

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

SCM/137

14 January 1992

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Committee on Subsidies and
Countervailing Measures

Original: English

NORWAY - MEASURES REGARDING SALMON FISH FARMERS

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

The following communication, dated 9 January 1992, has been received by the Chairman of the Committee from the delegation of Norway with the request that it be circulated to signatories.

Reference is made to the letter of 23 December 1991 from the United States Trade Representative in which the United States requests 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 Code") with respect to, "A large new subsidy recently provided in connection with Norwegian salmon fish farmers".

In spite of the fact that Norway and the United States on 12 December 1991 held detailed bilateral consultations under Article 12 of the Code, the said letter contains misrepresentations of the facts of the matter which indicates that the consultation process has not been exhausted. It is furthermore Norway's view that these consultations fall under paragraph 3 of Article 12, and that it would be appropriate, in accordance with paragraph 2 of Article 13, for the parties to make their best efforts to reach a mutually satisfactory solution before resorting to the dispute settlement process in this matter.

In an attempt to come to grips with the oversupply of salmon on the global markets the Norwegian salmon industry, through the Norwegian Fish Farmers' Sales Organization (FOS), in early 1990 initiated a freezing programme. Its aim was to limit the supply of fresh salmon, pending an improvement in the market situation. The frozen salmon would then be sold at a later date. The freezing programme was financed by the salmon industry and its banks.

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FOS decided to terminate the programme in June 1991 when it was faced with an increase of stocks of farmed Atlantic salmon which was costly to keep. The imposition by the United States of anti-dumping and countervailing duties, which effectively closed off the important United States market for Norwegian exporters of fresh salmon, was a significant contributing factor to this stock increase. In addition, the markets did not develop as expected due to, inter alia, decrease in demand and large supplies of North American sea-ranched Pacific salmon. As market stagnation lasted beyond the period foreseen, the bufferstock action taken in order to stabilize the market caused debt accumulation leading to the bankruptcy of FOS. Under Norwegian law the trustee is obliged to dispose of inventories in a manner maximizing returns from realization. In order to prevent the frozen salmon (approximately 37,500 tons including 8,500 tons for which contracts had been entered into) from being sold freely to important traditional markets and thereby causing possible distortion of trade, the Government offered to contribute an amount of NOK 400 million to a newly established company owned by the creditor banks and designated as sole seller of the stock of frozen salmon. As imposition of restrictions on sales from the inventory would reduce its market value considerably, a compensation had to be offered. However, the offer has as yet not been realized, as the banks have still not acquired possession of the stock.

The Norwegian Government sees the United States' actions against the Norwegian salmon industry as unfair and unjustified: first, the United States has excluded Norwegian fresh Atlantic salmon from its market through imposition of prohibitive anti-dumping and countervailing duties (two panels are now considering the GATT conformity of these protective measures). Second, the plan for orderly disposal of the excess stocks of frozen salmon (a significant part of which is a result of United States protective action), is sought to be frustrated by the United States. Third, the United States has requested and received assurances from Norway that the frozen salmon will not be sold on the United States market. Fourth, an orderly disposal of the frozen stocks is expected to lead to price increases and to contribute to the stabilization of the global market. Fifth, the Norwegian salmon industry has taken steps to reduce future production of farmed salmon.

The plan for disposal of the stocks of frozen salmon has been drawn up in conformity with Norway's GATT obligations. Norway has made significant efforts to stabilize the market and expects other trading partners also to show the required restraint. Since the United States industry will not be negatively affected by the plan for orderly disposal of the stock of frozen salmon, the Norwegian Government is at a loss to see the justification for the United States pursuing the dispute settlement process in this matter. As mentioned above, Norway believes that further consultations would be appropriate in order to find a mutually satisfactory solution. Norway does not, however, object to conciliation by the Subsidies Committee at an appropriate time.