

GENERAL AGREEMENT ON

RESTRICTED

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TARIFFS AND TRADE

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Committee on Subsidies and
Countervailing Measures

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NORWAY - MEASURES REGARDING SALMON FISH FARMERS

Request by the United States for Conciliation under Article 17 of the Agreement

The following communication, dated 23 December 1991, has been received by the Chairman of the Committee from the Office of the United States Trade Representative.

My authorities have instructed me to refer to the Committee for conciliation under Articles 13 and 17 of the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade (the "Subsidies Agreement") a matter of concern to my Government relating to a large new subsidy recently provided in connection with Norwegian salmon fish farmers.

On 12 December 1991, the United States and Norway held consultations under Article 12 of the Subsidies Code. The consultations were useful in clarifying my Government's understanding of recent subsidies provided to or in connection with the Norwegian salmon fish farmers relating to a large amount of frozen salmon (that had resulted from excess - subsidized - production of fresh farmed Atlantic salmon over the past several years).

In the consultations, the Government of Norway confirmed that it had provided a NOK 400 million (\$62 million) loan to a company formed by the fish farmers and banks that are owed money by the fish farmers. The loan is interest free and repayment is completely contingent on the receipt by the fish farmers of a minimum price for the salmon. Norway admitted that the fish was unlikely to be sold at or above the stipulated minimum price; thus, the "loan" is more properly characterized as a grant.

The subsidy element of the bail-out package under which this grant was provided to the fish farmer sales organization constitutes a substantial percentage of the value of the salmon stocks held by the prospective seller

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(even assuming that the stipulated minimum price is received for those stocks, which, as noted above, is unlikely). Additionally, the US industry has already presented evidence of a serious price suppressing or depressing effect of release of these frozen salmon stocks on sales of fresh salmon. Information available to the US Government concerning offers for sale of Norwegian frozen salmon indicates that these could result in adverse price and volume effects in the US marketplace as well as in important export markets for US firms.

Finally, it is notable that the Norwegian subsidy was provided at the same time as Norway reached agreement with the European Communities to impose a minimum floor price for Norway's imports into the EC. This floor price is likely to have a substantial trade-diverting effect on Norway's exports to the EC, its largest export market, notwithstanding Norway's assertions to the contrary.

For all of the reasons described above, my Government considers this to be a serious subsidy problem. Accordingly, we request conciliation by the Code Committee, in part to draw the Committee's attention to this serious Code-inconsistent measure.

We ask that, consistent with the provisions of the Agreement, a meeting of the Committee be convened at the earliest appropriate time. We also ask that a copy of this letter be circulated to the members of the Committee.