

Original: English

SUBSIDIESNotifications Pursuant to Article XVI:1Republic of Korea

The following notification has been received from Korea.

I. AGRICULTURAL PRICE STABILIZATION PROGRAMME

1. 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 maintains price stabilization programmes through supply and demand operations.

(b) Incidence

At the time of harvest the Government purchases the product in order to prevent price decline, and releases the product during periods of shortage at an appropriate price, not less than 70 per cent of prevailing market prices.

(c) Amount of Subsidy

The following amounts were used to finance the programme

(Unit: Million won)

Year	Red pepper	Garlic	Onion
1984	-	-	-
1985	-	-	-
1986	24,398	7,172	-

2. Effect of the Subsidy

The program is intended to protect both producers and consumers by avoiding sharp price fluctuations.

The program is not believed to affect international trade.

The following are the relevant statistics.

(Unit : 1,000 Metric tons)

	Year	Production	Consumption	Imports	Exports
Red pepper	1984	116.9	135.6	18.7	-
	1985	165.3	165.3	-	-
	1986	197.8	197.8	-	-
Garlic	1984	200.2	209.4	9.2	-
	1985	256.2	258.5	2.3	-
	1986	369.8	367.9	-	-
Onion	1984	171.3	190.8	19.5	-
	1985	439.8	439.8	-	-
	1986	378.9	377.9	-	1.0

II. FOODGRAIN PROCUREMENT PROGRAM

1. Nature and Extent of the Subsidy

a) Background and Authority

Under the Foodgrain Management Law of 1963, the Government purchases certain amounts of rice and sells the rice at designated prices in order to secure a required supply and ensure economic stability.

In addition, the Foodgrain Procurement Program is indispensable as the program secures a certain amount of foodgrain for emergency use.

The Government ceased the Foodgrain Procurement Program for wheat from 1984 and for barley from 1987, which has eased the government's financial burden.

(b) Incidence

In order to stabilize price of foodgrain prices during the year, the Government purchases certain amounts of foodgrain within the Government's budget.

(c) Amount of Subsidy

The Government expenditure on the Foodgrain Procurement Program is as follows :

(Unit: Billion won)

Year	Rice	Barley and Wheat
1983	829.9	275.1
1984	864.6	208.4
1985	822.2	121.5
1986	717.4	92.4

The Government purchasing price per bag of foodgrain is as follows :

Year	1983	1984	1985	1986
Rice (won/80kg bag)	55,970	57,650	60,530	64,160
Barley(won/76.5kg bag)	33,780	34,460	36,360	39,070

2. Effect of the Subsidy

The Foodgrain Procurement Program is intended to protect both producers and consumers through price stabilization.

It would be worth noting that the average cultivating area in Korea is no more than 1.1 ha/household.

The program appears to have no adverse effect on international trade.

Statistics	(Unit: 1,000 Metric tons)		
Year	1984	1985	1986
Production			
- rice	5,404	5,682	5,626
- barley	804	571	453
Consumption			
- rice	5,540	5,501	5,803
- barley	825	896	552

III. SERICULTURE PROMOTION PROGRAM

1. Nature and Extent of the Subsidy

(a) Background and Authority

The domestic prices of sericultural products depend largely on international market conditions which create instability to the income level of our domestic sericultural households.

In order to stabilize the domestic market, the Government enacted the Sericultural Law in 1961.

(b) Incidence

Standard prices for fresh cocoon and raw silk are established on the basis of production cost, normal profits, prices of other agricultural products, international market prices, etc.

When export market prices exceed the established domestic standard prices, a portion of the differences (surplus) are deposited in the Sericulture Promotion Fund.

The Fund is used for the Sericulture Promotion Program. There is no financial contribution by the Government with respect to this program.

2. Effect of the Subsidy

The aim of the program is to reduce violent fluctuations of domestic sericultural market prices.

This program appears to have no adverse effect on international trade.

The following are the relevant statistics :

(Unit: Metric tons)

	Year	Production	Consumption	Imports	Exports
	1984	10,283	11,356	1,073	-
Fresh	1985	8,996	10,084	1,088	-
cocoon	1986	8,728	10,436	1,708	-
	1984	1,830	417	1,038	2,451
Raw	1985	1,626	324	1,326	2,628
silk	1986	1,548	330	1,914	3,132

IV. LIVESTOCK PRICE SUPPORT PROGRAM

1. Nature and Extent of the Subsidy

(a) Background and Authority

The Government enacted the Livestock Law in 1963 in order to foster the livestock industry.

According to Article 3 of the Law, the Minister of Agriculture, Forestry and Fisheries is to administer the supply and demand of livestock and to implement price stabilization policies.

(b) Incidence

The National Livestock Co-operative Federation (NLCF) is authorized to administer supply and demand operations in order to prevent violent fluctuations in the market prices of cow, live swine, fowls.

The NLCF purchases cow, live swine and fowls and stockpiles their meat in case the prices of the live animals fall to a great extent due to excess supply, and then releases the reserve stocks as necessary.

(c) Amount of Subsidy

The following amounts were paid to purchase cow, live swine, fowls.

(Unit: Million won)

Year	Cow	Live swine	Fowls
1984	9,529	12,994	167
1985	56,017	1,508	-
1986	113,927	-	46

2. Effect of Subsidy

The main goal of this program is to stabilize the prices of cow, live swine, fowls through supply and demand operations.

These measures are not believed to affect international trade.

The following are the relevant statistics:

(Unit: Metric tons)

		Production	Consumption	Exports	Imports
	1984	91	107	-	24
Cow	1985	117	120	-	-
	1986	151	148	-	-
	1984	341	340	-	-
Live	1985	345	346	-	0,2
Swine	1986	320	320	-	-
	1984	118	118	-	-
Fowls	1985	126	126	-	-
	1986	129	129	-	-

V. EXPORT FINANCING PROGRAM

1. Nature and Extent of the Subsidy

(a) Background and Authority

The Bank of Korea, under the Bank of Korea Act (1950), is authorized to provide credit to promote exports of goods and services.

In accordance with this Act, the Monetary Board of the Bank of Korea promulgated the "Regulation for Export Financing" in February 1972.

In November 1985, the Bank of Korea amended the "Regulation for Export Financing" into the "Regulation for Trade Financing".

This export financing program is operated by the individual commercial banks at their own discretion, and it has no connection with the government's budget.

(b) Incidence

Under the program there are three types of financial facilities:

(1) Loans for General Export and Import

Exporters can borrow money for up to 90 days at a 10% annual interest rate, which has been consistent with the generally available commercial prime rate since 1982.

To obtain these loans, borrowers must provide supporting documents of export transactions.

The export loan ceiling is set according to the value of the company's total net exchange earnings during the three-month period prior to submitting an application.

Within the ceiling, borrowers may secure funds equivalent to the U.S. dollar value of goods to be exported; this value is then converted into Korean won at a specially set ratio against the U.S. dollar.

This ratio is not linked with the official foreign exchange rate and is used only to determine the upper limit of loans to the borrowers under this program.

With a series of reductions in the ratio since 1986, the general trend has been towards a phasing out of the financial support.

(2) Loans for Export of Construction and Services

Terms and conditions are the same as for "Loans for General Export and Import". The eligible borrowers are those who have signed overseas construction or service contracts with foreign clients.

(3) Loans for Preparing Exports of Agricultural and Marine Products

Terms and conditions are similar to those of the "Loans for General Export and Import", except the period, which varies according to the characteristics of the products.

The purpose of these loans is to finance intermediary warehousemen or collectors of certain seasonal agricultural and marine products for export use.

(C) Amount of the Subsidy

The borrowers' benefits from this program are very insignificant because the conditions of these loans are essentially the same as those of other commercial loans.

The following figures show the total amount of loans for the recent three years:

<u>Year end</u>	<u>Loans (outstanding)</u>
1984	2,765 billion won
1985	3,130 billion won
1986	3,445 billion won

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

2. Effects of Subsidy

There are no estimated figures to measure the quantitative trade effects of this program.