

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

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SUBSIDIES

Notifications Pursuant to Article XVI:1

NORWAY

The following notification, dated 11 August 1994, 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. 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 above 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. The support is granted in the form of a fixed payment with minimum production of 30,000 litres of cow's milk and of 15,000 litres of goat's milk. The overriding object is to equalize income between large and small holdings.

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 1993 and 1994

<u>Chapter 1150 Agricultural Agreement, Mio NOK¹</u>	<u>1993</u>	<u>1994</u>
Agricultural Development Fund	456.8	456.8
Market regulation	176.4	125.1
Price support	2,742.2	2,887.0
Other direct payments to producers	7,385.0	7,256.0

¹Source: Proposition No. 82 (1992-93) and No. 48 (1993-94) to the Norwegian National Assembly from the Ministry of Government Administration. Note that, in general, both 1993 and 1994 figures are preliminary.

<u>Chapter 1150, Price support, Mio NOK</u>		<u>1993</u>	<u>1994</u>
(a)	Milk and milk products	1,089.6	998.3
(b)	Beef and veal, sheepmeat, pigmeat	930.4	902.2
(c)	Cereals	413.6	714.0
(d)	Wool	228.5	202.4
(e)	Other	80.1	70.1
		-----	-----
Total		2,742.2	2,887.0
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<u>Chapter 1150, Other direct payments to producers Mio NOK</u>		<u>1993</u>	<u>1994</u>
(a)	Structural income support	1,835.0	1,716.3
(b)	Man-year support	2,243.2	2,231.7
(c)	Acreage and cultural landscape scheme, coarse feed	2,137.9	2,088.7
(d)	Acreage and cultural landscape scheme, cereals	669.1	714.5
(e)	Production support on marketed crops	56.4	48.6
(f)	Transport support on meat and eggs	89.7	87.2
(g)	Other	353.7	369.0
		-----	-----
Total		7,385.0	7,256.0
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(d) Price subsidies, amount per unit² (ore³ per litre/kg.)

<u>Basic price support</u>		<u>1.7.93-30.6.94</u>	<u>1.7.94-30.6.95</u>
(a)	Milk	28.3	26.5
(b)	Beef and veal	335	335
(c)	Sheepmeat	490	490

<u>Regionally differentiated price subsidies</u>		<u>1.7.93-30.6.94</u>	<u>1.7.94-30.6.95</u>
(a)	Milk ⁴	11/160	8/156
(b)	Meat ⁵	445/1,370	405/1,300

²Source: Proposition No. 82 (1992-93) and No. 48 (1993-94) to the Norwegian National Assembly from the Ministry of Government Administration.

³100 ore = NOK 1.

⁴Nine zones, varying rates, lowest and highest cited.

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

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

Table 1 Cow's milk

	Received by dairies	Consumption, million kg.	
Year	million litres	Whole, lowfat and skimmed milk	Cream and sour cream
1989	1,835	740.7	28.3
1990	1,837	727.7	28.3
1991	1,792	718.7	28.5
1992	1,784	722.8	28.5
1993*	1,780	701.8	28.8
1994**	1,753	691.0	28.3

* Provisional figures

** Forecast

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

Table 2 Cheese (1,000 tons)

Year	Production	Exports#	Imports	Consumption#
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	56.8
1993*	80.2	22.2	2.4	58.2
1994**	79.1	22.2	2.4	57.5

* Provisional figures

** Forecast

Includes whey cheese

Source: Budget Committee for Agriculture

Table 3 Butter (1,000 tons)

Year	Production	Exports	Imports	Consumption
1989	24.2	9.2	0.0	14.3
1990	22.0	9.4	0.0	14.2
1991	21.4	7.4	0.0	14.2
1992	20.2	5.8	0.0	13.3
1993*	19.6	7.6	0.0	13.2
1994**	15.6	3.5	0.0	13.2

* Provisional figures

** Forecast

Source: Budget Committee for Agriculture

Table 4 Cereals (million kg)⁶

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>Exports</u>	<u>Consumption⁷</u>
Wheat				
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*	363.9	243.3	9.3	489.0
1994**	276.0	188.8	8.0	525.0
Rye				
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*	12.4	28.0	0.0	34.1
1994**	16.0	27.5	0.0	43.5
Barley				
1989	594.8	158.1	0.6	807.6
1990	739.5	110.9	0.0	558.0
1991	660.6	48.9	0.0	569.8
1992	485.0	0.0	0.0	635.1
1993*	632.8	46.7	0.0	767.1
1994**	587.0	62.0	0.0	661.0
Oats				
1989	411.2	3.5	17.5	320.1
1990	601.4	0.1	0.0	396.9
1991	564.8	0.1	0.0	489.1
1992	329.6	0.0	50.0	553.7
1993*	386.9	0.0	0.0	390.7
1994**	448.0	11.0	0.0	376.0

* Provisional figures

** Forecast

Source: Central Bureau of Statistics, Norwegian Grain Corporation.

⁶Production + Import - Export may differ from the consumption figures. These differences are due to changes in stock and storing losses.

⁷Consumption of food grain, feed grain and seed grain.

Table 5 Meat (1,000 tons)⁸

Year	Gross sale + utilization by the farm holdings	Imports	Exports	Consumption
Beef and veal				
1989	75.4	0.1	0.0	73.6
1990	81.6	0.1	7.8	76.4
1991	79.4	0.1	2.8	79.0
1992	83.8	0.1	5.9	78.6
1993*	83.1	0.1	3.6	82.2
1994**	84.1	0.1	1.4	84.0
Mutton				
1989	23.9	0.3	2.0	25.8
1990	23.4	0.3	2.1	24.2
1991	23.3	0.3	0.0	23.0
1992	23.9	0.2	0.0	23.7
1993*	25.2	0.3	0.5	25.7
1994**	24.6	0.3	0.0	24.9
Pork				
1989	83.6	3.3	5.8	82.1
1990	83.0	2.9	3.5	83.5
1991	85.1	2.8	3.5	86.1
1992	90.8	3.5	1.3	87.3
1993*	89.8	5.0	5.6	93.4
1994**	91.8	3.0	2.9	94.8

⁸Production + Import - export may differ from the consumption figures due to changes in stock.

Poultry meat				
1989	20.0	0.3	0.0	18.7
1990	19.8	0.3	0.1	20.1
1991	20.2	0.3	0.0	21.8
1992	22.7	0.3	0.0	21.4
1993*	22.8	0.3	0.0	24.2
1994**	27.1	0.3	0.0	25.2
Eggs				
1989	52.3	0.2	3.7	47.8
1990	52.1	0.4	2.5	46.5
1991	50.3	0.2	1.7	47.5
1992	51.0	0.1	1.6	47.7
1993*	51.3	0.0	2.6	47.1
1994**	51.2	0.0	1.4	48.4

* Provisional figures ** Forecast

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

B. FISHERIES

I. GENERAL POLICY

The major objectives of the Norwegian policy for the fishing industry have 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 since 1960 spent considerable amounts of money on schemes for reducing the fleet's capacity. In 1992 and 1993 these schemes have been substantially reduced. This must be seen in connection both with a general reduction in the financial support package to the traditional fishing industry, and with the fact that the over-capacity has been reduced in recent years.

The reduction in the catch-capacity along with an improved resource-situation in the Barents Sea have improved the profitability in the industry.

B. Aquaculture

Aquaculture has become an important export industry and accounts for one-third of the Norwegian export value of fish in 1993.

The aquaculture industry has been strictly regulated from the start. All farming of fish in Norway requires special permission 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 framing the future policy in this sector. The experience gained both with the licencing system and the trade system are important inputs to this work. Focus is also put on the management of environmental health problems. Among others, separated regions to reduce the possibilities for diseases has been put on the agenda.

III. SUPPORT SCHEMES

A. Investments

Fishing vessels

It has often proved to be difficult for the fishermen to raise capital for acquisition of fishing craft, gear, etc. through private credit institutions. The primary objective of the National Fishery Bank is therefore to be a specialized credit institution for the fishermen. The fishing vessel financing scheme, which is administered by the National Fishery Bank, was bound to a maximum of NOK 350 million both in 1992 and 1993. The financial arrangement is based on the OECD articles on support to shipbuilding. Loan schemes for gear and other equipment are granted as first mortgage-loans up to 70 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 1992 and for the first half of 1993. From 1 July 1993 the rate of interest was reduced to 10.5 per cent. 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 12 million in 1992 and NOK 8 million in 1993 to ease the financing of coastal fishing vessels in regions where fishing is the main activity.

Processing industry (including aquaculture industry)

The fish processing industry and the aquaculture industry which are located in certain regions can benefit from special 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 1992 amounted to NOK 425 million. In 1993 the amount was NOK 195 million. In addition, NOK 10 million was granted to the running of the marine research-vessels and NOK 20 million was granted to remission of debt in the herring-industry. Compared to the previous years, the support package was reduced both in 1992 and 1993. This is partly explained by an improved income situation for the fishermen, as the industry has been facing an increase in quotas as well as stable prices on important species.

Both support to structure programmes, price-support and support to reduce operational costs have been gradually decreased along with the decrease in the total amount of support. At the same time as the total support has been reduced, the relative share of support granted to social schemes, which guarantee a minimum income for fishermen has increased.

		Million NOK	
		1992	1993
1.1	Losses on loans	45.0	48.9
1.2	Investment grants up to 15% of the vessel's cost price. In some cases up to 20%	12.0	8.0

General investment schemes from the Regional Development fund to the fish processing industry including aquaculture

2.1	Loans to fish processing industry in certain designated development regions	Interest rate support	-	-
		Losses on loans and guarantees	213.0	94.0
2.2	Guarantees from private credit institutions, financing processing plants in certain designated regions	Provision: 2% Up to 50% of the total loan amount	43.0	30.8
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	157.0	96.9

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

3.1	Support to landing prices of certain species of fish and transport subsidies	Support is granted on a decreasing basis depending on the amount landed by each vessel	91.0	47.8
3.2	Grants to reduce prices of bait and support to baiting stations	Bait	7.5	2.0
		Baiting stations	11.0	4.0
3.3	Grants to improve efficiency in fisheries	Experimental work	27.5	14.0

		Million NOK	
		1992	1993
3.4	Social welfare schemes	195.0	70.0
	Guarantee of minimum weekly income for fishermen		
	Vacation scheme	19.0	16.0
3.5	Grants to reduce insurance costs	20.0	9.0
3.6	Structural reorganization schemes covering the fishing fleet and the processing industry	20.0	2.0
3.7	Other programmes	34.0	30.2
	TOTAL	425.0	195.0
	Extraordinary grants	35.0	30.0

C. 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 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 was a minor increase in October 1992. Rates will be reduced again for new contracts entered as from May 1994. The subsidy rate level pre-October 1989 has been calculated to about 19 per cent of contract price for new buildings. As from May 1994 it will be 11 per cent of contract price for new buildings.

The structure of the aid scheme for the shipbuilding industry was altered in 1990, replacing the previous interest rate subsidy scheme with a grant scheme. 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 least 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 A/S.

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

Grants as percentages of contract value for new contracts entered as from May 1994:

	Grant to shipowner	Grant to yard	Total
New buildings	9.5	1.5	11.0
Larger conversions	9.5	0.75	10.25
Extensive conversions	6.5	0.75	7.25

Grants as percentages of contract value as from October 1992:

	Grant to shipowner	Grant to yard	Total
New buildings	11.5	1.7	13.2
Larger conversions ⁹	11.5	1	12.5
Extensive conversions ¹⁰	7.6	1	8.6

⁹A contract must be worth at least NOK 10 million to be regarded as a larger conversion.

¹⁰A contract must be worth more than NOK 2.5 million to be regarded as an extensive conversion.