

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/5102/Add.11/Suppl.1  
9 November 1982

Limited Distribution

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Original: English

## SUBSIDIES

### Notifications Pursuant to Article XVI:1

#### NORWAY

##### Supplement

In accordance with the procedures set out in document L/5102 Norway herewith submits a notification of certain assistance programmes within the industrial sector. Information on the agriculture sector have been notified earlier in L/5201/Add. 11 of 1 December 1981.

The assistance programmes notified represent important instruments for the promotion of Norwegian social, industrial and economic policy objectives, including programmes for structural adjustments. The following programmes are notified in recognition of the need for greater transparency in the use of support measures which may have an effect on trade and without prejudice to whether these programmes constitute subsidies within the meaning of article XVI:1 and whether an obligation exists to notify them.

#### C. SHIPBUILDING

##### I. The nature and extent of the assistance

###### a) Authority

(i) Government support for the shipbuilding industry has been provided since 1978. Most of the assistance has been granted under a price support scheme, the aim of which has

been to soften the expected impact on employment of the restructuring of the shipbuilding industry. The long term intentions are to develop other industrial possibilities.

For the period 1978-1980 the arrangement covered both building of new ships and modification of old ones, with a minimum contract price of NOK 1,5 mill. Since 1981 the price support was given only for the building of new ships.

(ii) In addition to price support, the shipbuilding industry benefits from minor support to Research & Development (R&D).

The objective of this support is to increase Norway's competitiveness in shipbuilding requiring advanced technology.

#### b) Incidence

(i) Price support in the shipbuilding industry is paid directly to shipyards.

From the beginning of 1979 the grant was 20 per cent of the contract price. Since then the rate has gradually been reduced, and was completely abolished from May 1982.

Instead of the price assistance arrangement a new support scheme has been introduced. The main element in this scheme is interest subsidies given on long term financing of ships built for Norwegian owners. The long term financing is limited to 80 per cent of the contract price. With a credit duration of 8 1/2 years the interest subsidy constitutes about 6,5 percentage points. With a rate of 14,5 per cent for ordinary commercial credits the borrower pays an interest rate of 8 per cent.

For several years Norwegian yards have received a customs refund on new ships and ships being repaired. This has now been reduced from 6 to 4 per cent of the contract price.

The ceiling of governmental support is NOK 1 000 million for the present-value of the interest support on loans which may be issued in 1982.

(ii) The R & D-support has only been granted to concrete individual projects that are executed by the industry. The subsidy amount is not allowed to exceed 65 per cent of the project costs.

C) Amount of the assistance

(i) The amount of assistance under the price support scheme has gradually been reduced as indicated in the following table:

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Price support, granted (mill. NOK)	339	163	484	360
				(Expected grants)

(ii) The amount of R & D-support to the shipbuilding industry has been as follows:

	<u>1979</u>	<u>1980</u>	<u>1981</u>
R & D-support, granted (mill. NOK)	30	10	10

The R & D-support scheme for the shipbuilding industry is not continued in 1982.

II Effect of the assistancea) Estimated effects of the assistance

(i) It is difficult to estimate the quantitative effects of the price support scheme on trade since the shipbuilding industry in most of the OECD-countries benefits from government support. The effect of the Norwegian subsidy has been to keep the competitiveness of the Norwegian shipyards broadly in line with that of other countries' shipbuilding industries. Trade in new ships has declined considerably during the last years due to weak demand.

(ii) Trade effects in the case of R & D-support have not been evaluated.

It is assumed that the shipbuilding industry by this effort will be stimulated to use research and development in its restructuring phase. This support has contributed to the industries' internal research planning. Further it has improved the harmonious combination of forces between the industry and national research in this field.

Statistics of production, imports and exports of ships. Mill. NOK. Current prices

YEAR	PRODUCTION <sup>1)</sup>	IMPORTS			EXPORTS		
		NEW SHIPS	OLD SHIPS	TOTAL	NEW SHIPS	OLD SHIPS	TOTAL
1976	5.001	7.299	743	8,042	2,326	2.579	4.905
1977	5.220	7.337	302	7.639	3.506	3.440	6.946
1978	4.411	3.235	117	3.352	2.004	3.535	5.539
1979	4.190	2.910	533	3.443	1.467	3.417	4.884
1980	3.230	1.108	327	1.435	1.402	2.425	3.827
1981	n.a.	3.805	735	4.540	667	3.406	4.073

1) Only vessels of gross tonnage of 100 tons and over, except warships, tugs, ships hulls, light-vessels, fire boats etc.

Source: Statistical yearbook 1978-81  
Monthly bulletin of external trade  
for December, 1976-80.

D. TEXTILE AND GARMENT INDUSTRY

I Nature and extent of the assistance

a) Background and authority

Due to structural problems in the Norwegian textile and clothing industries, the Norwegian Government started a five year restructuring programme to enable these industries to meet general competition more successfully. This five year activity programme covers the period 1978 to 1982.

The two kinds of allocations notified below are parts of the restructuring programme.

(i) The first allocation is a financial support for investment in machinery.

The reason for the support is economic setbacks for the textile and clothing industries which, since the beginning of the 70s, have caused insufficient investments in production machinery. The intention is to facilitate the efforts to modernize the technical equipment. Financial support is not granted for investments in new buildings.

(ii) The second allocation consists of state funds to finance training, productivity and marketing schemes. The amount granted is administered by the textiles and garment industries' organizations.

(iii) Norway applies a taxsystem for labour according to which the employers have to pay a fee of approximately 16 per cent for the use of labour. All industries have to pay this employers' fee which means that labourintensive industries are the most affected by this taxsystem. Being a labour-intensive industry, the textile and garment producers obtain a partial repayment of the employers fee.

b) Incidence.

(i) The financial support is offered as loans free of interest and no repayments is required for the first 10 years. Then the supported industry has to pay an interest of 7 per cent and the loan is to be repaid within 3 years. Financial support is granted upon individual applications from the enterprises. The loans are supplementary to ordinary commercial financing, and the amount is limited to 25 per cent of the total investment in production machinery. The investment plans qualified for loans must not exceed 4 mill. NOK per firm per year.

(ii) The restructuring support is jointly administered by the Norwegian Industrial Fund and the textile and garments industries' organizations. The amount granted is allocated to individual firms, according to the needs and priorities within the industry.

(iii) According to a Government decision, the labour support system is limited to firms with a least 5 employees. The support is granted as a fixed amount per man hour executed by factory workers. The firms receive the support at the end of each quarter. The working labour support accounts for nearly 50 % of the employer's fee, depending on the geographical location of the firms. The employers fee for industries situated in Northern Norway is in itself lower than for the industries located in the southern part of the country.

c) Amount of assistance

(i) The amount of loans granted under the financial support scheme is as follows:

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
amount of loans, mill. NOK	17	18	19	18	11 (forecast)

(ii) The restructuring support is divided into three separate parts depending on the line of production. The three areas are; the clothing and leather industries, the textile industries and the shoe industries.

The amount of support is shown in the table below:

Mill. NOK	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Clothing and leather industries	13,1	13,2	9,7	12,5
Textiles industries	8,0	15,1	13,9	13,5
Shoe industries	2,2	2,9	3,5	4,5
<u>Total amount</u>	<u>23,3</u>	<u>31,2</u>	<u>27,1</u>	<u>30,5</u>

(iii) The first table below indicates the actual support rate per man hour, and the second table the total amount granted under the working labour support programme.

	1978		1979	1980	1981	1982
	<u>1.1-30.6</u>	<u>1.7-31.12</u>	<u>1)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Rate per man hour	2,40	3,40	2,40	2,55	2,55	2,55

1) Extraordinary repayment of 1 NOK per man hour of the employers' fee given to a number of labourintensive industries

Total amount granted, MILL: NOK	1978 <sup>2)</sup>	1979	1980	1981	1982 (forecast)
Textile industries	44,5	35,5	38,2	38,2	
Clothing and leather industries	29,0	23,1	23,8	21,0	
Shoe industries	5,3	4,7	5,0	4,1	
<hr/> Total amount	<hr/> 78,8	<hr/> 63,3	<hr/> 62,5	<hr/> 60,7	<hr/> 69,0

## II Effect of the assistance

### a) Estimated quantitative trade effects

The five year programme has resulted in a more positive development for the Norwegian textile and garment industry than was the case before the programme started. The financial support for investments in machinery has contributed to the efficiency, and the labour support has proved to be of importance to the industries in question. However, the number of employees in these industries is still decreasing, especially in the clothing industry. The number of employees was 20.200 in 1979 compared to 40.400 in 1960.

<sup>2)</sup> Including the extraordinary repayment of employers fee to a number of labourintensive industries.



b) Production, imports and exports of textile and garment products, 1977-81.

(Mill. NDK. Current prices)

YEAR		TEXTILES <sup>1)</sup>	GARMENT & SHOES	TOTAL	SUPPLIED BY NORVEGIAN PRODUCERS, %
1977:	production	2.339	1.402	3.741	37.1
	exports	541	161	702	
	imports	2.779	2.354	5.133	
1978:	production	2.287	1.394	3.681	36.6
	exports	557	167	724	
	imports	2.752	2.356	5.108	
1979:	production	2.496	1.485	3.981	34.5
	exports	664	217	881	
	imports	3.098	2.765	5.863	
1980:	production	2.948	1.464	4.412	33.0
	exports	769	253	1.022	
	imports	3.580	3.278	6.858	
1981:	production	2)	2)	2)	
	exports	698	228	926	
	imports	3.703	3.020	6.723	

SOURCE: INDUSTRIAL STATISTICS 1977-80  
EXTERNAL TRADE 1977-81, VOLUME I

1) Knitwear include.

2) Not available before january/february 1983.

## E COPPER MINES

### 1. Nature and extent of the

#### a) Background and authority

In 1976 and 1977 the Norwegian copper mines were supported with soft loans from the Industry Bank to prevent the mines from bankruptcy, with the result that several thousand people would have lost their work. Most of the copper mines are established in districts with few, if any, other possibilities of employment. Thus the support to the copper mines is essential to maintain the settlement in the communities which would have been affected by the closing of the mines.

#### b) Incidence

The soft loans granted amounted to 100 mill. NOK. They were free of interest for the companies the first five years, as the interest was paid by the Ministry of Industry. The loans are free of down payment the first seven years.

The interest rate was 7,5 per cent and increased to 9,5 per cent in 1980.

In 1977 the Government took the step to establish a copper fund with the intention to solve the long term problems for the copper producers. The fund was designed to be self financing. If world market prices are above a maximum price level, producers have to pay contributions to the fund. If world market prices fall under a minimum level, the producers will receive price support from the fund. Loans to cover a temporary deficit of the fund is guaranteed by the Government.

c) The amount of subsidy under the interest support scheme is shown in the table below:

MILL. NOK:	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
	8	8,5	9,0	9,0	2,4 <sup>1)</sup>

II. Effects of the assistance

a) Estimated trade effects

No trade effects have been proved. The Government support has helped the Norwegian copper mines to overcome a period of extremely low copper prices on the world market and has prevented severe unemployment in outlying districts.

b) Statistics of production, exports of copper concentrate at current prices.

YEAR	PRODUCTION		EXPORTS	
	QUANTITY IN TONS	VALUE IN MILL.NOK	QUANTITY IN TONS	VALUE IN MILL.NOK
1974	77.562	157	52.964	100
1975	105.965	124	83.270	86
1976	125.241	136	105.715	111
1977	113.268	112	98.728	103
1978	113.230	115	98.239	96
1979	113.492	190	98.797	140
1980	113.857	212	89.498	164

SOMRE: EXTERNAL TRADE, VOL. I 1974-80

The value of the imported copper ore to Norway is less than 1000 NOK in each year

1) The interest support has come to an end after the first quarter of 1982. The support has then lasted for 5 years.

