

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

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SUBSIDIES

Notifications Pursuant to Article XVI:1

NORWAY

The following notification, dated 26 October 1993, 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, fruits and vegetables, milk and dairy products, beef and veal, sheep-, pig- and poultrymeat, eggs and wool. The Agricultural Agreement is subject to ratification and appropriation of budget funds by the Norwegian national assembly (Storting). Allocations for the Agricultural Agreement are made under Chapter 1150 (Ministry of Agriculture) of the State budget. Under Chapter 1580 (Ministry of Government Administration), item 70, allocations are made for the regulation of consumer prices.

(b) Incidence

1. Milk producers receive a basic price support applicable equally to all output within the domestic production ceiling, due to the fact that milk production is of vital importance in several rural regions. In these regions alternative forms of agricultural production are scarce. The dairy farmers are paid a support for each litre of milk delivered to the dairy. The amount varies with the district where the farmers are located, and the highest support is given in the northernmost districts. Structural income support is granted in the form of a fixed payment with a minimum production of 30,000 litres of cow's milk or 15,000 litres of goat's milk. The overriding objective is to equalize income between large and small holdings. Consumer price subsidies on liquid milk and cheese consumed domestically were abolished on 30 June 1993. From 1 July 1993 compensation for value added tax are paid on these products.

2. Producers of sheepmeat, beef and veal receive a basic price support applicable equally to all output within the domestic production ceilings. Regionally differentiated price support to meat (except

for poultrymeat) is granted at rates varying both between kinds of meat and regions. As with milk, the highest support 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 support is granted. Compensation for value added tax is paid on meat from 1 July 1993.

3. It is a policy objective to maintain the current production level on grain. To fulfil this objective, the Norwegian Grain Corporation receives a support to enable it to maintain the Norwegian producer price for grain above the world market price level. The support to the Grain Corporation furthermore provides for some transport support to grain for the same reason as given for meat.

4. In the egg sector transport support is granted as for meat and grain.

5. The Meat Marketing Organization receives support 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 participating producers. A general structural support, also called low income support is given to each dairy holding.

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

(c) Amount of support, total cost budgeted for 1992 and 1993

<u>Chapter 1150 Agricultural Agreement, Mio NOK¹</u>	<u>1992</u>	<u>1993</u>
Agricultural Development Fund	446.0	456.8
Market regulation	191.3	176.4
Price support	5,081.7	2,742.2
Other direct payments to producers	5,238.4	7,385.0

¹Source: Proposition No. 82 (1992-93) to the Storting from the Ministry of Government Administration. Note that, in general, both 1992 and 1993 figures are preliminary.

<u>Chapter 1150, Price support, Mio NOK¹</u>		<u>1992</u>	<u>1993</u>
(a)	Milk and milk products ²	3,028.4	1,089.6
(b)	Beef and veal, sheepmeat, pigmeat	985.6	930.4
(c)	Cereals	742.9	413.6
(d)	Wool	237.5	228.5
(e)	Other	87.3	80.1
Total		5,081.7	2,742.2
<u>Chapter 1150, Other direct payments to producers Mio NOK</u>		<u>1992</u>	<u>1993</u>
(a)	Structural income support ²		1,835.0
(b)	Man-year support	2,215.9	1,243.2
(c)	Acreage and cultural landscape scheme, coarse feed	1,996.5	2,137.9
(d)	Acreage and cultural landscape scheme, cereals	540.7	669.1
(e)	Production support on marketed crops	56.4	56.4
(f)	Transport support on meat and eggs	88.2	89.7
(g)	Other	340.5	353.7
Total		5,238.2	6,385.0
(d)	<u>1580, Consumer price subsidies, Mio NOK³</u>	<u>1992</u>	<u>1993</u>
			1.1-30.6
(a)	Whole and low fat milk	266.3	240.2
(b)	Skim milk	155.4	86.8
(c)	Cheese	0.0	81.5
(d)	Meat	-	-

(e) Price subsidies, amount per unit⁴ ore⁵ per litre/kg.

¹Source: Proposition No. 82 (1992-93) to the Storting from the Ministry of Government Administration. Note that, in general, both 1992 and 1993 figures are preliminary.

²In 1992 approximately 50 per cent of the amount is not a price support, but provided on a per farm basis. In 1993, this part of the item is moved to the item "Other direct payment to producers" - "Structural income support".

³Source: Proposition No. 1 (1992-93) to the Storting from the Ministry of Government Administration. Proposition No. 78 (1992-93) to the Storting from the Ministry of Finance.

⁴Source: Proposition No. 82 (1992-93) to the Storting from the Ministry of Government Administration.

Basic price subsidies1.6.92-30.6.93

(a)	Milk	34.3
(b)	Beef and veal	345
(c)	Sheepmeat	500

Regionally differentiated price subsidies1.6.92-30.6.93

(a)	Milk ⁶	11/160
(b)	Meat ⁷	445/1370

Consumer price subsidies⁸ ore per litre/kg.19921993
1.1-30.6

(a)	Whole milk	0	21
(b)	Low fat milk	71	110
(c)	Skim milk	116	142
(d)	Cheese	0	302

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

Table 1 Cow's milk

Year	Received by dairies million litres	Consumption, million kg.	
		Whole, lowfat and skimmed milk	Cream and sour cream
1988	1,794	744.2	28.3
1989	1,835	740.7	28.3
1990	1,837	727.7	28.3
1991	1,792	718.7	28.5
1992*	1,783	721.1	28.3
1993**	176	700.2	28.0

* Provisional figures

⁵100 ore = NOK 1.

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

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

⁸Source: See note 3.

** Forecast

Source: Budget Committee for Agriculture. The State Nutritional Council.

Table 2 Cheese (1,000 tons)

Year	Production	Exports#	Imports	Consumption#
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	56.3
1992*	77.7	26.8	2.4	56.7
1993**	78.8	26.0	2.4	57.3

Source: Budget Committee for Agriculture

Includes whey cheese

Table 3 Butter (1,000 tons)

Year	Production	Exports	Imports	Consumption
1988	23.4	7.0	-	16.4
1989	23.8	9.2	-	13.6
1990	22.0	9.4	-	13.6
1991	21.4	7.4	-	14.2
1992*	20.2	5.8	-	13.3
1993**	18.2	6.0	-	12.2

* Provisional figures

** Forecast

Source: Budget Committee for Agriculture

Table 4 Cereals (million kg)¹

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>Exports</u>	<u>Consumption²</u>
<u>Wheat</u>				
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	245.5	181.1	5.4	428.1
1992	195.1	274.5	10.7	413.7
1993*	353.0	213.0	9.0	420.0
<u>Rye</u>				
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	5.0	28.3	3.0	38.9
1992	3.7	33.0	0.0	35.4
1993*	12.0	27.0	0.0	34.0
<u>Barley</u>				
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	660.6	48.9	-	569.8
1992	485.0	0.0	0.0	635.1
1993*	625.0	45.0	0.0	791.0
<u>Oats</u>				
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	564.8	0.1	-	489.1
1992	329.6	0.0	50.0	553.7
1993*	450.0	0.0	0.0	398.0

* Forecast

Source: Central Bureau of Statistics, Norwegian Grain Corporation.

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

²Consumption of food grain, feed grain and seed grain.

Table 5 Meat (1,000 tons)³

Year	Gross sale + utilization by the farm holdings	Imports	Exports	Consumption
<u>Beef and veal</u>				
1988	75.5	0.1	-	78.8
1989	75.3	0.1	-	73.6
1990	81.6	-	7.3	76.4
1991	79.1	-	2.8	78.8
1992*	83.5	1.3	5.8	78.8
1993**	83.8 - 1.3	3.2	78.6	
<u>Mutton</u>				
1988	23.8	-	-	21.9
1989	23.4	-	2.0	25.1
1990	23.4	-	2.1	23.8
1991	23.2	-	-	22.9
1992*	23.8	-	-	23.6
1993**	24.4 -	1.9	23.2	
<u>Pork</u>				
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	1.8	0.9	86.2
1992*	90.9	1.8	5.5	87.1
1993**	91.5	0.9	6.2	90.7
<u>Poultry meat</u> (Import and export figures include transit trade)				
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*	22.5	-	-	23.8
1993**	23.5	0.5	-	22.0
<u>Eggs</u>				
1988	56.5	0.5	2.1	50.9
1989	54.5	0.2	3.7	47.8
1990	52.1	0.4	2.5	46.5
1991	50.3	0.2	1.9	47.5
1992*	51.4	0.1	1.8	48.2
1993**	52.7	-	-	48.6

* Provisional figures ** Forecast

Source: Budget Committee for Agriculture, Norwegian Agricultural Economics Research Institute (NILF)

³Production + Import - export may differ from the consumption figures due to changes in stock.

B. FISHERIES

I. GENERAL POLICY

The major objectives of the Norwegian policy for the fishing industry has remained the same since 1983:

- to rebuild main fish stocks,
- to increase profitability,
- to provide safe jobs in the fishing sector, and
- to maintain settlement in sparsely populated areas along the coast.

II. STRUCTURE AND DEVELOPMENT OF THE FISHING INDUSTRY

A. The traditional fishing industry

Norwegian authorities have for some time offered support to implement schemes aimed at reducing the fleet's capacity. During the last 3-4 years these efforts have been increased, and government spending on schemes for reducing capacity in the fishing fleet has been substantial.

Profitability in the Norwegian fishing industry can be achieved through a reduction in the fishing fleet's harvesting capacity. A reduction of capacity will lead to higher catch-quotas for each individual remaining vessel, which in turn will entail increased profitability for the industry as a whole and result in reduced pressure on marine resources. The capacity in the fleet has thus been reduced in the years 1990-1992, but still it will be necessary to reduce capacity in order to achieve profitability for the industry.

B. Aquaculture

Aquaculture has become an important export industry and accounts for one third of the Norwegian export value of fish in 1992.

The aquaculture industry has been strictly regulated from the start. All farming of fish in Norway requires concession from the authorities. For grow-out farms of salmon and trout there is also a limited entry system. The Norwegian authorities are now in the process of formulating the future policy in this sector.

III. SUPPORT SCHEMES

A. Investments

Fishing vessels

The fishing vessel financing scheme, which is administered by the National Fishery Bank was bound to a maximum of NOK 350 million both in 1991 and 1992. The financial arrangement is based on the OECD Understanding on support to shipbuilding. Loan schemes for investment in vessels, gear and other equipment are granted as first mortgage-loans up to 60 per cent of total investment, and are given for a maximum period of 20 years and at a rate of 12.5 per cent in 1991 and 1992. The maximum amount of second mortgage loans is from 70 per cent to 80 per cent of total investment, including first mortgage loans. The maximum repayment period is ten years, and the rate of interest is 10.5 per cent.

The National Fishery Bank also applied a grant scheme of total NOK 15 million in 1991 and NOK 12 million in 1992 to ease the financing of coastal fishing vessels in regions where fishing is the main activity.

Processing industry

The fish processing industry and the aquaculture industry which are located in certain regions, may apply for loans, guarantees and investment grants from the Regional Development Fund (RDF).

Financial support package to the traditional fishing industry

The financial support package is governed by an agreement between the Norwegian Fishermen's Association and the Government. the provisions of the agreement emphasize the importance of introducing measures which can promote more efficiency in harvesting, processing and trade, and thus increase the profitability of the traditional fishing industry and thereby make it more independent of governmental support. The specific schemes for support in accordance with the General Agreement are negotiated annually.

The support package in 1991 amounted to NOK 715 million. In 1992 the amount was NOK 425 million, and in addition, NOK 20 million was made available to improve the economic efficiency in the processing industry. Further, NOK 15 million was granted to energy reducing measures in the fish meal industry. Compared to the previous two years, the support was reduced both in 1991 and especially in 1992. This is partly explained by an improved income situation for the fishermen as the industry has been facing higher prices on important species as well as a moderate increase in quotas.

Due to over-capacity in the fishing industry, more emphasis has been put on structural programmes in recent years, while support to reduce operational costs which may have distorting effects have been reduced. This must be seen in connection with the international focus put on trade distorting support as well as the political aim to reduce this kind of support.

At the same time as the support package has been reduced, the relative share of support granted to social schemes, including unemployment benefits, has increased.

Sectoral investment schemes channelled through the National Fishery Bank for the fishing fleet

		Million NOK	
		1991	1992
1.1	Interest rate support	-	-
	Losses on loans	94 ¹	45
1.2	Investment grants up to 15% of the vessel's cost price, in some cases up to 20%	15 ²	12

¹The figure has been adjusted for losses realized in 1991.

²The figure has been adjusted in accordance with the final accounts for 1991.

			Million NOK	
			1991	1992
<u>General investment schemes through the Regional Development Fund</u>				
2.1	Loans to fish processing industry in certain designated development regions	Interest rate support	-	-
		Losses on loans and guarantees	150	213
2.2	Guarantees for loans from private credit institutions to finance processing plants in certain designated regions	Provision: 2% Up to 50% of the total loan amount	20	43
2.3	Investment grants for processing plants located in certain designated regions. Other grants	Investments grants are fixed at maximum 15-40% of the investment cost, depending on the region in which the investment is made	169 ³	157
<u>Financial support package to the traditional fishing industry</u>				
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	223	91
3.2	Grants to reduce prices of bait and support to baiting stations	Bait	15	7.5
		Baiting stations	1	11
3.3	Grants to improve efficiency in fisheries	Experimental work	45	27.5
3.4	Social welfare schemes			
	Guaranteed minimum weekly income for fishermen		109	195
	Vacation scheme		50	19
3.5	Grants to reduce insurance costs		30	20

³Item 2.3 now includes more types of support than in the previous notification, i.a. establishment grants and grants to company development and to regional development, and the sum has been increased accordingly.

		Million NOK	
		1991	1992
3.6	Structural reorganization schemes covering the fishing fleet and the processing industry	177	20
3.7	Other programmes	62	34
3.8	Liquidity grants	3	-
TOTAL		725	425
	Extraordinary grants	-	35

C. INDUSTRY

State Aid to Industry

State aid measures are defined as net transfers of funds in any form from State source to single enterprises or certain production sectors. Financial transfers include the amount paid out from public budgets as well as revenue foregone from State owned assets.

Support measures are generally decided by the Storting each year on the basis of the Government Budget Proposal, which is submitted in October each year. All budget proposals are made for a single fiscal year. The Norwegian Storting and the Government have taken all appropriate measures to adopt all legislation relating to state aid in the European Economic Area Agreement. Support schemes are mainly of a general, non-specific nature.

During the last five years the level of aid to industry measured in real terms shows an overall declining tendency, mainly due to privatization and reduction in aid to State-owned companies.

There has been an overall downward trend in subsidy rates to the shipbuilding industry in Norway in recent years, although there has been a small increase in the rates for new contracts as since October 1992. More specifically, the rates have been reduced by about 33 per cent from 1989. However, the total amount paid by the authorities has varied with contract volume.

Customs refunds ("5.1 Customs duty exemptions") were abolished in 1987, but refunds have continued to be made until 1991 as the disbursements took place after the ships were delivered.

The structure of the aid scheme for the shipbuilding industry was altered in 1990, replacing the previous interest rate support with a contract support to the shipowner and a construction loan support to the shipyard. The grants allocated to shipbuilding by the authorities are placed in a fund, and will be disbursed from the fund 7-13 months after a vessel is delivered.

The support scheme encompasses export deliveries of new vessels of at 100 gt and conversions of at least 1,000 gt as well as domestic deliveries of both new vessels and conversions of at least 100 gt. Vessels purchased by local or central authorities and vessels receiving government operating grants are excluded from this scheme. The scheme is administered by the two private banks A/S Eksportfinans and Norske Skibs Hypothekbank AS.

As the old scheme is about to be phased out, the total amount of government support to the shipbuilding industry is expected to fall gradually during the next three years.

Effective rates as percentages of the contract value as from October 1992:

	Contract support	Construction loan support	Total
New constructions	11.5	1.7	13.2
Larger conversions	11.5	1	12.5
Extensive conversions	7.6	1	8.6

A contract must be worth at least NOK 10 million to be regarded as a larger conversion.

A contract must be worth more than NOK 2.5 million to be regarded as an extensive conversion.

STATE AID TO INDUSTRY IN NORWAY

NOK Million

	1988	1989	1990	1991
1. GENERAL AID	332.2	207.3	212.8	223.7
1.1 National Institute of Technology	101.0	65.4	66.0	52.3
1.2 Information and contact service	42.0	63.0	64.5	62.0
1.3 Guarantee redemptions for environmental and energy-saving loans	151.6	24.1	25.1	13.2
1.4 Grants for environmental protection	27.5	54.8	57.2	96.2
1.5 Other general aid measures	0.1	0.0	0.0	0.0
2. REGIONAL AID	846.9	713.8	961.4	846.0
2.1 Regional investment grants	269.2	155.3	334.2	199.7
2.2 Support to regional transport	74.5	99.9	96.6	0.0
2.3 Grants for company development	108.8	127.5	150.6	143.7
2.4 Grants through the National Industrial Institute of Northern Norway	26.3	19.8	20.6	19.9
2.5 Capital-related support through the Regional Development Fund	341.9	211.3	237.9	354.1
2.6 Grants covering development measures in Northern Norway	0.0	63.4	40.2	39.0
2.7 Grants and equity capital to the Norwegian Industrial Parks Corporation	9.5	7.8	3.6	18.5
2.8 Other regional measures	16.7	28.8	77.7	71.1
3. RESEARCH AND DEVELOPMENT AID	321.4	387.5	465.3	565.1
3.1 Grants through the Norwegian Council for Scientific and Industrial Research	216.0	250.0	330.0	430.0
3.2 Support to R&D in industry	83.8	110.8	109.3	106.1
3.3 Support for inventors	1.2	1.3	1.8	4.0
3.4 Support through the Norwegian Space Centre	20.4	25.4	24.2	25.0
4. EMPLOYMENT AID	50.0	146.0	211.0	166.0
4.1 Grants for personnel training schemes	50.0	146.0	211.0	166.0

5. SECTORAL AID	959.4	905.9	916.5	1,202.5
5.1 Customs duty exemptions	135.2	35.1	14.6	6.0
5.2 Interest rate support for the shipbuilding industry, long-term financing	633.5	693.6	723.1	830.0
5.3 Interest rate support for the shipbuilding industry, construction loans	59.8	83.2	86.5	120.0
5.4 Construction and long-term financing guarantee arrangements	69.5	19.7	-3.8	-1.5
5.5 Interest rate support for the long-term financing of fishing vessels	45.2	62.6	77.6	75.0
5.6 Interest rate support for construction loans for fishing vessels	15.2	11.0	12.2	3.0
5.7 Grants for shipbuilding contracts	0.0	0.0	5.5	150.0
5.8 Grants for contracts for building of fishing vessels	0.0	0.0	0.8	20.0
5.9 Other sectoral aid measures	1.0	0.7	0.0	0.0
6. STRUCTURAL ADAPTATION AND RESCUE	367.2	342.6	364.9	372.5
6.1 Adjustment grants	90.7	83.0	61.3	62.3
6.2 Capital related subsidies through the Norwegian Industrial Fund	187.8	203.5	228.0	213.1
6.3 Other structural and rescue measures	88.7	56.1	75.6	97.1
7. SMALL FIRM DEVELOPMENT	7.0	24.1	25.1	39.8
7.1 Capital-related support through the Small-scale Industry Fund	7.0	24.1	25.1	39.8
8. COMPANY SUBSIDIES	1,106.5	718.4	1,340.9	398.2
8.1 Grants to state-owned stock companies	867.5	379.5	316.4	213.2
8.2 Losses on loans to State-owned stock companies	0.0	0.0	832.6	0.0
8.3 Insufficient dividend from State-owned stock companies	204.4	207.6	136.2	116.7
8.4 Interest rate support to State-owned stock companies	24.3	110.5	1.0	5.2
8.5 Support to stock companies. State-owned share of stockholdings less than 75 per cent	10.3	20.8	54.7	63.1
9. EXPORT PROMOTION	76.9	89.3	99.0	85.0
9.1 Grants for export promotion	76.9	89.3	99.0	85.0
10. MISCELLANEOUS AID	26.4	0.0	0.0	0.0
10.1 Guarantee redemption for export-promoting activities	0.0	0.0	0.0	0.0
10.2 Grants to the Swedish-Norwegian Industrial Fund	26.4	0.0	0.0	0.0
TOTAL GOVERNMENT AID TO INDUSTRY	4,033.9	3,534.9	4,596.9	3,898.8