

GENERAL AGREEMENT ON

RESTRICTED

L/6450/Add.4

13 March 1989

TARIFFS AND TRADE

Limited Distribution

Original: English

SUBSIDIES

Notifications Pursuant to Article XVI:1

FINLAND

The present document updates the information appearing in document L/6111/Add.2 and Suppl.1.

Industrial Subsidies

I. Promotion of export marketing

1.

(c) Amount of subsidy

(million FIM)	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
Grants	110.0	143.8	137.4	142.4
Loans (with repayment obligations)	45.0	48.0	52.0	52.0

II. Investment subsidies for the use of domestic energy sources and for energy conservation

1. Nature and extent of the subsidy

(a) Background and authority

The Ministry of Trade and Industry promotes the production of domestic energy and energy conservation by granting subsidies for the building of plants using domestic energy sources or for investments aiming at energy conservation.

The legal provisions are laid down in the law 858/84 concerning the promotion of domestic energy production and energy conservation.

(b) Incidence

The grants are intended for firms and communities, e.g. municipalities and municipal energy production plants. The grants for energy conservation investments are intended only for firms. The maximum grant is 20 per cent of total investment costs, and maximum 40 per cent of total investment costs for plants or energy saving installations involving new technology.

(c) Amount of subsidy (million FIM)

<u>1986</u>	<u>1987</u>	<u>1988</u>
24.0	19.0	50.0

(d) Estimated amount per unit

In 1987 the subsidy was on the average 8.5 per cent of total investment costs.

2. Effect of subsidy

The subsidy is not directed to productional investment, such as the use of fuels as raw materials in production, but towards a more efficient use of domestic energy for heating and power purposes. The effect of the subsidy on investment activity has not been calculated.

III. Interest subsidy for investments aimed at energy conservation and promoting the use of domestic fuels as well as natural gas

1. Nature and extent of the subsidy

(a) Background and authority

The Ministry of Trade and Industry grants interest subsidies for investments aimed at the conservation of energy and promoting the use of domestic fuels as well as investments in the use and distribution of natural gas.

The legal provisions are laid down in the law 1015/77 concerning interest subsidies.

(b) Incidence

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

The maximum loan is 50 per cent (production and use of domestic fuels) or 60 per cent (energy conservation and natural gas) of the total investment costs.

The interest subsidy is 4 per cent per annum during the first four years, and after that 2 per cent per annum until the end of the eighth year.

(c) Amount of subsidy (million FIM)

<u>1986</u>	<u>1987</u>	<u>1988</u>
0.8	1.1	8.5

2. Effect of subsidy

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

IV. Guarantees for small and medium size industry

(b) Incidence

The guarantees 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 FIM 150 million. It is guarantee of debtors' promissory notes; the State Guarantee Board collects a non-recurring premium of 0.75 per cent on the loan guaranteed and an annual premium which is normally 1.1 per cent of the outstanding loan amount.

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

<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
105.8	100.1	181	216
(244 loans)	(216 loans)	(321 loans)	

2. Effect of subsidy

In 1987, 78 per cent of the guarantees were granted to firms of less than 20 employees. 36 per cent of all firms to which guarantees were given were firms barely commencing operation. Most guarantees (about 40 per cent) are given to the metal and machine industry.

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 new technology utilization. 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 aiming at adapting the Finnish economy to international technological development and thus diversifying the structure of Finnish industry.

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

- A. Grants for R&D (industrial)
- B. Loans for R&D (industrial)

The legal provisions are laid down in the decision of the Council of the State concerning grants and loans for R&D (150/85).

Grants are directed mainly to industrial applied research, to industrial joint research, to SMI-companies and to projects in their very initial phases in the innovation chain where the time before economical utilization of results is relatively long.

Loans are directed mainly to product development utilizing new technologies where the risks in applying new technologies are especially high.

(b) Incidence

Grants paid to enterprises and other entities: maximum 50 per cent of acceptable research project costs. Investments are not acceptable, and only a limited overhead on direct wages (60 per cent) can be accepted. The income directly due to project must be subtracted in long term projects with large scale university and public research institute participation the upper limit of the grant may exceptionally in some cases be 75 per cent.

Loans paid to enterprises: maximum 75 per cent of acceptable R&D costs. Investments are not acceptable and only a limited overhead on direct wages (60 per cent) can be accepted.

(c) Amount of subsidy (million FIM)

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
A.	100	122	130	165
B.	115	120	140	165) loans

VI. Export credits

(c) Amount of subsidy (million FIM)

<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
30.1	34.7	37.5	33.3

All amounts for 1988 are maximum estimates and can be reduced.