

GENERAL AGREEMENT ON

TARIFFS AND TRADE

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SUBSIDIES

NOTIFICATIONS PURSUANT TO ARTICLE XVI:1

FINLAND

Revision

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

	(FIM million)				
	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
Grants	110.0	143.8	137.4	142.4	174.0
Loans (with repayment obligations)	45.0	48.0	52.0	52.0	50.0

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

(FIM million)			
<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
24.0	19.0	46.3	80.0

In 1989 grants can be given for new energy technology in general.

(d) Estimated amount per unit

In the 1980s the subsidy has been on the average 10 per cent of total investment costs.

2. Effect of subsidy

The subsidy is not directed to production 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 production and 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

	(FIM million)			
	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
	0.8	1.1	1.0	17

In 1989 interest subsidy can be given for new energy technology in general.

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 service industries with an annual turnover not exceeding FIM 150 million. It is guarantee of debtors' promissory notes; the Finnish 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)

	(FIM million)				
	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
	105.8	100.1	181	239	200
	(244 loans)	(216 loans)	(321 loans)	(372 loans)	

2. Effect of subsidy

In 1988, 73 per cent of the guarantees were granted to firms of less than 20 employees. Thirty per cent of all the firms to which guarantees were given were firms barely commencing operation. Most guarantees (about 43 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 and 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 and D (industrial)
- B. Loans for R and D (industrial)

The legal provisions are laid down in the decision of the Council of the State concerning grants and loans for R and D (150/85 and Amendment 352/89).

(b) Incidence

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. Maximum 50 per cent of acceptable research project costs are paid. Investments are not acceptable. The income directly due to project must be subtracted.

Loans are directed mainly to product development utilizing new technologies where the risks in applying new technologies are especially high. Maximum 75 per cent of acceptable R and D costs are paid. Investments are not acceptable.

(c) Amount of subsidy

	(FIM million)				
	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
A	100	122	130	165	182
(B	115	120	140	165	180) loans

VI. 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 Credit Ltd. (FEC), a limited liability company owned by the Government, commercial banks and industrial companies.

The company finances the export of capital goods and services as well as domestic deliveries by providing medium- and long-term credits.

The terms and conditions of export credits conform with the OECD Arrangements on Guidelines for Officially Supported Export Credits and the

OECD Understanding on Export Credits for Ships. Finnish Export Credit also extends non-subsidized export credits on market terms and credits for exports to developing countries on concessional terms (mixed credits).

FEC finances its operations by issuing long-term domestic subordinated debentures and by borrowing on international capital and money market. In the early 1980s the Government replaced its participation in the subsequent debenture programme by an interest rate subsidy scheme.

The legal provisions concerning interest subsidy to FEC are laid down in a law of December 20, 1985.

(b) Incidence

The credits are extended either to the supplier (supplier credit refinancing) or to the buyer, his bank or other financial institution (buyer credit).

(c) Amount of subsidy

(FIM million)				
<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
30.1	34.7	38.1	32.3	40.0

2. Effect of subsidy

The effect of the Government support is difficult to quantify. Major beneficiaries are the metal and engineering industry and wood-processing industry.

All amounts for 1989 are maximum estimates and can be reduced.

AGRICULTURAL SUBSIDIZATION

Form of subsidy	Year	Year	Year	Year	Year	Year
	1984	1985	1986	1987	1988	1989
	(FIM million)					
1. Regional support for agricultural production	542.0	573.6	649.9	588.9	578.4	641.5*
2. Export subsidies for agricultural products	2,234.5	2,258.1	2,296.0	2,113.0	1,350.5	
3. Export refund for food industry products	576.3	676.5	753.6	837.5	809.4	

*Estimate

1. Regional support for agricultural production

As an annual Cabinet decision, a regional zonewise differentiated price support on milk is paid through dairies in Northern Finland, in Eastern districts and in the outer archipelago. The total milk production subsidy was FIM 245.6 million in 1984, FIM 245.8 million in 1985, FIM 249.7 million in 1986, FIM 243.2 million in 1987 and FIM 229.9 million in 1988.

A similar regional production subsidy for beef, pork and mutton is paid through slaughterhouses for animals produced in Northern Finland, in Eastern districts and in the outer archipelago. The total meat production subsidy was FIM 139.8 million in 1984, FIM 152.2 million in 1985, FIM 164.6 million in 1986, FIM 164.1 million in 1987 and FIM 143.8 million in 1988.

Based on the number of domestic animals, a subsidy which also includes the former price reduction of commercial feeds used in remote areas, is paid in Northern Finland and in the outer archipelago. This subsidy amounted in its first year 1986 to FIM 124.2 million, in 1987 to FIM 127.8 million and in 1988 to FIM 145.3 million. (In 1985, its four predecessors totalled FIM 134.2 million and in 1984 FIM 126.4 million.)

A subsidy on rye produced in Northern and Central Finland is paid through the State Granary. The amount paid was FIM 4.8 million in 1984, FIM 4.0 million in 1985, FIM 4.7 million in 1986, FIM 3.0 million in 1987 and FIM 3.5 million in 1988.

Production subsidies on starch potatoes, produced far from the factories in Northern and Central Finland, were paid in 1984 FIM 6.7 million, in 1985 FIM 9.8 million, in 1986 FIM 8.9 million, in 1987 FIM 8.8 million and in 1988 FIM 8.6 million.

A subsidy on fodder grain produced in Central and Northern Finland was paid through the State Granary totalling in 1984 FIM 31.7 million, in 1985 FIM 41.9 million, in 1986 FIM 42.6 million, in 1987 FIM 41.4 million and in 1988 FIM 39.6 million.

The total amount paid for the above-mentioned and some minor subsidies was FIM 542.0 million in 1984, FIM 573.6 million in 1985, FIM 649.9 million in 1986, FIM 588.9 million in 1987 and 578.4 million in 1988. The estimated outlay for regional support in 1989 is FIM 641.5. (These amounts are calculated according to the cash principle, i.e. are paid in the mentioned year.)

2. Export subsidies for agricultural products

As an annual Cabinet decision, export dairies receive through the State budget an export subsidy for dairy products which enables them to pay farmers a price corresponding to the target price of milk annually agreed upon.

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

Compared to reports from former years, there are slight differences in the amounts paid. This is due to different grouping of support systems.

The amount paid for all the above mentioned export subsidies was in 1984 FIM 2,234.5 million, in 1985 FIM 2,258.1 million, in 1986 FIM 2,296.0 million, in 1987 FIM 2,113.0 million and in 1988 FIM 1,350.5 million. These sums refer to the amounts exported in the mentioned year, but are not necessarily paid in that year.

3. Export refunds

The export refund is paid (a fixed amount per unit) for domestically produced raw materials, which are included in processed food industry products when exported. The refund covers in principle, the difference between the yearly fixed domestic price and the prevailing world market price.

The total amount of export refunds was in 1984 FIM 576.3 million, in 1985 FIM 676.5 million, in 1986 FIM 753.6 million, in 1987 FIM 837.5 million and in 1988 FIM 809.4 million.