rye was paid to the farmers in northern Finland and middle Finland by the State granary. The amount paid was Fmk 3.0 million in 1981, Fmk 1.6 million in 1982 and Fmk 4.5 million in 1983.

As production subsidy for starch potatoes, the following amounts have been paid: 1981 Fmk 4.7 million; 1982 Fmk 8.0 million and 1983 Fmk 3.2 million.

A subsidy for fodder grain production in middle and northern Finland was paid by the State granary to farmers in 1983 30.3 million Fmk.

- (c) The total amount paid for the above-mentioned subsidies was Fmk 423.7 million in 1981, Fmk 499.3 million in 1982 and Fmk 547.2 million in 1983.

2. Export subsidies for agricultural products:

- (a) Annual cabinet decision.
- (b) The export dairies receive from the State budget an export subsidy which enables them to pay farmers a price corresponding to the target price of milk determined annually by the Government.

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

(The Government pays part of the producer price of milk directly to the dairy producers through dairies. This "deficiency payment" is paid also to the milk used for exported milk products. Therefore the export share of the deficiency payment (about 20 per cent) is included in the export subsidies for agricultural products.)

- (c) The amount paid of all above-mentioned subsidies was in 1981 Fmk 1634.4 million, in 1982 Fmk 1477.5 million and in 1983 Fmk 1609.8 million.

3. Export refund for food industry products:

- (a) The laws on excise tax for confectioneries, beer, soft drinks, processed food products.
- (b) Export refund (a fixed amount per unit) is paid to the exporter of food industry products. Exports refund covers in principle the difference between the domestic price and the world market price of agricultural raw material used in the processed product.
- (c) The total amount of export refund was in 1981 334 million Fmk; in 1982 373 million Fmk and in 1983 (preliminary) 450 million Fmk.

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

(b) Incidence

Grants and loans will be paid to exporters. Grants can be maximum 50 % and loans 75 % of total expenditure. Since 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>1983</u>	<u>1984</u>
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(million FIM)

120,5

111,7

(in comparison US \$ rate in January 1984: 1 \$ = 5.85 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 not feasible to break down the total amount of a subsidy by purpose of production.

2. Effect of subsidy

These general measures of export promotion have stimulated the small and medium size firms and helped them in their own marketing programs. However the impact of grants on total exports cannot be calculated.

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 investment 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 grants is 20 % of total investment costs.

(c) Amount of subsidy

The amount of the subsidies budgeted is as follows:

<u>1983</u>	<u>1984</u>
(million FIM)	
65	60

(d) Estimated amount per unit

In 1983 the grant was in average 19 % of total investment costs.

2. Effect of subsidy

Support is not directed to productive investment, such as the use of fuels as raw material in production, but towards a more

effective use of domestic fuels for heating and power purposes, eg. peat, wood wastes etc. Effect of grant on investment activity has not been calculated. Effect on performance of industry is estimated to be nil.

III. Interest rate grant for energy saving

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. The grant is the difference between normal lending rates for investment loans and 7,5 %.

(c) Amount of subsidy

The amount budgeted for interest rate grant in 1983 and 1984 is 2,5 million FIM annually.

2. Effect of subsidy

Effect of support 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

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 guarantee are intended for industrial enterprises workshops, tourist branch activities, fur-animal breeding, fish breeding, market gardening and peat production with an annual turnover not exceeding 150 million FIM. It is guarantee of debtors promissory notes; the State Guarantee Board collects a non-recurring premium of 0,75 % on the loan guarantee and an annual premium which is normally 0,75 % of the outstanding loan amount.

2. Effect of subsidy

About 500 loans are guaranteed annually by the State Guarantee Board. In 1981 e.g. the total amount of the loans guaranteed was FIM 130 million. Major beneficiary (about 40 %) is metal product and machine industry.

V Grant for purchasing foreign technology

1. Nature and extent of the subsidy

(a) Background and authority

Technology Development Centre appropriates grants for small and medium size enterprises (SME) for purchasing foreign technology. A new measure introduced in 1983 on an experimental basis with the aim of improving the possibilities of SMEs to gain access to and use advanced, new technology. Reservation in State Budget.

(b) Incidence

Grants are paid to small and medium size industry with an annual turnover not exceeding 100 million FIM. Grant can be max. 50 % of certain costs related to the purchase of new technology, e.g. licence fees.

(c) Amount of subsidy

The amount of the subsidies budgeted is as follows:

<u>1983</u>	<u>1984</u>
(million FIM)	
1	1,1

2. Effect of subsidy

Effect of measure cannot yet be calculated. It may increase imports of foreign technology, know-how and associated services as well as encourage export performance of SMEs.

VI Grants and loans for product development1. Nature and extent of the subsidy

(a) Background and authority

The Technology Development Centre support enterprises' R&D by granting them aid for individual product development projects.

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 Centre 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 research project costs as defined by the OECD/Frascati manual
- B: Paid to Finnish firms: maximum 75 % of research project costs as defined by the OECD/Frascati manual and with interest rate of 6,75 %.
- C: Paid to Finnish firms particularly small and medium size: maximum 75 % of research project costs as defined by the OECD/Frascati manual and with interest rate of 8 %.
- D: Paid to Finnish firms and research institutions.

(c) Amount of subsidy

The amount of subsidies budgeted is as follows:

	<u>1983</u>	<u>1984</u>
	(million FIM)	
A:	70,6	89,0
B:	87,5	90,0
C:	13,0	15,0
D:	36,0	45,0

2. Effect of subsidy

Two assessments of R & D support programmes have been carried out. In 1979 it was found that three or four years after receiving support the industrial forms concerned were able to increase their sales and in about 50 % of the funded projects there had been a positive effect on production. The results from 1983 show that 75 % of the projects supported led to economically feasible utilization.

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.

2. Effect of subsidy

Effect of government support is also difficult to calculate. Major beneficiary is metal industry.