

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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SUBSIDIES

Notifications Pursuant to Article XVI:I

NORWAY

The following notification concerning subsidies in the fields of agriculture, fisheries and industry has been received from the Permanent Delegation of Norway.

A. AGRICULTURAL PRODUCTS

1. Nature and extent of the subsidy

(a) Authority

Allocations made under Chapter 1150 (Ministry of Agriculture) and Chapter 1580 (Ministry of Consumer Affairs and Government Administration) of the State budget provide for support for milk and dairy products, meat, Norwegian produced grain flour, eggs, fruits and vegetables. Appropriations for subsidies are fixed through annual parliamentary decisions. In Chapter 1580, item 70, allocations are made for the regulation of consumer prices and in Chapter 1150 for the fulfilment of the Agricultural Agreement.

(b) Incidence

1. Subsidies on milk and dairy products are paid to the producers represented by the Milk Pools (Melkesentralen) and the Norwegian Milk Producers National Association (Norske Melkeprodusenters Landsforbund). These subsidies consist of three parts: firstly, a basic subsidy paid to all producers for all milk; secondly, a form of subsidies paid for the first 30,000 litres of cow milk (this is limited to 15 000 l for goatmilk) and thirdly, a graded regional subsidy. The basic milk price is almost equal all over the country; however, the dairies' marginal costs influence the producers' price. Consumer subsidies are paid on milk and dairy products consumed in the country.

2. Regional price support on meat (except pork and poultry meat) are only paid to producers receiving regional price support on milk. Northern Norway receives additional price support on meat, - including pork, however, not on reindeer meat. Basic price support on beef is given.
3. In order to stimulate farmers to feed their animals on homegrown grain, thereby avoidig this grain being delivered to the Norwegian Grain Corporation for later re-sale to farmers at subsidized prices, farmers are paid a subsidy for grain from their own production used as fodder on the farm. Freight subsidies are paid on all grains, when the transport costs are a fixed amount, which is to be paid by the producers.
4. Freight subsidies are paid on meat and eggs in order to establish equal prices for producers and wholesaler all over the country.
5. Market regulation support is given for meat, eggs, fruits and vegetables, as a part of the Agricultural Agreement. The aim is to regulate the market to secure the target prices for the different products fixed in the agreement. Market regulation support is only given within the production goals fixed in the agricultural policy - i.e. adjusting production to the actual demand. Since 1983 the farmers themselves are responsible for market regulation costs caused by a domestic production beyond these goals.
6. The area support arrangement for coarse fodder production in animal husbandry is established to stimulate the production and use of home grown coarse fodder on the individual farms

and to make production on small farms more profitable.

7. Area support arrangement for crop husbandry has the purpose to increase incomes in crop and plant production. Special attention is given to small farms. The support is differentiated according to regional criteria.
8. Structural and regional support per animal is established to increase the incomes on small farms according to regional criteria. Number of animals on the farm in August and February forms the basis for calculation of the support. The total support is fixed at a maximum NOK 43 000 for pigs and poultry. The support is paid directly to the producers.
9. Consumer subsidies on flour were paid to the Norwegian Grain Corporation. According to governmental decision these subsidies were abolished at the end of 1984.
10. Market regulation support on eggs and poultry meat and additional price support on high quality eggs indirectly have a subsidizing effect on eggs and poultry meat.
11. Potato production does also receive subsidies as a part of a potato market system. The support is given to participants (producers) of this market system.
12. Support programmes in the horticultural sector are aiming at market regulations and better qualities, and may thus be said to have an indirect effect on prices.

(c) Amount of subsidy

Appropriations are made in Chapters 1150 and 1580 of the State Budget for different support arrangements in force on January 1985 (Budget year 1985) and adjusted by 1 July 1985 (under the Agricultural Agreement).

Chapter 1150 Appropriations according to the Agricultural Agreement

| | <u>NOK million</u> |
|---|--------------------|
| (a) Milk and milk products | 2463,6 |
| (b) Basic support on meat | 385,3 |
| (c) Regional price support on meat ₁₎ | 352,8 |
| (d) Price support on domestic grain | 1027,9 |
| (e) Regional price support on domestic grain | 131,0 |
| (f) Freight subsidies on meat and eggs | 88,0 |
| (g) Market regulation for meat, eggs, fruit (including storing facilities) | 335,2 |
| (h) Area support arrangement for coarse fodder production | 822,3 |
| (i) Area support arrangement for crop husbandry | 124,0 |
| (j) Structural and regional support per animal | 1456,6 |
| (k) Basic support on potatoes | 110,0 |

Chapter 1580 Appropriations for consumer price support

| | |
|---------------------------|--------|
| (a) Whole milk | 1078,8 |
| (b) Skim milk | 222,0 |
| (c) Cheese | 317,5 |
| (d) Flour | - |
| (e) Meat: ₂₎ | |
| - Beef, and reindeer meat | 205,1 |
| - Mutton and goat meat | 108,9 |

- ₁₎ Including extra regional support for Northern Norway.
₂₎ If the proposed reduction is applied, the consumer price support on meat will be reduced with 108 mill NOK in 1986.

Estimated amount per unit

Price support according to unit of production (based on
calculated production in 1981)

| | <u>NOK øre</u> ₁) |
|--|---|
| The "basic price support" on milk | 15,80 per litre |
| Price support on the first 20,000 litres ₂) of cow milk produced on each farm | 184,00 " " |
| Price support for the following 10,000 l ₂) of cow milk produced on each farm | 80,00 " " |
| Regional price support on milk varies from 13 to 60 øre per litre | |
| Regional price support on meat ₃) | 150,00 per kg zone 1 400,00 " " zone 2 |
| Price support on meat in Northern Norway ₃) | pork 320,00 " " other 340,00 " " |
| Consumer price support | |

NOK per litre

| | |
|--|------|
| Wholemilk for consumption (price support including VAT compen- sation) | 1,74 |
| Skim milk | 1,85 |
| Cheese | 6,35 |
| Flour | 0,00 |
| Meat ₄) | |
| - beef and reindeer meat | 2,81 |
| - mutton and goat meat | 4,95 |
| ----- | |

₁) 1 NOK = 100 NOK øre

₂) Goatmilk recivs 368 NOK øre/l for the first 10 000 l and
160 NOK øre/l for the next 5 000 l.

₃) Except pork and poultry meat.

₄) Proposed reduced with 1.58 NOK/kg in 1986.

The following tables show developments in production, exports, imports and consumption of major agricultural commodities.

Table 1 Cowmilk

| <u>Year</u> | <u>Net production recieved by dairies in million litres</u> | <u>Consumption million litres</u> | |
|-------------|---|--|--------------|
| | | <u>Whole milk and skimmed milk</u> | <u>Cream</u> |
| 79 | 1742 | 779 | 28,9 |
| 80 | 1808 | 798 | 29,5 |
| 81 | 1825 | 799 | 30,9 |
| 82 | 1880 | 795 | 31,0 |
| 83 | 1855 | 782 | 31,1 |
| 84 x | 1857 | 775 | 32,3 |
| 85 x | 1817 | 776 | 32,5 |

Source: Budget Committee for Agriculture.
x provisional figures.

Table 2 Cheese (1.000 tons)

| <u>Year</u> | <u>Net production</u> | <u>Exports</u> | <u>Imports</u> | <u>Consumption</u> |
|-------------|-----------------------|----------------|----------------|--------------------|
| 79 | 67,6 | 20,8 | 1,4 | 48,9 |
| 80 | 69,6 | 18,8 | 1,3 | 50,9 |
| 81 | 71,6 | 21,2 | 1,2 | 51,4 |
| 82 | 73,2 | 20,0 | 1,3 | 50,0 |
| 83 | 65,3 | 20,6 | 1,9 | 51,3 |
| 84 x | 69,9 | 17,6 | 2,0 | 50,7 |
| 85 xx | 69,0 | 19,0 | 2,0 | 51,0 |

Source: Budget Committee for Agriculture

Table 3 Butter (1.000 tons)

| <u>Year</u> | <u>Net production</u> | <u>Exports</u> | <u>Imports</u> | <u>Consumption</u> |
|-------------|-----------------------|----------------|----------------|--------------------|
| 79 | 20,5 | 0,3 | 1,7 | 21,4 |
| 80 | 21,7 | 0,5 | 1,8 | 23,2 |
| 81 | 23,1 | 2,8 | - | 19,5 |
| 82 | 24,6 | 3,6 | - | 19,8 |
| 83 | 26,9 | 7,3 | - | 19,6 |
| 84 x | 25,4 | 4,8 | - | 19,4 |
| 84 xx | 25,1 | 4,8 | - | 19,3 |

Source: Budget Committee for Agriculture

x provisional figures

xx forecast

Table 4 cereals (million kg) 1)

| <u>Year</u> | <u>Production</u> | <u>Imports</u> | <u>Exports</u> | <u>Consumption 2)</u> |
|---------------|-------------------|----------------|----------------|-----------------------|
| <u>Wheat</u> | | | | |
| 79 | 67,0 | 310,1 | - | 375,4 |
| 80 | 65,0 | 340,1 | - | 363,1 |
| 81 | 57,7 | 423,8 | - | 420,0 |
| 82 | 75,4 | 385,4 | - | 445,4 |
| 83 | 96,8 | 197,8 | - | 345,0 |
| 84 x | 193,8 | 235,7 | - | 369,2 |
| 85 xx | 178,2 | 187,6 | - | 377,7 |
| <u>Rye</u> | | | | |
| 79 | 5,4 | 37,0 | - | 41,3 |
| 80 | 4,7 | 58,8 | - | 42,0 |
| 81 | 2,9 | 26,3 | - | 39,2 |
| 82 | 2,2 | 22,1 | - | 37,9 |
| 83 | 3,4 | 41,3 | - | 33,5 |
| 84 x | 6,4 | 36,6 | - | 33,7 |
| 85 xx | 6,7 | 38,8 | - | 33,8 |
| <u>Barley</u> | | | | |
| 79 | 648,3 | 31,9 | - | 643,0 |
| 80 | 651,0 | 47,1 | 2,3 | 596,7 |
| 81 | 609,7 | 6,1 | 14,3 | 603,5 |
| 82 | 624,4 | - | 13,2 | 486,1 |
| 83 | 569,3 | 26,5 | - | 567,6 |
| 84 x | 557,2 | - | - | 596,9 |
| 85 xx | 658,4 | - | - | 599,1 |

Table 4 cereals (million kg) 1)

| <u>Year</u> | <u>Production</u> | <u>Imports</u> | <u>Exports</u> | <u>Consumption 2)</u> |
|-------------|-------------------|----------------|----------------|-----------------------|
| <u>Oats</u> | | | | |
| 79 | 383,2 | - | - | 345,3 |
| 80 | 431,0 | - | - | 365,9 |
| 81 | 466,3 | - | - | 374,3 |
| 82 | 497,7 | - | - | 409,3 |
| 83 | 403,7 | - | - | 467,5 |
| 84 x | 548,1 | - | - | 460,7 |
| 85 xx | 481,6 | - | - | 519,6 |

Source: (Production): Budget Committee for Agriculture

Source: (Imports, Exports, Consumption): Norwegian
Grain Corporation.

x Provisional figures

xx Forecast

1) Production + Import - Export may differ from the consumption figures. This differences are due to changes in stocks and storing losses.

2) Consumption of food grain, feed grain and sow grain.

Table 5 Meat (million kg) ¹

| <u>Year</u> | <u>Net Production ²⁾</u> | <u>Imports ³⁾</u> | <u>Exports</u> | <u>Consumption ²⁾</u> |
|----------------------|-------------------------------------|------------------------------|----------------|----------------------------------|
| <u>Beef and veal</u> | | | | |
| 79 | 73,6 | 8,7 | - | 80,7 |
| 80 | 70,3 | 10,9 | - | 80,7 |
| 81 | 76,4 | 1,8 | 1,1 | 70,7 |
| 82 | 81,3 | 0,1 | 5,6 | 76,4 |
| 83 | 75,8 | - | - | 68,9 |
| 84 x | 70,6 | - | - | 71,5 |
| 85 x x | 72,9 | - | - | 71,3 |
| <u>Mutton</u> | | | | |
| 79 | 18,7 | 3,6 | - | 21,9 |
| 80 | 18,8 | 3,0 | - | 22,1 |
| 81 | 21,2 | 1,3 | - | 20,2 |
| 82 | 23,6 | 0,9 | - | 22,4 |
| 83 | 23,2 | 0,3 | - | 23,8 |
| 84 x | 24,5 | 0,4 | - | 23,6 |
| 85 xx | 24,8 | 0,1 | - | 23,7 |
| <u>Pork</u> | | | | |
| 79 | 80,6 | 5,7 | - | 86,4 |
| 80 | 83,1 | 6,2 | - | 88,4 |
| 81 | 83,0 | 1,8 | 2,5 | 79,9 |
| 82 | 81,4 | 2,6 | 12,7 | 74,1 |
| 83 | 81,3 | 2,4 | 3,1 | 79,5 |
| 84 x | 84,2 | 2,4 | 6,0 | 79,5 |
| 85 xx | 88,2 | 2,0 | 6,0 | 80,2 |

Table 5 Meat (million kg) ¹

| <u>Year</u> | <u>Net Production²⁾</u> | <u>Imports³⁾</u> | <u>Exports³⁾</u> | <u>Consumption²⁾</u> |
|---------------------|------------------------------------|-----------------------------|-----------------------------|---------------------------------|
| <u>Poultry meat</u> | | | | |
| 79 | 11,0 | 0,4 | - | 11,5 |
| 80 | 10,9 | 0,1 | - | 11,3 |
| 81 | 12,0 | 0,5 | - | 11,3 |
| 82 | 9,9 | 0,4 | - | 11,4 |
| 83 | 10,7 | 0,4 | - | 11,1 |
| 84x | 10,9 | 0,5 | - | 11,4 |
| 85x x | 11,3 | 0,5 | - | 11,4 |
| <u>Eggs</u> | | | | |
| 79 | 38,3 | 2,5 | - | 39,7 |
| 80 | 44,8 | 0,9 | - | 45,7 |
| 81 | 46,7 | 1,0 | - | 46,3 |
| 82 | 49,6 | 0,4 | 0,3 | 48,0 |
| 83 | 50,7 | 0,1 | 0,6 | 48,2 |
| 84x | 51,4 | - | 1,1 | 47,8 |
| 85x x | 51,5 | - | - | 48,0 |

1) The difference (between the figures) is due to changes in stock.

2) Source: Budget Committee for Agriculture

3) Source: Norwegian Meat Marketing Cooperation and Norwegian Farmers ,
Eggs and Poultry Sales Association

x Provisional figures

xx Forecast

B. FISH

I. Nature and extent of the subsidy

Background and policy

General policy

As a part of the general economic policy in Norway, financial support has been given to the fishing industry during the last 30 years, during the first years very often on an ad hoc basis as a solution to short term problems.

An agreement was concluded in 1964 between the Government and the Norwegian Fishermen's Association that stipulated the main lines for future support measures to be arranged through negotiations between the parties concerned. The provisions of the agreement emphasize the importance of introducing measures which can promote more efficiency in fishing, processing and trade, and thus increase the profitability of the fishing industry. The specific schemes for support in accordance with the general agreement are negotiated annually.

The governmental policy is aiming at securing the fishermen an income equal to what an industrial worker could obtain in the coastal areas of Norway.

To secure a normal activity within the fishing industry, and to discourage the current trend of people moving away from scarcely populated areas in the northern and western parts of Norway, it has in some years been necessary to increase the support for the fishing industry. Without such emergency measures a great part of the labour force would move to other parts of the country in order to find new employment. On the whole the Government support of the fishing industry must be regarded as an integral part of the

Norwegian social and economic policy.

Structure and development of the fishing fleet

Towards the end of 1984 the Norwegian fishing fleet consisted of about 25,600 vessels, of which 9,100 were decked vessels. A large part of these vessels are small open boats, only used during relatively short periods of the year. They provide only a smaller part of the total catch.

In 1980 the Ministry of Fisheries introduced measures to reduce the capacity of the purse seine and the trawling fleet, aiming at reducing the capacity of each group with 25 % in order to increase the profitability in the fisheries. To achieve such a reduction the government has granted funds to support sales or scrapping of old vessels.

The support schemes

Investment

1.1 Fishing vessels

Norway has no regular support schemes for financing the construction of fishing vessels.

It has often proved to be difficult for the fishermen to raise capital for the acquisition of fishing craft, gear, etc. through private credit institutions. The primary objective of the State Fishery Bank is therefore to be a specialized credit institution for the fishermen in order to stimulate an adequate and effective development of the fleet and to promote a reasonable development of the fishing industry.

The State Fishery Bank has different loan schemes. The maximum amount of first mortgage loans is up to 60 % of the total investment. These loans are given for a maximum period .

of 15 years and at a rate of interest of 11.5 %. The maximum amount of second mortgage loans is from 70 % to 80 % of total investment, including first mortgage loans. The maximum repayment period is 15 years, if necessary with no repayment obligation during the first two years. The rate of interest is 10 %. There is also a special loan scheme financing, in certain cases, up to 25 % of the total investment. The loan terms are 15 years repayment period, incl. 5 years repayment exemption and no interest.

Processing

1.2 The State Fishery Bank also grants certain loans to the processing industry. These loans have a maximum period of up to 20 years and 11.5 % interest.

1.3/1.4 The Regional Development Fund (RDF) (Distriktenes Utbyggingssfond) is charged with the general development of industries in districts with special employment problems or districts with special employment problems or districts which are poorly developed. The Fund thus attaches great importance to the direct and indirect effect which the project has on the employment and income situation in the coastal regions.

As regards the processing industry RDF mainly supports plans aiming at rationalization and modernization of already existing plants as well as plans for advanced product development. The maximum period for loans to the processing industry is 20 years and with an interest of 11.5 %. These grants are intended to assist in project development in areas with limited employment opportunities and with low level of industrial and commercial development. The Fund also guarantees for loans granted by private credit institutions.

1.5 RDF may support industries located in certain designated development regions. These grants are fixed at maximum 15 to 35 % of approved investment costs, depending on where the investment is made. This support constitutes a compensation

for additional costs and problems in a transitional period connected with investments in regions with low levels of industrial development.

II. Operational support

In 1985 such support (grants) amounted to 1,375 million NOK, compared to 1,100 million NOK in 1984. The most important items are commented upon below. Figures given in Annex I refer to the amount granted for 1984 and 1985. For 1985 an additional 100 million NOK was granted as liquidity loans to the fishing fleet and the fish processing industry.

- 2.1 The most important means to increase the fishermen's income is the subsidies to support landing prices of certain species of fish. Most kinds of fish and fisheries products landed in Norway are delivered to the fishermen's sales organizations which administer the grants. The rules for payment to the fishermen are decided by the Minister of Fisheries. The subsidy is generally based on a fixed amount per kilo or hectoliter of the catches.
- 2.2 Subsidies for the purchase of fishing gear and bait are granted in order to reduce the fishermen's costs. In addition support is given to baiting stations for longliners.
- 2.3 By means of grants the Government contributed in 1977 to a fund to reduce price fluctuations on fish products. This fund has since been financed through a special tax on the exports of fisheries products.
- 2.4 The Government supports experimental work for improving the efficiency in the fisheries.
- 2.5 The Government guarantees a minimum weekly income for fishermen. The objective of this guarantee scheme is to secure a minimum income in case the fishing fails. If the minimum income is below this amount during the season, the

difference is covered by the guarantee. In 1980 a vacation scheme for the fishermen was established. This scheme is partly financed by governmental grants.

- 2.6 In 1984/85 the government support scheme for the fishing industry included money made available to cover parts of the insurance costs for fishing vessels. An arrangement was established in 1980 whereby fishing vessels receive a grant designed to reduce the operational costs. These grants are intended to compensate for the heavy increase in the operational costs which has hit most types of vessels. The size of the grant is fixed according to the length of the vessels and the type of fishing it is engaged in.
- 2.7 State guarantee schemes are available for loans from the Bank of Norway for fish processing and trade in fish. The total amount available in 1983 was 200 million NOK. The highest amount for any individual loan varies between 70 to 100 % of the costs of production. Loans are only granted to applicants who are expected to operate profitably but who have no other possibility to obtain credits. The rate of interest was 11.5 % in 1982. In addition loan guarantees for trade in stockfish were granted at a maximum limit of 200 million NOK.
- 2.8 Grants may be given to promote a structural reorganization of the Norwegian fishing fleet by facilitating sales, scrapping, etc. of older vessels. Similar actions are taken to support structural improvements in the processing industry. Special support is also given to promote readaptation in the fishing fleet and the fish processing industry.
- 2.9 Due to extraordinary difficulties the government has granted loans to alleviate problems caused by scarce liquidity. These loans have a 5 years repayment period. The interest on these loans is usually covered by a special government grant.

III. Effects of subsidy

The subsidies have not influenced the prices of the products which are sold at world market prices. With regard to imports the subsidies have had no noticeable effect. The domestic consumption of the fish products, constituting a minor part of the total production, is not thought to be affected by the subsidy arrangement.

ANNEX 1

N O R W A Y

Governmental support in 1984 and 1985 to the fisheries.

| Type of aid | Brief particulars | Amount provided (Million NOK) | |
|-------------|-------------------|----------------------------------|------|
| | | 1984 | 1985 |

I. Investment.

| | | | |
|---|---|-----|-----|
| 1.1 Loan schemes; for investment in vessels, gear and other equipment. (State Fishery Bank). | First mortgage loans; up to 60 % of total investments. Maximum period: 15 years. Rate of interest: 11.5 %. | 252 | 272 |
| | Second mortgage loans; including first mortgage loans to 70 to 80 % of total investment. Maximum period: 15 years. Rate of interest: 10 % | 57 | 52 |
| | Up to 25 % of total investment. Maximum period: 15 years, incl. 5 years repayment exemption. No interest. | 25 | 85 |

| Type of aid | Brief particulars | Amount provided (Million NOK) | |
|---|--|----------------------------------|------|
| | | 1984 | 1985 |
| 1.2 Loans to the fish processing industry: (State Fishery Bank). | Rate of interest: 11.5 %. Maximum period: 20 years. | 48 | 35 |
| 1.3 Loans to the fish processing industry in certain designated development regions. (Regional Development Fund - RDF). | Interest: 11.5 %. Maximum period: 25 years. | 70 | 78 |
| 1.4 Loan guarantees for financing processing plants in certain designated development regions. (RDF). | Guarantees for loans by private credit institutions. | 386 | 17 |
| 1.5 Investment grants for processing plants located in certain designated regions. (RDF). | Grants are fixed at maximum 15 - 35 % (1984)/40 % (1985) of approved investment cost, depending on where the investment is made. | 60 | 62 |

| Type of aid | Brief particulars | Amount provided (Million NOK) | |
|---|--|----------------------------------|-------|
| | | 1984 | 1985 |
| II. Operational | | | |
| 2.1 Subsidies to support landing prices of certain species of fish. | Yearly fixed basic sum (a certain amount per kilo or hectoliter). | 571 | 626,5 |
| 2.2 Grants to reduce prices of bait and baitings stations. | Bait (a certain amount per kilo). | 40 | 40 |
| | Baiting stations | 9 | 7 |
| 2.3 Loans and grants to price equalization measures. | | 25 | 88 |
| 2.4 Grants to improve efficiency in fisheries. | Experimental work. | 64,6 | 68 |
| 2.5 Guarantee of minimum weekly income for fishermen. | Maximum aid of NOK 1,1000 (1984) and 1,300 (1985) per head per week. | 76 | 138 |
| | Vacation scheme. | 50 | 51 |
| 2.6 Grants to reduce insurance costs. | | 51 | 51 |
| | Grants to reduce operational costs. | 134 | 139 |

| Type of aid | Brief particulars | Amount provided (Million NOK) | |
|---|--|----------------------------------|---|
| | | 1984 | 1985 |
| 2.7 Loans and guarantees for fish processing and trade (short term credit). (Bank of Norway). | Loans and guarantees up to 70 to 100 % of production costs. Rate of interest: 11.5 %. | | Maximum limit NOK 440 Mill. (of which max. NOK 200 Mill. as loans). |
| 2.8 Structural reorganization schemes covering the fishing fleet and the processing industry. | | 20 | 78,5 |
| | Readapting scheme (1985). | | 25 |
| 2.9 Liquidity loans to the coastal fleet (1985). (State Fishery Bank). | | | 50 |
| | Liquidity loans to the fish processing industry (1985). | | 50 |

If not otherwise specified the support schemes are administered by the Ministry of Fisheries.

C. INDUSTRY

The assistance programmes notified represent important instruments for the promotion of Norwegian social, industrial and economic policy objectives, including programmes for structural adjustments. The following programmes are notified in recognition of the need for greater transparency in the use of support measures which may have an effect on trade and without prejudice to whether these programmes constitute subsidies within the meaning of article XVI:1 and whether an obligation exists to notify them.

SHIPBUILDING

I. The nature and extent of the assistance

a) Authority

Government support for the shipbuilding industry has been provided since 1976/77 the aim of which has been to soften the expected impact on employment of the restructuring of the shipbuilding industry. The long term intentions are to develop other industrial possibilities.

During the periode 1978-82 the aid for domestic shipowners was granted in the form of price support. In 1982 a new aid scheme was introduced to replace the price support arrangement. The main element in this scheme is interest subsidies mainly given on long term financing of ships built for Norwegian owners, and covers all contracts with private shipowners made after March 1982 for vessels over 100 gr.t.

b) Incidence

Price support in the shipbuilding industry was paid directly to shipyards.

From the beginning of 1979 the grant was 20 per cent of

contract price. The rate was gradually reduced and the scheme was completely abolished from March 1982.

The interest subsidy scheme for domestic owners works as follows: Loans up to 80 per cent of the contract price with a credit duration of 8 1/2 years. For the time being the rate of subsidy is 17 per cent - bringing the commercial interest down from 13.5 to 6.5 per cent. The scheme covers vessels above 100 gr.t. The exact amount of support annually under this scheme depends upon the number of contracts made each year.

In addition Norwegian yards are allowed to offer foreign shipowners long-term financing in accordance with the OECD Understanding, i.e. 80 per cent credit over 8 1/2 years at an interest rate of 8 per cent.

For several years Norwegian yards have received a custom refund on new ships and ships being repaired. This refund is now 4 per cent of the contract price.

c) Amount of the assistance

The amount of assistance under the previous price support scheme and the existing long term financing scheme has developed as indicated in the following table:

(Mill. NOK)

| | <u>1980</u> | <u>1981</u> | <u>1982</u> | <u>1983</u> | <u>1984</u> | <u>1985</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Price support, actual payments | 163 | 484 | 424 | 190 | 20 | 0 |
| Interest subsidies: Present value of future subsidies for contracts signed each year | - | - | 600 | 640 | 510 | 790 |
| Actual payments | - | - | - | 70 | 115 | 300 |

II. Effect of the assistance

a) Estimated effects of the assistance

i) it is difficult to estimate the quantitative effects of the support scheme on trade since the shipbuilding industry in most of the OECD-countries benefits from government support. The effect of the Norwegian subsidy has been to keep the competitiveness of the Norwegian shipyards broadly in line with that of other countries' shipbuilding industries. Trade in new ships has declined considerably due to weak demand.

b) Statistics of production, imports and exports of ships

Mill. NOK. Current prices

| YEAR | PRODUCTION | IMPORTS | | | EXPORTS | | |
|------|------------|-----------|-----------|-------|-----------|-----------|--------|
| | | NEW SHIPS | OLD SHIPS | TOTAL | NEW SHIPS | OLD SHIPS | TOTAL |
| 1980 | 8 793 | 1 108 | 326 | 1 434 | 1 402 | 2 425 | 3 827 |
| 1981 | 9 159 | 3 806 | 735 | 4 541 | 667 | 3 407 | 4 074 |
| 1982 | 10 049 | 6 073 | 495 | 6 568 | 1 551 | 4 530 | 6 081 |
| 1983 | 7 372 | 4 854 | 354 | 5 207 | 1 871 | 3 986 | 5 857 |
| 1984 | 7 015 | 4 117 | 908 | 5 025 | 926 | 4 888 | 5 814 |
| 1985 | - | 3 110 | 696 | 3 806 | 1 057 | 10 040 | 11 097 |

Source: Central Bureau of Statistics of Norway.

TEXTILE AND GARMENT INDUSTRY

I. Nature and extent of the assistance

a) Background and authority

Due to structural problems in the Norwegian textile and clothing industries, the Norwegian Government started a five year restructuring programme to enable these industries to meet general competition more successfully. This five year activity programme covers the period 1978 to 1982.

The three kinds of allocations notified below were parts of the restructuring programme.

i) The first allocation was a financial support for investment in machinery.

The reason for the support was economic setbacks for the textile and clothing industries which, since the beginning of the 70s, had caused insufficient investments in production machinery. The intention was to facilitate the effort to modernize the technical equipment. Financial support was not granted for investments in new buildings. This allocation terminated in 1982.

ii) The second allocation, which has been prolonged on a yearly basis after 1982, consists of state funds to finance training, productivity and marketing schemes. The amount granted is administered by the textiles and garment industries' organizations.

iii) The third allocation, which also has been prolonged on a yearly basis after 1982, can be described as follows: Norway applies a tax system for labour according to which the employers have to pay a fee of approximately 16 per cent of wages and salaries for the use of labour.

All industries have to pay this employers' fee which means that labourintensive industries are the most affected by this tax system. Being a labourintensive industry, the textile and garment producers obtain a partial repayment of the employers fee.

b) Incidence

- i) The financial support was offered as loans free of interest and no repayment for the first 10 years. Then the supported industry has to pay an interest of 7 per cent and the loan is to be repaid within 3 years. Financial support was granted upon individual applications from the enterprises. The loans were supplementary to ordinary commercial financing, and the amount was limited to 25 per cent of the total investment in production machinery. The investment plans qualified for loans not exceeding 4 mill. NOK per firm per year. Means have not been granted since 1982.
- ii) The restructuring support is jointly administered by the Norwegian Industrial Fund and the textile and garments industries' organizations. The amount granted is allocated to individual firms, according to the needs and priorities within the industry.
- iii) According to a Government decision, the labour support system is limited to firms with at least 5 employees. The support is granted as a fixed amount per man hour executed by factory workers. The firms receive the support at the end of each quarter. The working labour support accounts for nearly 50 per cent of the employers' fee, depending on the geographical location of the firms. The employers fee for industries situated in northern and suburb areas is lower than for the industries located in metropolitan areas of the country.

| Total amount granted | Forecast | | | | | | | |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Mill. NOK | <u>1978</u> | <u>1979</u> | <u>1980</u> | <u>1981</u> | <u>1982</u> | <u>1983</u> | <u>1984</u> | <u>1985</u> |
| Textile industries | 44.5 | 35.5 | 38.2 | 35.6 | 34.0 | 36.4 | 27.4 | - |
| Clothing and leather industries | 29.0 | 23.1 | 23.8 | 21.0 | 21.0 | 22.8 | 16.5 | - |
| Shoe industries | 5.3 | 4.7 | 5.0 | 4.1 | 3.6 | 3.7 | 2.6 | - |
| <hr/> | | | | | | | | |
| <u>Total amount</u> | <u>78.8</u> | <u>63.3</u> | <u>67.0</u> | <u>60.7</u> | <u>58.6</u> | <u>66.9</u> | <u>46.5</u> | <u>50.0</u> |

II. Effect of the assistance

a) Estimated quantitative trade effects

The five year programme has resulted in a more positive development for the Norwegian textile and garment industry than was the case before the programme started. The financial support for investments in machinery has contributed to the efficiency; and the labour support has proved to be of importance to the industries in question. The decrease in the number of employees had been halted. The number of employees was 18 000 in 1985, the same as in 1984. However, the number of employees has been reduced with more than 50 % since 1960, when the number was 40 400. production, exports, imports, investments and retail sale has increased from 1984 to 1985.

c) Amounts of assistance

i) The amount of loans granted under the financial support scheme

is as follows:

| | | | | | | |
|-----------|-------------|-------------|-------------|-------------|-------------|-------------|
| amount of | <u>1978</u> | <u>1979</u> | <u>1980</u> | <u>1981</u> | <u>1982</u> | <u>1983</u> |
| loans, | | | | | | |
| Mill. NOK | 17 | 18 | 19 | 18 | 11 | 10 |

ii) The restructuring support is divided into three separate parts depending on the line of production. The three areas are: the clothing and leather industries, the textile industries and the shoe industries.

The amount of support is shown in the table below:

| | | | | | | | |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Mill. NOK | <u>1979</u> | <u>1980</u> | <u>1981</u> | <u>1982</u> | <u>1983</u> | <u>1984</u> | <u>1985</u> |
| Clothing and leather industries | 12.5 | 12.5 | 12.5 | 12.5 | 10.0 | 8.5 | 9.0 |
| Textile industries | 12.5 | 12.5 | 12.5 | 13.5 | 12.0 | 10.5 | 17.0 |
| Shoe industries | 3.0 | 3.0 | 3.5 | 4.5 | 5.0 | 4.0 | 3.0 |
| <hr/> | | | | | | | |
| <u>Total amount</u> | <u>28.0</u> | <u>28.0</u> | <u>28.5</u> | <u>30.5</u> | <u>27</u> | <u>23</u> | <u>29.0</u> |

iii) The first table below indicates the actual support rate per man hour, and the second table the total amount granted under the working labour support programme:

| | | | | | |
|----------|-------------|------------|-------------|-------------|-------------|
| | <u>1978</u> | | <u>1979</u> | <u>1980</u> | <u>1981</u> |
| Rate per | 1.1.-30.6 | 1.7.-31.12 | | | |
| man hour | 2.40 | 3.40 | 2.40 | 2.55 | 2.55 |

| <u>1982</u> | | <u>1983</u> | <u>1984</u> | <u>1985</u> |
|-------------|-------------|-------------|-------------|-------------|
| 1.1.-30.9 | 1.10.-31.12 | | | |
| 2.55 | 3.55 | 3.55 | 2.70 | 2.70 |

b) Production, imports and exports of textile and garment products, 1977 -83.

(Mill NOK. Current prices).

| Year | | Textiles,) | Garment & Shoes | Total | Supplied by Norwegian producers; % |
|-------|------------|-------------|--------------------|-------|--|
| 1977: | production | 2.339 | 1.402 | 3.741 | 37.1 |
| | exports | 541 | 161 | 702 | |
| | imports | 2.779 | 2.354 | 5.133 | |
| 1978: | production | 2.287 | 1.394 | 3.681 | 36.6 |
| | exports | 557 | 167 | 724 | |
| | imorts | 2.752 | 2.356 | 5.108 | |
| 1979: | production | 2.496 | 1.485 | 3.981 | 34.5 |
| | exports | 664 | 217 | 881 | |
| | imports | 3.098 | 2.765 | 5.863 | |
| 1980: | production | 2.948 | 1.464 | 4.412 | 33.0 |
| | exports | 769 | 253 | 1.022 | |
| | imports | 3.580 | 3.278 | 6.858 | |
| 1981: | production | 2.942 | 1.568 | 4.510 | 34.8 |
| | exports | 698 | 228 | 926 | |
| | imports | 3.703 | 3.020 | 6.723 | |
| 1982: | production | 2.757 | 1.514 | 4.271 | 30.5 |
| | exports | 564 | 403 | 966 | |
| | imports | 2.398 | 5.122 | 7.520 | |

| | | | | | |
|-------|------------|-------|-------|-------|------|
| | production | 2.720 | 1.347 | 4.067 | 28.7 |
| 1983: | exports | 579 | 362 | 941 | |
| | imports | 2.439 | 5.335 | 7.774 | |

Source: Industrial Statistics 1977-83
External Trade 1977-81, volume I and II.

1) Knitwear included

COPPER MINES

I. Nature and the extent of the assistance

a) Background and authority

In 1976 and 1977 the Norwegian copper mines were supported with soft loans from the Industry Bank to prevent the mines from bankruptcy, with the result that several thousand people would have lost their work. Most of the copper mines are established in districts with few, if any, other possibilities of employment. Thus the support to the copper mines is essential to maintain the settlement in the communities which would have been affected by the closing of the mines.

b) Incidence

The soft loans granted amounted to 100 mill. NOK. They were free of interest for the companies the first five years, as the interest was paid by the Ministry. The loans are free of down payment the first seven years.

The interest rate was 7.5 per cent and increased to 9.5 per cent in 1980. The interest rate now (1. January 1986) is 11.5 per cent.

In 1977 the Government established a copper fund with the intention to solve the long term problems for the copper producers. The fund was designed to be self financing. If world market prices are above a maximum price level, producers have to pay contributions to the fund. If world market prices fall under a minimum level, the producers will receive price support from the fund. Loans to cover a temporary deficit of the fund is guaranteed by the Government.

The copper fund was closed down from 1. January 1986.

- c) The amount of subsidy under the interest support scheme is shown in the table below:

| | | | | | |
|------------|-------------|-------------|-------------|-------------|-------------|
| Mill. NOK: | <u>1978</u> | <u>1979</u> | <u>1980</u> | <u>1981</u> | <u>1982</u> |
| | 8 | 8.5 | 9.0 | 9.0 | 2.4 ,) |

II. Effects of the assistance

- a) Estimated trade effects

No trade effects have been proved. The Government support has helped the Norwegian copper mines to overcome a period of extremely low copper prices on the world market and has prevented severe unemployment in outlying districts.

- b) Statistics of production, export of copper concentrate at current prices:

| Year | Production | | Exports | |
|------|---------------------|-----------------------|---------------------|----------------------|
| | Quantity in tons | Value in Mill. NOK | Quantity in tons | Value in Mill NOK |
| 1974 | 77.562 | 157 | 52.964 | 100 |
| 1975 | 105.965 | 124 | 83.270 | 86 |
| 1976 | 125.241 | 136 | 105.715 | 111 |
| 1977 | 113.268 | 112 | 98.728 | 103 |
| 1978 | 113.230 | 115 | 98.239 | 96 |
| 1979 | 113.492 | 190 | 98.797 | 140 |
| 1980 | 113.857 | 212 | 89.498 | 164 |
| 1981 | 110.550 | 180 | 87.387 | 163 |
| 1982 | 107.448 | 185 | 92.712 | 138 |
| 1983 | 89.502 | 223 | 92.465 | 187 |
| 1984 | | | 72.619 | 157 |

Source: External Trade, Volume I 1974-84,
Industrial Statistics 1974-83.

The value of the imported copper ore to Norway is less than 1 000 NOK in each year.

,) The interest support has come to an end after the first quarter of 1982. The support has then lasted for 5 years.