

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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Expert Group on Adjustment Assistance Measures

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## ADJUSTMENT ASSISTANCE MEASURES

### Information Supplied by Governments

#### Addendum

In response to the questionnaire circulated in GATT/AIR/859, the following information has been provided by the delegations of Japan and Norway.

#### JAPAN

1. The rapid economic growth in Japan during the past two decades has been achieved mainly through the development of capital-intensive and high-productivity sectors. The relative importance of labour-intensive and low-productive sectors in the economy is declining through this process of economic growth. But, still one of the basic features of the Japanese industrial structure at present is the existence of a huge number of small and medium size enterprises which are often low productive.
2. It is a continuing policy of the Japanese Government to help and assist these small and medium size enterprises modernize their management and equipment with a view to improve their productivity. The measures being taken by the Japanese Government in this regard are basically the same as those which have already been set out in document (COM.TD/W/92/Add.2).
3. This change-over in the industrial structure taking place through the process of rapid economic growth and always supported by the Government, has itself given to the manufacturers of developing countries opportunities of increasing their access to the Japanese market. Furthermore, when the GSP was introduced on 1 August 1971, Japan implemented new legislation entitled "Provisional Law Concerning Measures for Small and Medium Size Enterprises to Cope with the Changing Situation Introduced by GSP".
4. The following replies to the questionnaire are related to the provisions of the above-mentioned specific Law. The measures provided for in this Law are in line with the general measures referred to in paragraph 2 above but are especially favourable in nature. Even though a budgetary allotment is provided for in the measures to be taken, there has been no application so far under this Law.

Replies to the questionnaire

A. Measures available

I. The Provisional Law Concerning Measures for Smaller and Medium Size Enterprises to Cope with the Changing Situation Introduced by GSP on 5 April 1971 Law No. 38 (hereafter called "the law").

II. Article I (Object of the Law)

The object of the Law is to facilitate a sound development of the national economy through the development of small and medium size enterprises (hereafter called "smaller enterprises") by providing specific measures necessary for the smooth realization of converting the lines of activities undertaken by smaller enterprises to cope with supply and demand structure changes as a result of the implementation of the GSP.

III.

(1) Such lines of business activities as are affected by the implementation of the GSP are designated as "Specific Business Activities" by cabinet order, when it is judged to be particularly necessary to undertake the conversion of these activities.

(2) When they undertake the conversion of their business activities, the smaller enterprises which engage in any of the specific business activities may submit a plan to the prefectural governor and get his authorization to the effect that the plan is appropriate.

(3) For smaller enterprises to be able to cope with the changes of supply and demand structure as a result of the implementation of the GSP, the central and prefectural authorities shall give them the necessary guidance and advice, when requested.

IV. The prefectural authorities (including comprehensive guidance offices) shall provide the service of explanation and guidance on the subject of conversion and modernization of business activities for the benefit of smaller enterprises concerned with the implementation of the GSP. They shall also give advice to the enterprises concerned on the establishment of a business conversion plan.

As for the business conversion assistance measures in the field of financing, taxation and credit insurance, the prefectural governments bear a part of the cost of loans given by the Smaller Enterprise Development Corporation to facilitate business conversion undertaken collectively by a group of enterprises as well as making subsidies to the Prefectural Credit Guarantee Association.

V.

(1) See the response A.III.(1).

(2) The prefectural governor may request the submission of a report concerning the implementation of the authorized plan and he may revoke the authorization when the authorized enterprises do not implement the scheduled conversion of their businesses.

VI.

(A) As for monetary measures, there are long-term low-interest loans made by certain government-sponsored organizations (The Smaller Enterprise Financing Corporation, The Smaller Enterprise Development Corporation) and special credit insurance measures. In the field of taxation, special depreciations are allowed on the equipment of converted businesses.

(B) Vocational training and other measures to assure the employment of workers of smaller enterprises which undertake business conversion.

VII. The central government, government-sponsored corporations (The Smaller Enterprise Financing Corporation, The Smaller Enterprise Development Corporation) and prefectural governments.

VIII. In view of its object, the measures taken under the Law may contribute to the expansion of the export opportunities of the developing countries.

IX. Under the Law, review of the designation of specific business activities is envisaged, taking into account the views expressed by the Smaller Enterprise Modernization Council.

B. Measures applied

I. Although it is difficult to distinguish between the two uses, the Law aims at providing for measures necessary to cope with the change of supply and demand situations as a result of the implementation of the GSP.

II. Under the Law, the designation of specific business activities is to be made without any connexion with specific regions. However, as the designation of specific business activities is not intended to exclude lines of activities concentrated within a specific region (so-called local business activities) when they are otherwise qualified for it, smaller enterprises engaged in local business activities are eligible for assistance. In this connexion mention should be made of the fact that for various reasons, there are none that have been designated as specific business activities under the Law.

III. Under these circumstances assistance measures under the Law have not been applied to any industrial sector.

IV.

(A) Not applicable.

(B) See V. below.

V.

(A) (I) Financial measures.

(a) Low interest financing by the Smaller Enterprise Financing Corporation:

For the fiscal year 1971, ¥ 1.5 billion (interest rate 7 per cent)

(b) Low interest financing by the Smaller Enterprise Development Corporation:

For the fiscal year 1971, total sum of ¥ 1 billion; of which  
¥ 0.42 billion from the Corporation (interest rate 2.7 per cent),  
¥ 0.23 billion of loans by prefectural governments (interest  
rate 2.7 per cent),  
¥ 0.35 billion are expected from the enterprises concerned  
themselves.

(c) Special measures under the System of Smaller Enterprise Credit Insurance:

Insurance limit is twice as large as the usual amount.  
Rate of compensation 80 per cent (usual rate 70 per cent)  
Rate of insurance 2/3 of the general rate

(II) Special taxation measures.

Special measures under the Law for Special Taxation Measures:

¥ 0.6 billion (special depreciation of the equipment and facilities  
transferred or scrapped in smaller enterprises as a result of  
business conversion).

(B) Such measures for retraining workers are envisaged.

(C) Effect of measures applied.

(I) There is no such case.

(II) See B(II) and (III).

NORWAY

A. Measures available

1. The adjustment problem in Norway

During the last decade the conditions in Norway for industrial development have changed, first and foremost as a consequence of Norway's participation in the European Free Trade Association. The access to a new large "home market" in fact reduced the handicap of industry in general of a small national market. On the other hand, Norwegian industry had to meet competition from other EFTA countries.

To begin with, the readaptation problems were considered to be mainly a concern of the home market industries. The competitive conditions of these sectors have been strongly affected by the transition to a régime of free trade.

In the present situation, the readjustment of the home market industries has certainly not been brought to an accomplished end. The challenges in this field are still a matter of great concern. In addition, problems of obsolete industrial structure and working methods have, in recent years, proved to exist even in branches of the traditional export industries, for instance in the pulp and paper industry. Furthermore, the present acceleration of technological development and changes in market conditions outside the EFTA have generally tended to accentuate the problems.

The Government's efforts to facilitate adaptation have been carried out without having recourse to general legislation. Policy in this field is, in part, implemented by means of instruments of a general character, such as credit policies, including the State credit institutions, and partly also taxation policy. Furthermore, there are strong links between the readaptation policy on the one hand and the research and development policy and the regional development policy on the other. A number of special measures have, however, been adopted which relate more directly to industrial readaptation.

2. Measures relating to industry in general

(a) Measures in the field of credit

Measures in the field of credit constituted an important part of the system of adjustment assistance. The working of the system is largely based on co-ordination and consultation, in which the Ministry of Industry takes an active part, but credit institutions have also been established especially for the granting of credit for readaptation. These are the following:

- The State Guarantee Fund for Industry ("Tiltaksfondet") established in 1939. Until 1961 the fund operated by guarantees as well as loans and direct grants, since 1961 by guarantees only. At present, the fund is administered by an independent board appointed by the King. Originally, the purpose was to facilitate

pioneering and the establishment of new undertakings; in recent years industrial adaptation and structural rearrangements have moved into the foreground.

The activities of the fund have been extended as part of a programme for structural readaptation which was adopted by the Storting in 1967. The ceiling of total guarantees which may be given by the fund, has been raised from Nkr 50 million to Nkr 200 million. The fund shall co-operate closely with a new institute.

- The Institute for the financing of structural readadaptation ("Strukturfinans") which has recently been organized for the purpose of financing structural readadaptation. The institute became operative during the first part of 1970. The State is participating with 41 per cent of the share capital while the remainder is provided by private banks and insurance companies. The board consists of seven members, three of whom are appointed by the Government. The total lending capacity will be Nkr 500 million. The fund will, to a large extent, be financed by bearer bond issues, guaranteed by the private shareholders. The Institute will, in particular, provide the top financing of investments related to structural rearrangements (for instance refinancing in connexion with mergers, but also readadaptation within single enterprises). Generally, the duration of loans will be five to twelve years. The normal form of security will be guarantees by private or public institutions. In this context the State Guarantee Fund mentioned above will be of particular importance.

Furthermore, the Ministry of Industry has operated a scheme of financial contribution to joint activities initiated and performed by private and semi-public organizations and groups of enterprises in order to promote readadaptation. The arrangement is administered by a committee composed of representatives from industry, the Norwegian Federation of Trade Unions, and the three ministries concerned. Until 1968, the scheme was intended for home market industries only. Total annual contributions were in the region of Nkr 3.5 to 5 million. Since 1969 other branches may be included. The budget appropriations for 1970 and 1971, respectively, have been raised to Nkr 12 million. At present pioneering ventures undertaken by single enterprises are also eligible. The basic intention is to stimulate industry's own efforts and to facilitate co-operation within industry. Normally State contributions cover only part of the expenses (in most cases 50 per cent). In exceptional cases, for instance as regards industry-wide projects, State support may cover a larger proportion. The grants are usually linked to the initial stage of a project, the assumption being that after the elapse of some time expenses should be financed by private contributions.

(b) Measures in the field of taxation

According to an Act of 9 June 1961, capital gains from sale of immovable property or of running business enterprises may, subject to governmental approval in each individual case, be exempted from income tax or taxed at rates below the standards set by State or municipal decisions, provided that such sales form a necessary part of reorganization or change of business activity aiming at rationalization and modernization.

### 3. Measures connected with regional development

During the last twenty years a policy has been developed which applies to districts with weak economy and depopulation tendencies. Although the term "development districts" rests upon certain general criteria (viz: structural underemployment, depopulation, economic stagnation) it has proved impractical to designate development district by strict geographical limits. In Norway it is hardly possible, therefore, to draw strict distinction lines between national policy and specific regional development policy.

#### I. Financial measures

##### (a) The Regional Development Fund (the RDF)

The Ministry of Labour and Municipal Affairs is responsible for the co-ordination of regional development policies. The main executive agency is the Regional Development Fund (the RDF) which was established in 1961. The activities of this agency include the administration of special arrangements concerning credits and grants, advisory services and surveying in the field of regional development. The RDF gives loans and guarantees for loans, normally for medium and long-term investments. Working credit may be included. In principle the fund provides top financing, but no strict limitation is applied. No limits are set for individual loans by RDF. In exceptional cases loans of up to Nkr 50 million have been granted. Interest rates are, normally, at market levels.

In special circumstances the fund may contribute financially by share subscription in private undertakings.

New loans and guarantees totalled Nkr 430 million in 1970.

##### (b) Compensation for relocation costs

Such compensation applies to enterprises which transfer their activities from a developed district to an underdeveloped district. Grants may cover expenses incurred in the moving of machinery and equipment, transfer of staff, and losses caused by interruption of production.

##### (c) Grants for training of labour

Such grants apply to the starting up of new enterprises as well as to relocation. They may include wages, travelling, board and lodging expenses for instructors or key personnel, as well as 50 per cent of wage costs for ordinary workers for a limited period of time.

##### (d) Compensation for commencement costs

In the case of relocation and new undertakings, supplementary grants may be given for a period of six months in order to compensate for low productivity during the initial stage.

##### (e) Investment grants

A scheme for such grants has been introduced in 1971. Maximum rates have been stipulated which vary according to the economic situation in the different districts, and the need for such grants is examined in each individual case. The scheme is administered by the Regional Development Fund.

## II. Taxation measures

Procedures concerning tax free deductions for the purpose of setting aside funds for investments in development districts have been in force since 1952. Initially they applied to investments in the three northern-most counties only, but since 1961 all development districts have been included. New provisions were passed by the Storting in June 1969 aiming at a strengthening of the effects.

In the present set-up the most important elements are the following:

Tax free deductions for the purpose of investment in development districts may generally be made up to 25 per cent of taxable income, or up to 50 per cent, provided that taxable income is not in this way brought below the average of the last two years. Apart from conditions concerning minimum annual amounts, such deductions are automatically permitted for all tax-payers in Norway without any prior control.

Funds provided in this way must, however, within certain limits of time (normally five years for initiating investments) be used for investments in the three northern-most counties or in other districts designated by the Government. A specific list of eligible districts was established by Royal Decree in November 1969. Subject to approval in each individual case districts not included in this list may, however, also be eligible.

## 4. Special employment measures

The Directorate of Labour (Ministry of Labour and Municipal Affairs) provides grants for municipal and county projects for the unemployed (especially older employees and less-mobile manpower). These projects shall take place during the winter and emphasis is placed on finding measures which are of special importance to the development of industry and employment in the regions. The municipalities are requested to give priority to projects of this nature by adjusting employment reserves.

## 5. Vocational training for adults

The courses aim at providing quick and efficient training to job applicants in a trade or parts of a trade which enables the applicant to be placed in a job immediately. During the training period the participant receives assistance from the Unemployment Insurance Fund. The training, which may vary from a few weeks to ten months, takes place in co-operation with the educational authorities and follows approved training plans. The courses are not intended to provide training which will only be of interest to an individual business enterprise.

Most courses are in the iron and metal trade, building and construction trades and the office and shop trade. The courses cover about forty different trades and there are many which can be of importance for regional development, e.g. courses in the hotel and restaurant trade.

6. Central government grants for removal related to structural changes in industry

Previously, a subsidy scheme has been in existence, financed by the Ministry of Fisheries, whereby grants have been made available for moving from remote fishing villages. Since 1 January 1970 this arrangement has been transferred from the Ministry of Fisheries to the Ministry of Labour and Municipal Affairs in order to obtain a co-ordinated scheme for moves related to structural changes in industry.

It is stipulated as a condition for assistance that the former location does not provide opportunities for a reasonable livelihood, that public infrastructure investments or other social benefits are lacking and that there is little prospect that these will be introduced. It is a condition that the proposed place of residence offer possibilities for a satisfactory livelihood and that sufficient infrastructure investments and social facilities are available or soon will be.

Assistance may, when social reasons deem it necessary, also be granted even when the possibilities securing a reasonable livelihood in the proposed place of residence are small.

The assistance may be given as a removal grant or a housing compensation grant. The removal grant will generally not exceed Nkr 30,000 and is intended to cover expenditure for housing. Where it is found reasonable, however, the grant may be used in part or in its entirety for working capital or for establishing an industry in the proposed place of residence.

The recipient shall use this compensation to cover removal costs, housing, the acquisition of working capital or the establishment of industry in the proposed place of residence. In special cases the compensation may also be used for other purposes.

7. Financial aid for removals to new residence

(a) Grants for travel and removal expenses

Applicants who currently or in the near future expect to be without suitable employment and who, through the Labour Exchange, are placed in new employment where, according to ordinary placement estimates, there is a need for the applicant's manpower may, through the Labour Exchange, receive travel and removal aid, family allowances and installation allowances from the Unemployment Insurance Fund.

Applicants who are registered with the Labour Exchange Service and for whom suitable work could not be found but who find such work by themselves, may also apply for the above-mentioned benefits.

In 1970 travelling and removal grants amounting to Nkr 8.4 million were given in 29,000 cases.

(b) Family allowances

During the course of 1970, 2,280 applicants were granted family allowances following placements.

Payments amounting to Nkr 3.6 million were paid in such allowances.

(c) Installation allowances

Installation allowances may be granted only if the type of work is assumed to last for more than four months and if the allowance is to be used to cover the employee's initial expenses in a new job. At present the installation allowance is Nkr 200 in each case. In 1970 installation allowances were granted following placement in 4,700 cases and amounted to Nkr 0.9 million.

8. Unemployment insurance

The average number of members in the Unemployment Insurance Scheme in 1970 was, according to current statistics, 893,100, of whom about 31,000 had the special unemployment insurance for seamen in maritime transport.

The districts Employment and Development Boards granted a total of 43,576 applications for daily allowance, of which 2,214 applications were for unemployment insurance for seamen in maritime transport. Daily allowances were also granted abroad in 183 cases.

Total assets of the Unemployment Insurance Fund at the end of 1970 were estimated at about Nkr 850 million. Of these, approximately Nkr 820 million were administered by the Bank of Norway. This amount includes the dividends of the funds in 1970, Nkr 27.5 million.

B. Measures applied

SPECIFIC EXPENDITURE ON GOVERNMENT MEASURES  
TO PROMOTE EMPLOYMENT, Nkr MILLION

Measure	1964	1965	1966	1967	1968	1969	1970
A. Extraordinary winter work on national and provincial roads	34.0	34.0	35.0	35.0	37.0	41.5	40.0
Other extraordinary work started by the central government	2.1	0.6	1.0	1.3	1.0	6.5	0.8
Extraordinary work started by the municipalities	14.2	15.5	11.6	17.1	20.1	24.5	22.2
B. Operational and investment expenditure on vocational training of adults	13.8	12.1	15.5	16.7	16.4	20.2	19.3
Subsidies to vocational training schemes for adults	10.9	14.7	13.0	16.2	18.6	20.7	25.8
Grants to persons seeking vocational training	10.0	10.0	10.0	10.0	10.0	10.0	10.0
C. Central government grants for removal related to structural changes in industry							1.9
D. Grants for travelling and removal expenses	2.4	3.1	3.6	4.2	4.8	6.7	8.4
Family allowances	0.2	0.3	0.4	1.2	2.2	3.0	3.6
Assistance towards establishment of new business	0.2	0.4	0.5	1.1	0.7	0.7	1.0
E. Unemployment benefits	46.7	40.7	40.2	41.3	67.7	71.8	67.3
Insurance premiums for unemployed persons	11.4	10.0	11.4	6.5	10.3	10.4	7.8