

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

L/6973/Add.7

16 November 1992

Limited Distribution

Original: English

SUBSIDIES

Notifications Pursuant to Article XVI:1

NORWAY

The following notification, dated 26 October 1992, has been received from the Permanent Mission of Norway.

A. AGRICULTURAL PRODUCTS

1. Nature and extent of the subsidy

(a) Authority

Norwegian agricultural policy is implemented in pursuit of objectives concerning production, income, productivity, regional development and the environment. The level at which farm product prices are to be maintained, and the fiscal support to be accorded to agriculture, are laid down in the annual Agricultural Agreement between the farmers' organizations and the Government. Support is provided for grains and oilseeds, fruit and vegetables, milk and dairy products, beef and veal, sheep-, pig- and poultrymeat, eggs and wool. The Agreement is subject to ratification and appropriation of budget funds by the Storting (National Assembly). Allocations for the Agricultural Agreement are made under Chapter 1150 (Ministry of Agriculture) of the State budget. Under Chapter 1580 (Ministry of Labour and Government Administration), item 70, allocations are made for the regulation of consumer prices.

(b) Incidence

1. Milk producers receive a basic price subsidy applicable equally to all output within the domestic production ceiling. The dairy farmers are paid a subsidy for each litre of milk delivered to the dairy depending upon the area in which the farmers are located. Consumer subsidies are paid on liquid milk consumed domestically.

2. Producers of sheepmeat, beef and veal receive a basic price subsidy applicable equal to all output within the domestic production ceilings. Regionally differentiated price subsidies to meat (except for poultrymeat) are granted at rates varying both between kinds of meat and between regions. As with milk, the highest subsidy rate is achieved in the northernmost county. In order to avoid differences in farm gate return due to differences in the distance of farms from processing plants, a transport subsidy is granted.

3. The Norwegian Grain Corporation receives a subsidy to enable it to maintain the Norwegian producer price for grain above the world market price level. The subsidy to the Grain Corporation furthermore provides for some transport support to grain for the same reason as given above for meat. The regionally differentiated price subsidy was abolished in 1992.

4. The same kind of transport subsidies are granted in the eggs sector as for meat and grain.

5. The Meat Marketing Organization receives a subsidy to maintain the Norwegian producer price for wool above the world market price level.

6. Potatoes and horticultural products receive some support under schemes aiming at market regulation and improved quality.

7. In addition there are payments based on the use of labour, and cultivated area in agricultural production. In the egg sector a supply control programme provides some support to the producers taking part. A general low income subsidy is given to each dairy holding.

8. Market regulation funds are used to regulate the market for meat, eggs, fruit and vegetables to secure the target prices for the different products fixed in the Agricultural Agreement. The farmers' co-operatives, consisting of one national association for each product group, have the responsibility for maintaining a balanced market and consequently for securing these target prices. The funds necessary for such market intervention are allocated in accordance with the Agreement over the Fiscal Budget and from a producer financed levy.

(c) Amount of subsidy, total cost budgeted for 1991 and 1992Chapter 1150, Agricultural Agreement, Mio NOK¹

	<u>1991</u>	<u>1992</u>
Agricultural Development Fund	481.0	446.0
Market regulation	223.2	191.3
Price subsidies	5,490.4	5,081.7
Other direct payments to producers	4,090.4	5,238.4

Chapter 1150, Price subsidies, Mio NOK

	<u>1991</u>	<u>1992</u>
(a) Milk and milk products ²	3,438.8	3,028.4
(b) Beef and veal, sheepmeat, pigmeat	1,159.0	985.6
(c) Cereals	599.8	742.9
(d) Wool	210.7	237.5
(e) Other	82.1	87.3
Total	<u>5,490.4</u>	<u>5,081.7</u>

Chapter 1150, Other direct payments to producers, Mio NOK

	<u>1991</u>	<u>1992</u>
(a) Man-year support	1,834.2	2,215.9
(b) Acreage and cultural landscape scheme, coarse feed	1,588.6	1,996.5
(c) Acreage and cultural landscape scheme, cereals	123.0	540.7
(d) Production subsidy on marketed crops	56.4	56.4
(e) Transport subsidies meat and eggs	88.4	88.2
(f) Other	399.7	340.5
Total	<u>4,090.4</u>	<u>5,238.4</u>

¹Source: Proposition No. 1 (1991-92) to the Storting from the Ministry of Agriculture, Proposition No. 96 (1991-92) to the Storting from the Ministry of Labour and Government Administration and Proposition No. 110 (1991-92) to the Storting from the Ministry of Labour and Government Administration. Note that, in general, both 1991 and 1992 figures are preliminary.

²Approximately 50 per cent of the amount is not a price subsidy, but provided on a per farm basis.

Chapter 1580, Consumer price subsidies, Mio NOK³

	<u>1991</u>	<u>1992</u>
(a) Whole and low fat milk	745.4	266.3
(b) Skim milk	188.8	155.4
(c) Cheese	159.0	0.0

From 1 July 1991 consumer subsidies were reduced by a total of 125 Mio NOK.

(d) Price subsidies. Amount per unit⁴

øre⁵ per litre/kg.

1.6.91-31.5.92 1.6.92-31.5.93

Basic price subsidies

Milk	36.3	34.3
Beef and veal	435	345
Sheepmeat	510	500

Regionally differentiated price subsidies

1.6.91-31.5.92 1.6.92-31.5.93

Milk ⁶	4/164	11/160
Meat ⁷	50/1420	45/1370
Grain ⁸	0/22/39	0/0/0

³ Source: Proposition No. 1(1991-92) to the Storting from the Ministry of Labour and Government Administration. Amendment No. 1 (1990-91) from the Ministry of Finance. Proposition No. 1 (1991-92) to the Storting from the Ministry of Labour and Government Administration. Amendment No. 1 (1990-91) to the Storting from the Ministry of Finance and communication with the Ministry of Labour and Government Administration.

⁴ Source: Proposition No. 96 (1991-92) to the Storting from the Ministry of Labour and Government Administration. Proposition No. 96 (1991-92) to the Storting from the Ministry of Labour and Government Administration, and Proposition No. 110 (1991-92) to the Storting from the Ministry of Labour and Government Administration.

⁵ 100 øre = 1 NOK.

⁶ 10 zones, varying rates, lowest and highest cited.

⁷ 5 zones, varying rates, lowest and highest cited (varies also for kind of meat).

⁸ 3 zones

Consumer price subsidies⁹

	<u>1991</u>	<u>1992</u>
Whole milk	131	0
Low fat milk	131	71
Skim milk	151	116
Cheese	265	0

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

Table 1 Cow's Milk

<u>Year</u>	<u>Received by dairies million litres</u>	<u>Consumption, million kg.</u>	
		<u>Whole, low fat and skimmed milk</u>	<u>Cream and sour cream</u>
1987	1,852	749.5	29.3
1988	1,794	744.2	28.3
1989	1,835	740.7	28.3
1990	1,837	727.7	28.3
1991*	1,792	720.8	28.5
1992**	1,779	706.7	28.3

* Provisional figures

** Forecast

Source: Budget Committee for Agriculture
State Nutritional Council

⁹ Source: See note 3.

Table 2 Cheese (1,000 tons)

<u>Year</u>	<u>Production</u>	<u>Export#</u>	<u>Imports</u>	<u>Consumption#</u>
1987	75.5	22.1	2.1	54.2
1988	75.5	23.0	1.8	53.6
1989	82.9	23.1	2.0	56.2
1990	84.1	27.5	2.2	54.0
1991*	78.9	22.3	2.4	56.4
1992**	77.4	24.1	2.3	55.3

Source: Budget Committee for Agriculture
Includes whey cheese

Table 3 Butter (1,000 tons)

<u>Year</u>	<u>Production</u> ¹⁰	<u>Exports</u>	<u>Imports</u>	<u>Consumption</u> ¹¹
1983	26.9	7.3	-	19.6
1984	25.4	4.8	-	19.4
1985	25.0	6.2	-	20.0
1986	24.3	4.5	-	19.1
1987	25.8	7.1	-	18.4
1988	23.4	7.0	-	16.4
1989	23.8	9.2	-	13.6
1990	22.0	9.4	-	13.6
1991*	20.9	7.4	-	13.7
1992**	23.0	7.5	-	12.3

* Provisional figures

** Forecast

Source: Budget Committee for Agriculture

¹⁰ Figures for 1985-87 have been changed in relation to earlier notifications due to adjustment for butter used in production of margarine.

¹¹ Source: See note 10.

Table 4 Cereals (million kg.)¹²

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>Exports</u>	<u>Consumption</u> ¹³
<u>Wheat</u>				
1987	248.7	247.6	-	400.9
1988	145.7	307.1	8.3	537.3
1989	139.4	316.6	5.0	447.9
1990	223.8	230.4	5.5	439.1
1991*	253.8	181.1	5.4	428.1
<u>Rye</u>				
1987	3.6	35.4	-	37.0
1988	2.1	35.6	2.7	39.8
1989	0.7	47.0	2.7	39.4
1990	3.2	68.5	3.0	38.9
1991*	4.2	28.3	3.0	38.9
<u>Barley</u>				
1987	566.9	163.3	-	792.7
1988	522.8	197.0	0.3	632.9
1989	594.8	158.1	0.6	807.6
1990	739.5	110.9	-	558.0
1991*	683.5	48.9	-	569.8
<u>Oats</u>				
1987	466.4	-	-	376.0
1988	363.4	1.5	18.1	424.7
1989	411.2	3.5	17.5	320.1
1990	601.4	0.1	-	396.9
1991*	530.9	0.1	-	489.1

Source: Central Bureau of Statistics. Norwegian Grain Corporation

¹²Production + Import - Export may differ from the consumption figures. These differences are due to changes in stock and storing losses.

¹³Consumption of food grain, feed grain and seed grain.

Table 5 Meat (1,000 tons)¹⁴

<u>Year</u>	<u>Gross sale + utilization by the farm- holdings</u>	<u>Imports</u>	<u>Exports</u>	<u>Consumption</u>
<u>Beef and veal</u>				
1987	76.5	1.9	1.3	76.1
1988	75.5	0.1	-	78.8
1989	75.3	0.1	-	73.6
1990	81.6	-	7.3	76.4
1991*	79.2	-	2.1	78.9
1992**	83.3	5.7	-	78.3
<u>Mutton</u>				
1987	25.1	-	0.3	24.5
1988	23.8	-	-	21.9
1989	23.4	-	2.0	25.1
1990	23.4	-	2.1	23.8
1991*	23.2	-	-	23.0
1992**	24.5	-	-	23.0
<u>Pork</u>				
1987	92.3	2.0	4.2	86.6
1988	89.6	2.1	10.4	84.7
1989	83.6	1.9	6.2	82.2
1990	83.0	2.0	2.2	83.5
1991*	85.1	1.7	1.2	86.0
1992**	86.8	-	2.0	86.9
<u>Poultry meat</u> (Import and export figures include transit trade)				
1987	14.6	1.9	0.8	15.5
1988	17.7	0.7	-	17.7
1989	19.8	0.1	-	18.4
1990	19.8	-	0.1	20.1
1991*	20.2	-	-	21.8
1992**	23.9	-	-	22.0
<u>Eggs</u>				
1987	54.2	1.5	1.1	53.4
1988	56.5	2.1	0.5	50.9
1989	54.5	3.7	0.2	47.8
1990	52.1	2.5	0.4	46.5
1991*	53.1	1.9	0.3	48.219
1992**	55.8	-	-	50.1

* Provisional figures

** Forecast

Source: Budget Committee for Agriculture. Norwegian Meat Marketing Organization. Norwegian Farmers' Eggs and Poultry Association. Central Bureau of Statistics.

¹⁴ Production + Import - Export may differ from the consumption figures due to changes in stock.

B. FISHERIES (Annex 1)

<u>Sectoral investment schemes from the National Fishery Bank to the fishing fleet</u>		<u>Million NOK</u>	
		<u>1990</u>	<u>1991</u>
1.1	Interest rate subsidies	7.7	-
	Losses on loans	71.6	75.9
1.2	Investment subsidy Up to 15% of the vessel's cost price. In some cases up to 20%.	13	12

General investment schemes from the Regional Development Fund to the fishing processing including aquaculture

2.1	Loans to fish processing industry in certain designated development regions.	Interest rate subsidies	1.4	-
		Losses on loans	66.4	150.4
2.2	Guarantees from private credit institutions, financing processing plants in certain designated regions.	Provisions: 2% Up to 50% of the total loan amount.	80	19
2.3	Investment grants for processing plants located in certain designated regions.	Grants are fixed at maximum 15-40% of approved investment cost, depending on the region in which the investment is made.	164	100

Financial support package to the traditional fishing industry (exclusive aquaculture)

3.1	Support to landing prices of certain species of fish.	Subsidies are granted on a decreasing basis, depending on the amount landed by each vessel.	266	223
3.2	Grants to reduce prices of bait and support to baiting stations.	Bait	18	15
		Baiting stations	10	1

		<u>Million NOK</u>	
		<u>1990</u>	<u>1991</u>
3.3	Grants to improve efficiency in fisheries. Experimental work.	30	45
3.4	Guarantee of minimum weekly income for fishermen.	163	109
	Vacation scheme	51	50
3.5	Grants to reduce insurance costs.	25	30
3.6	Structural reorganization schemes covering the fishing fleet and the processing industry.	255	177
	Restructuring scheme	5	-
3.7	Other programmes	252	62
3.8	Liquidity grants	50	3
	TOTAL	<u>900</u>	<u>1,125</u>
	Extraordinary liquidity loans	100	65

C. INDUSTRY(i) Shipbuilding

During the past five years, supplement rates have consistently been reduced. However, the total amounts paid by the authorities have varied with the contract volume.

Customs refunds ("5.1 Customs duty exemptions") were abolished in 1987. Payments have been made in subsequent years because refunds are made when the ships are delivered.

The aid schemes for the shipbuilding industry were altered in 1990. A contract supplement to the shipowner and a construction loan supplement to the shipyard have replaced the former interest rate supplements. The contract supplement is placed in a fund, and payment is made 7-13 months

after the delivery of each vessel. Because the interest rate supplements on contracts signed before the new system was adopted are spread over 5-12 years, total payments to the shipbuilding industry may increase for a period until the old system is phased out. The payment of supplements is administered by the private banks A/S Eksportfinans and Norsk Skibs Hypothekbank.

The supplement system in Norway encompasses export deliveries of new vessels of at least 100 gt. and conversions of at least 1,000 gt., as well as domestic deliveries of both vessels and conversions of at least 100 gt. Vessels purchased by local or central authorities and vessels receiving government operating grants are excluded from the system.

Effective rates as of 4 October 1990 as
percentage of contract value

	Contract supplement	Construction loan supplement	Sum
New vessels	10.00	1.45	11.45
Larger conversions *	10.00	0.90	10.90
Extensive conversions **	6.55	0.90	7.45

* To be regard as large conversions, contracts must be worth at least NOK 10 million.

**To be regarded as extensive conversions, contracts must be worth at least NOK 2 million.

(ii) Government Aid to Industry in Norway
(Million NOK)

	1987	1988	1989	1990
1. General aids	204.00	293.7	207.2	209.8
1.1 National Institute of Technology	93.5	72.5	65.4	66.0
1.2 Information and contact service	21.8	42.0	63.0	64.5
1.3 Guarantee redemptions for environment and energy-saving loans	23.0	151.6	24.1	25.1
1.4 Grants for environmental protection	15.2	27.5	54.7	54.2
1.5 Other general aids measures	50.5	0.1	0.0	0.0
2. Regional aids	742.7	828.6	638.2	935.9
2.1 Regional investment grants	302.8	269.2	155.3	334.2
2.2 Support to regional transport	77.8	74.5	99.9	96.6
2.3 Grants to company development	140.4	108.8	127.5	150.6
2.4 Grants through the National Industrial Institute of Northern Norway	28.8	26.3	19.8	20.6
2.5 Capital-related subsidies through the Regional Development Fund	192.9	333.1	206.9	256.2
2.6 Other regional aids measures	0.0	16.7	28.8	77.7
3. Research and development aids	269.3	283.0	360.8	439.3
3.1 Grants through the Norwegian Council for Scientific and Industrial Research	200.0	200.0	250.0	330.0
3.2 Support to R&D in industry	69.3	83.8	110.8	109.3

	1987	1988	1989	1990
4. <u>Employment aids</u>	0.0	0.0	0.0	0.0
4.1 Temporary grants to certain industries and within certain areas	0.0	0.0		
5. <u>Sectoral aids</u>	854.2	959.5	905.9	910.2
5.1 Customs duty exemptions	164.2	135.2	35.1	14.6
5.2 Interest rate subsidies for the shipbuilding industry, long-term financing	599.3	633.6	693.6	723.1
5.3 Interest rate subsidies for the shipbuilding industry, construction loans	77.0	59.8	83.2	86.5
5.4 Construction loan guarantee arrangement)	-10.5	37.6	19.7	-3.8
5.5 Long-term financing guarantee arrangement)		31.9		
5.6 Interest rate subsidies for the long-term financing of fishing vessels	11.7	45.2	62.6	77.6
5.7 Interest rate subsidies for construction loans for fishing vessels	9.1	15.2	11.0	12.2
5.8 Other sectoral aid measures	3.4	1.0	0.7	0.0
6. <u>Structural adaptation and rescue</u>	344.6	367.2	342.6	364.9
6.1 Grants to mergers and to exposed companies	9.9)		0.0	0.0
6.2 Adjustment grants	113.2)	90.7	83.0	61.3
6.3 Capital-related subsidies through the Norwegian Industrial Fund	191.4	187.8	203.5	228.0
6.4 Other structural and rescue measures	30.1	88.7	56.1	75.6

	1987	1988	1989	1990
<u>7. Small firm development</u>	<u>10.9</u>	<u>7.0</u>	<u>24.1</u>	<u>24.3</u>
Capital-related subsidies through the smallscale Industry Fund	10.9	7.0	24.1	24.3
<u>8. Firm-specific subsidies</u>	<u>1,028.9</u>	<u>1,071.9</u>	<u>587.1</u>	<u>1,319.7</u>
8.1 Grants to state-owned stock companies	672.0	867.5	379.5	316.4
8.2 Losses on loans to state-owned stock companies	57.7	0.0	0.0	832.6
8.3 Insufficient dividend from state-owned stock companies	299.2	204.4	207.6	136.2
8.4 Guarantee redemptions for state-owned stock companies	0.0	0.0	0.0	34.5
<u>9. Export promotion</u>	<u>57.2</u>	<u>115.4</u>	<u>129.0</u>	<u>99.0</u>
9.1 Capital grants to export encouraging activities	57.2	115.4	129.0	99.0
<u>10. Miscellaneous aids</u>	<u>27.0</u>	<u>26.4</u>	<u>0.0</u>	<u>0.0</u>
10.1 Guarantee redemptions in the Copper Fund	0.7	0.0	0.0	0.0
10.2 Grants to the Swedish-Norwegian Industrial Fund	26.3	26.4	0.0	0.0
TOTAL GOVERNMENT AID TO INDUSTRY	3,598.0	3,787.2	3,194.9	4,303.1