

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/5603/Add.24
15 November 1984

Limited Distribution

Original: Spanish

SUBSIDIES

Notifications Pursuant to Article XVI:1

SPAIN

The following notification has been received from the Permanent Mission of Spain.

In accordance with the Decision adopted by the CONTRACTING PARTIES at their twentieth session (BISD, 11S, pages 58-59), the subsidies maintained by Spain which are required to be notified under Article XVI:1 of the General Agreement are reported hereunder.

Spain, which has been a contracting party to GATT since 1963, signed its acceptance of the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade (Code on Subsidies and Countervailing Measures) on 14 April 1982. Article 7 of that Code reiterates the notification obligation stipulated in Article XVI:1 of the General Agreement.

The Spanish notification, which is designed to furnish full information on the present situation, has been prepared, where possible, in accordance with the guidelines set forth in the annex to document L/5603. The notification covers subsidies on both agricultural products and industrial products and a special section is devoted to the Spanish export credit system.

AGRICULTURAL SUBSIDIES

With respect to agricultural markets, Spain's agricultural policy is essentially designed to maintain prices and markets at reasonable and pre-established levels in order thereby:

- (a) to stabilize and, where necessary, improve the income level of farmers and stock-breeders consistently with the interests of consumers, and to eliminate or ease fluctuations, whether temporary or from one year to another, in agricultural output and prices;
- (b) to direct production with a view to ensuring efficient domestic supply.

In addition, in the context of the process of improving and modernizing Spanish agriculture from the structural aspect, it should be underlined that State action, in particular by limiting financial resources, has an incentive and guiding effect while the farmers and stock-breeders, who must react as rapidly as possible to the growing requirements of efficiency and productivity imposed by market forces, play a key rôle in socio-economic changes.

I. PRICE AND MARKET POLICY

A. EXTENT OF ORGANIZATION. For the purposes of market organization, agricultural products can be classified under two main headings:

1. Regulated products, namely those for which market regulation standards exist or are fixed, for a period of one or more years.

2. Non-regulated products, namely those for which there is no annual regulation. For these products, according to circumstances and in each case when determined by the government, temporary intervention measures can be applied in the market; such measures are not established in advance.

In the 1980/81, 1981/82 and 1982/83 seasons, the following sub-sectors or products were under seasonal regulation: wheat, barley, oats, rye, maize, grain sorghum, leguminous fodder vegetables, rice, sunflower, sugar beet, sugar cane, cotton, wine, olive oil, beef, pig meat, poultry meat, eggs, cow's milk and milk products. These products together make up approximately 65 per cent of total agricultural output.

With respect to the domestic market the product coverage is stipulated in each regulating decree, published in the Official Gazette.

B. CONTENT OF THE REGULATION SYSTEM (Under seasonal regulating decrees)

For each sub-sector or product concerned, the system includes: a system of prices (from the production stage to the wholesale stage), a system of market intervention which holds market trends within limits fixed in advance for each season, taking into account the guaranteed returns to farmers and stock-breeders on the one hand, and consumer purchasing power on the other. Similarly, the seasonal regulating decrees establish financial limits and conditions to control the market, together with decision-making procedures and implementing conditions for the measures concerned.

1. PRICES

1.1 Method of fixing

For purposes of seasonal regulation, and following discussions and consultations with the representative professional and trade-union organizations in the agricultural sector, the government fixes the prices of products under regulation in an overall and simultaneous operation.

The following elements are taken into account during discussion and formulation of the basic proposal:

1. The general social and economic situation of the Spanish economy.
2. Government criteria and guidelines in regard to income and price policy.
3. Studies on price trends for inputs, income levels in the agricultural and other sectors, and other aspects relevant to determining an overall growth rate that will not erode the income level of farmers in relation to that of workers in other sectors.
4. The domestic and external market situation for the various products and sub-sectors.
5. Other relevant matters.

1.2 Price structure

The regulations establish three basic price levels:

1. A minimum guarantee level below which the legitimate interests of farmers and stock-breeders are considered to be seriously impaired.

2. A target or guide price level which should theoretically be interpreted as being the level desirable throughout the season at which supply and demand are in balance, without any temporary or chronic surpluses developing.

3. A consumer protection price level which gives a warning signal for measures (of various kinds as specified in each particular regulation) to prevent inflation or shortage of supply.

For certain products having a special impact on consumer purchasing power, and independently of the market organization system which basically goes as far as the wholesale stage, maximum limits are established for price margins between the wholesale and retail stages (as a percentage on a specific amount), together with maximum price limits which traders may not exceed without specific authorization.

For some products, a single market regulation price is established (e.g. wheat and sugar beet, though with variations to take account of quality and other conditions).

1.3 Market surveillance

Market samplings are taken, in many cases daily, but most usually on a weekly basis, through official surveillance of price and market information in relation to pilot prices which serve as a basis for application of intervention measures and correspond to a representative national average price for purposes of market surveillance.

Product classification according to types of regulated prices

The types of prices are as follows:

- | | |
|--|--|
| (a) <u>Single fixed price:</u> | Wheat and sugar beet. |
| (b) <u>Minimum guarantee price to the producer or contractual minimum price:</u> | Cotton, feed grains, leguminous fodder vegetables, sunflower and sugar cane. |
| (c) <u>Lower intervention prices (sometimes guaranteed), target prices and consumer protection prices:</u> | Rice, wine, beef, pigmeat and poultry meat, eggs, cow's milk and olive oil. |

2. INTERVENTION MEASURES AND OTHER MARKET ACTIONS

Intervention measures vary according to the type of product or sub-sector concerned, and in general the seasonal regulating decrees provide for the possible application of all measures customary under price and market stabilization policy. They can be classified under two main headings:

(a) Measures to guide or influence supply. These affect market regulation directly or indirectly, and apply to the storage or distribution process at the wholesale stage; in addition, they are designed to encourage or channel supply. They are basically measures supplementary to market regulation; they include the following inter alia:

1. Quota restriction establishing certain limits on:

1.1 Volume of regulated supply.

1.2 Maximum volume of purchases by State agencies.

1.3 Maximum financial cost of market regulation in the sector.

2. Bonuses or subsidies established in various forms on:

2.1 Internal transport.

2.2 Bonuses to small producers.

(b) Intervention measures as such. These are basically designed to ensure that the supply/demand pattern throughout the annual regulation period is maintained within a bracket between the minimum price (guaranteed to the producer) and the maximum price (which marks the level of strong inflationary pressure). The principal measures are:

1. In situations of stagnation or pronounced decline in prices. Normally, and depending on the period and urgency:

1.1 Immobilization: encouragement of stock-building within the sector concerned in order to withdraw supplies from the market.

1.2 Shifts in domestic consumption (toward other consumption sectors).

- 1.3 Purchases by State intervention agencies.
- 1.4 As an exceptional measure, the grant of temporary refunds on exports.

2. In situations of pronounced price increase

- 2.1 Release to the domestic market of stocks partly financed with State assistance, where necessary.
- 2.2 Release of stocks held by State agencies.
- 2.3 Encouragement of imports, in particular through temporary reductions in customs duties.
- 2.4 Direct State intervention in the import and distribution of products under State-trading, in order to protect consumer purchasing power and combat inflation.

3. FINANCIAL REGIME FOR MARKET REGULATION

The market regulation scheme described here is covered by the budgetary estimates and expenditure administered through the Regulation Fund for agricultural production and prices (FORPPA) established under Law 26/1968 of 20 June 1968.

II. STRUCTURAL POLICY

With respect to agriculture's existing structure, the State's rôle in the process of agricultural modernization has been limited to that of a factor of encouragement and guidance. Reconversion and restructuring of producing sectors as well as of commercial and industrial structures has been hampered by the shortage of public financial resources.

The bodies directly responsible for improvement of agricultural structures are the National Institute for Agricultural Reform and Development (IRYDA) and the National Institute for the Conservation of Nature (ICONA).

They both start from the basic premise that agricultural land must respond to the needs of the national community.

IRYDA establishes guidelines in the form of regional plans to be implemented in depressed areas, in areas where large estates predominate, and in areas where the infrastructure is seriously inadequate.

It should be underlined that the whole package of measures is designed to overcome natural and socio-structural obstacles resulting from the country's physical characteristics and history. In the context of a socio-structural policy, IRYDA gives assistance in the following areas:

- (1) Access to ownership and farming: for family-type farms and tenant farmers exercising their right of access to ownership.
- (2) Improvement of agricultural infrastructure:
 - (a) Building of roads for agricultural use.
 - (b) Rural electrification and replacement of engines by electric motors.
 - (c) Installations which reduce the cost of electric power for agricultural use.
 - (d) Utilization of alternative energies and organic residues, and installation of refrigeration tanks for milk.
- (3) Modernization of farms: investments in farm programmes for a certain number of years (ongoing improvements, acquisition of machinery, livestock, etc.).
- (4) Development of irrigation through private initiative:
 - (a) Creation of new irrigation schemes and improvement of existing ones.
 - (b) Construction of reservoirs for livestock development.
- (5) Development of agri-food industries.

On the other hand, ICONA is reorganizing forest reserves and is concerned with conservation of nature. The measures undertaken by the State, through ICONA, follow the guidelines already mentioned.

III. OTHER MEASURES

1. Subsidies to offset the negative effects of the energy crisis on certain production factors used in the agricultural sector.
2. Subsidies to remedy damage caused by meteorological disasters.
3. Subsidies to compulsory plant and animal health campaigns.
4. Subsidies to reduce insurance premiums for certain agricultural products.

REGULATION PRICES

ANNEX I (Table 1)

Product	Type of Price	Unit	Ptas/Unit		
			Season 1980/81	Season 1981/82	Season 1982/83
Wheat	Guarantee T.III	kg.	16,65	18,30	20,30
Barley	Basic guarantee T.II	"	12,30	14,00	16,50
Oats	Basic guarantee T.II	"	11,70	13,30	15,60
Rye	Basic guarantee	"	12,90	14,70	17,20
Maize	Purchase guarantee	"	16,65	18,50	20,30
Grain sorghum	Purchase guarantee	"	14,45	16,75	18,20
Fodder vegetables (beans)	Basic guarantee	"	21,20	25,00	29,00
Paddy rice	Guarantee T.II	"	18,65	22,00	26,00
Sunflower seeds	Contract minimum	"	30,00	33,00	37,00
Sugar beet	Contract basis	mt.	3.800	4.375	5.17
Sugar cane	Contract minimum	"	2.660	3.062,50	3.62
Cotton	Contract minimum	kg.	64,00	72,00	80,00
Wine	Guarantee	Hdeg.	121,00	130,00	135,00
	Target	"	140,00	150,00	160,00
	Higher interv.	"	160,00	172,00	180,00
Olive oil	Guarantee	kg.	126,00	140,00	157,00
Beef	Guarantee	kg./	299,00	267,00	314,00
	Lower interv.	carcass	249,00	280,00	328,00
	Target	wt.	286,00	295,00	346,00
	Higher interv.	"	307,00	315,00	366,00
Pig meat	Guarantee	kg./	119,00	124,00	138,00
	Lower interv.	carcass	126,00	131,00	145,00
	Target	wt.	134,00	145,00	160,00
	Higher interv.	"	142,00	150,00	180,00

REGULATION PRICES

ANNEX I (Table 1) (cont'd)

Product	Type of Price	Unit	Ptas/Unit		
			Season 1980/81	Season 1981/82	Season 1982/83
Poultry meat	Basic interv.	kg./	95,00	106,00	115,00
	Intervention	carcass	103,00	113,00	124,00
	Target	wt.	110,00	129,00	144,00
	Consumer protection	"	120,00	140,00	156,00
Eggs	Basic interv.	Dozen	53,00	63,00	66,00
	Intervention	"	58,00	67,00	73,00
	Target	"	65,00	77,00	85,00
	Consumer protection	"	73,00	90,00	101,00
Milk	Minimum	Litre	21,25	23,60	25,
	Target	"	21,55	23,90	26,
	Higher interv.	"	21,75	24,00	26,

PRODUCTION
('000 metric tons)

ANNEX II

Product	1980	1981	1982
Cereals	18.665,4	11.576,0	13.148,0
Vegetables	429,7	247,5	291,0
Tubers for human consumption	5.791,3	5.529,2	5.221,8
Industrial crops	7.960,6	8.861,0	9.809,2
Horticultural products	8.558,9	8.619,5	8.935,0
Fruit	6.107,3	6.219,9	6.148,8
Grapes (for processing and table)	6.721,4	5.402,5	5.488,9
Olives (for processing and table)	2.255,0	1.511,6	3.112,1
Meat (carcass weight)	1.445,3	2.601,0	2.668,1
Milk (million litres)	6.352,0	6.394,0	6.480,0
Eggs (million dozen)	974,7	977,5	1.024,9
Wood ('000 cubic metres)	11.892,0	12.944,0	12.036,0

EXPORTS OF AGRICULTURAL PRODUCTS: BREAKDOWN BY TARIFF HEADINGS
(million current pesetas)

ANNEX III (Table 1)

Tariff heading	1970	1975	1978	1979	1980	1981	1982
01 Live animals	402.6	246.4	920.9	817.7	1,159.9	1,365.1	1,617.2
02 Meat and edible meat offals	337.8	572.6	1,676.4	2,063.6	2,736.1	4,128.8	3,348.7
04 Dairy produce; birds' eggs; natural honey	195.1	621.6	2,272.8	2,265.8	3,512.6	4,717.5	4,973.0
05 Products of animal origin, not elsewhere specified or included	310.0	380.5	778.9	572.3	613.0	713.1	864.6
06 Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	274.0	662.4	2,374.1	2,444.6	2,669.4	2,739.5	3,612.6
07 Edible vegetables and certain roots and tubers	5,054.8	10,863.5	21,217.1	30,317.1	33,566.8	43,933.7	52,092.1
08 Edible fruit and nuts; peel of melons or citrus fruit	17,998.7	32,401.1	55,086.5	75,470.8	80,656.4	89,012.4	105,127.5
09 Coffee, tea, maté and spices	613.2	1,394.4	4,619.5	4,978.9	3,691.9	4,416.6	4,782.7
10 Cereals	1,260.8	1,431.5	1,855.3	1,604.2	2,511.8	21,579.5	4,584.1
11 Products of the milling industry; malt and starches; gluten; inulin	939.9	385.4	2,083.1	2,016.8	2,559.5	12,279.3	2,886.9
12 Oil seeds and oleaginous fruit; miscellaneous grains, seeds and fruit; industrial and medical plants; straw and fodder	347.6	973.0	2,090.8	2,487.8	2,983.1	3,229.4	2,732.1
13 Lacs; gums, resins and other vegetable saps and extracts	581.4	1,011.4	1,426.2	1,866.8	2,645.8	2,953.8	3,759.1
14 Vegetable plaiting materials; vegetable products not elsewhere specified or included	44.2	125.0	197.8	267.4	264.1	266.0	240.9
15 Animal and vegetable fats and oils and their cleavage products; prepared edible fats; animal and vegetable waxes	10,036.3	7,235.6	22,279.3	27,275.4	33,992.1	30,869.6	31,511.4
17 Sugars and sugar confectionary	358.4	854.6	1,979.6	1,601.0	1,940.0	3,236.7	3,734.0
18 Cocoa and cocoa preparations	59.8	1,377.8	1,783.9	2,923.0	3,290.6	3,679.1	3,660.1
19 Preparations of cereals, flour or starch; pastrycooks' products	33.1	247.5	322.5	440.3	852.8	1,063.9	1,136.4
20 Preparations of vegetables, fruit or other parts of plants	8,268.3	14,173.0	28,668.7	27,583.4	28,231.3	34,677.7	40,895.5
21 Miscellaneous edible preparations	321.8	734.8	2,954.4	5,105.3	5,492.7	5,380.0	6,907.6
22 Beverages, spirits and vinegar	5,397.2	13,396.6	23,137.2	31,436.1	33,173.5	36,656.2	41,524.8
23 Residues and waste from the food industries; prepared animal fodder	441.0	733.3	2,549.4	1,717.3	2,284.4	8,096.6	15,036.7
24 Tobacco	225.1	316.2	936.5	1,051.4	1,914.3	1,402.8	2,126.6
41 Raw hides and skins (other than furskins) and leather	649.3	3,069.7	5,736.1	6,447.2	8,253.2	11,073.6	11,390.6
44 Wood and articles of wood; wood charcoal	1,927.9	3,923.8	9,043.4	11,392.1	16,349.6	19,464.1	24,351.4
45 Cork and articles of cork	1,258.5	2,176.9	3,762.7	4,354.6	5,730.0	5,586.4	5,270.2
46 Manufactures of straw, of esparto and of other plaiting materials; basketware and wickerwork	237.9	507.0	1,066.6	1,061.3	1,047.0	934.8	1,156.5
50 Silk and waste silk	1.9	17.3	61.9	51.9	45.0	43.3	59.9
53 Wool and other animal hair	682.4	2,113.3	8,354.5	6,257.5	7,115.3	7,515.4	7,103.6
54 Flax and ramie	63.4	146.2	209.4	201.8	441.9	365.8	377.6
55 Cotton	1,809.1	2,449.7	5,251.4	5,705.6	7,861.6	9,334.8	10,592.5
57 Other vegetable textile materials; paper yarn and woven fabrics of paper yarn	44.7	123.6	117.5	104.8	108.7	61.6	45.5
TOTAL	60,176.2	104,633.0	214,766.4	261,943.9	297,716.4	370,802.1	397,491.8

Source: Agricultural sector accounts.

IMPORTS OF AGRICULTURAL PRODUCTS: BREAKDOWN BY TARIFF HEADINGS
(million current pesetas)

ANNEX III (Table 2)

Tariff heading	1970	1975	1978	1979	1980	1981	1982
01 Live animals	447.2	823.2	1,018.5	2,576.7	1,352.6	1,874.6	3,050.6
02 Meat and edible meat offals	4,650.1	6,445.8	12,652.9	18,550.3	6,712.8	8,291.6	9,539.1
04 Dairy produce; birds' eggs; natural honey	2,075.3	5,958.4	6,219.1	9,748.3	9,696.0	10,764.5	13,712.9
05 Products of animal origin, not elsewhere specified or included	512.7	945.7	2,001.3	1,925.7	2,134.6	2,751.4	2,645.6
06 Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	127.1	450.2	774.1	950.3	1,476.4	1,812.6	2,277.0
07 Edible vegetables and certain roots and tubers	1,394.9	3,729.5	7,109.2	6,853.1	5,827.0	9,920.3	11,750.5
08 Edible fruit and nuts; peel of melons or citrus fruit	312.6	1,644.4	2,857.2	3,434.1	5,192.1	5,398.0	6,258.7
09 Coffee, tea, maté and spices	6,269.3	7,140.2	29,216.3	27,330.4	41,689.8	27,534.1	33,962.0
10 Cereal	9,874.7	38,793.8	46,154.5	45,873.1	66,252.8	87,929.5	108,901.4
11 Products of the milling industry; malt and starches; gluten; inulin	275.1	254.0	460.1	549.4	623.9	575.0	885.1
12 Oil seeds and oleaginous fruit; miscellaneous grains, seeds and fruit; industrial and medical plants; straw and fodder	11,550.4	27,299.7	47,075.3	48,313.6	70,239.2	87,292.5	92,229.9
13 Lacs; gums, resins and other vegetable saps and extracts	259.3	772.8	1,144.2	1,084.3	1,486.3	1,782.7	1,960.3
14 Vegetable plaiting materials; vegetable products not elsewhere specified or included	175.4	332.1	841.1	912.1	865.1	1,126.9	1,288.1
15 Animal and vegetable fats and oils and their cleavage products; prepared edible fats; animal and vegetable waxes	2,143.5	9,894.8	11,234.7	10,354.5	11,146.8	12,641.6	11,083.2
17 Sugars and sugar confectionery	1,513.9	22,964.8	2,907.6	3,250.9	1,010.2	1,115	4,202.5
18 Cocoa and cocoa preparations	1,574.6	4,184.0	10,654.3	10,082.2	8,605.7	8,737.6	8,500.0
19 Preparations of cereals, flour or starch; pastrycooks' products	69.9	135.4	263.7	579.8	911.3	708.3	709.6
20 Preparations of vegetables, fruit or other parts of plants	488.9	1,447.5	2,102.7	2,221.0	2,416.0	2,780.7	2,789.2
21 Miscellaneous edible preparations	273.9	893.3	1,905.8	2,308.2	3,498.8	3,893.5	4,907.5
22 Beverages, spirits and vinegar	650.1	2,065.3	7,794.8	8,949.6	6,964.3	7,776.2	9,787.4
23 Residues and waste from the food industries; prepared animal fodder	2,202.0	3,539.8	10,107.4	8,392.3	3,833.8	5,999.6	6,846.8
24 Tobacco	4,468.7	8,382.9	18,262.2	16,570.0	22,343.5	27,334.6	36,550.2
41 Raw hides and skins (other than furskins) and leather	2,606.1	8,163.2	20,069.1	23,564.3	12,885.8	18,160.5	22,353.6
44 Wood and articles of wood; wood charcoal	6,902.8	13,037.3	24,556.4	28,231.4	39,088.7	29,263.5	30,571.0
45 Cork and articles of cork	29.8	81.5	38.2	86.3	119.5	143.1	166.9
46 Manufactures of straw, of esparto and of other plaiting materials; basketware and wickerwork	63.4	279.5	707.1	617.6	683.2	819.8	804.2
50 Silk and waste silk	78.8	169.5	460.1	497.0	698.3	917.8	1,115.6
53 Wool and other animal hair	2,144.9	3,178.5	5,757.3	4,963.4	6,201.2	8,722.3	9,597.5
54 Flax and ramie	218.7	363.4	746.8	506.3	579.0	549.4	903.7
55 Cotton	2,371.7	8,420.6	11,261.5	10,649.9	12,954.1	8,473.3	10,974.8
57 Other vegetable textile materials; paper yarn and woven fabrics of paper yarn	885.0	905.2	938.4	999.0	996.8	1,056.4	1,199.7
TOTAL	66,628.7	181,421.0	284,102.7	300,975.1	348,485.6	386,457.4	451,324.6

Source: Agricultural sector accounts.

SUBSIDIES TO THE AGRICULTURAL SECTOR
(million Ptas)

ANNEX IV (Table 1)

SECTOR	1980	1981	1982
Cereals	8.253,5	9.706,5	4.399,8
Fats	3.459,2	4.942,6	4.221,7
Sugar beet and sugar cane	3.588,7	2.208,3	1.942,9
Fruit and vegetables	2.023,7	2.282,7	1.715,7
Wine	2.523,7	3.141,3	4.206,5
Cotton	4.087,5	3.031,1	6.100,0
Various vegetable products	3.855,2	3.458,5	3.920,5
Milk	973,3	1.679,9	2.970,6
Meat	891,0	594,6	783,3
Poultry products	157,0	63,0	220,0
Various animal products	1.342,6	2.482,7	3.570,1
Structural measures	29.641,1	49.705,6	69.596,9
TOTAL	60.796,5	83.296,9	103.648,0

REFUNDS

The subsidies reported in the table on the preceding page include the amounts indicated below corresponding to export refunds. Export subsidies are granted with the objective of relieving temporary pressure of supply on the domestic market. Their influence on international trade is virtually negligible because of the very small quantities on which they are granted.

SECTOR	1980	1981	1982
Rice	376,1	92,6	-
Olive oil	209,0	89,0	132,0
Fruit and vegetables	752,1	651,8	674,0
Wine	1.215,0	1.627,0	1.139,0
Milk powder and butter	-	443,0	600,0
Meat	15,0	11,0	-
Poultry and eggs	9,0	40,0	220,0
TOTAL	2.623,2	2.954,4	2.765,0

GOVERNMENT AIDS IN THE SPANISH INDUSTRIAL SECTOR

Spain's industrial sector receives subsidies through financial incentives to innovation and technological development, which have progressed substantially in recent years.

The principal instruments and activities are described below.

1. ADVISORY COMMISSION FOR SCIENTIFIC AND TECHNOLOGICAL RESEARCH (CAICYT)

This body is under the responsibility of the Ministry of Education and Science and is involved in study and advisory activities in regard to scientific and technological research.

Its main activities are concerned with:

- concerted research plans
- concerted research plans co-ordinated with a public research body.

Concerted research plans

These plans are designed to encourage research activities in the enterprises that implement them. CAICYT makes contributions to enterprises that so request, covering part of the costs of the project concerned.

The basic provision regulating concerted plans is Decree 1440/1968, of 6 June 1968, which inter alia establishes the financial conditions of the contribution, made in the form of a long-term non-interest-bearing loan that can be converted in whole or in part into a subsidy, if the project proves to be uneconomic.

Recently, on 15 March 1984, the Universities and Research Department promulgated a Resolution inviting financing applications for concerted research plans in 1984.

The Resolution has taken account of experience acquired from earlier invitations and co-ordinates the activities of the Directorates-General of Scientific and Technological Policy (of the Ministry of Education and Science) and of Industrial Innovation and Technology (of the Ministry of Industry and Energy).

The main innovation is the differentiation made between the activities of the Industrial Technological Development Centre (CEDETI), which is under the authority of the Ministry of Industry and Energy, and those carried out under concerted research plans.

In this context, it has been established that projects not accepted immediately - whether because they are more market-orientated, or involve larger financial requirements or less technological risk - have an alternative possibility within the context of CEDETI, described later in this paper.

Another noteworthy innovation in regard to the 1984 invitation is that the limited funds available have to be used for solving problems identified in the area of science and technology as well as social requirements.

At 31 December 1983, concerted plans financed by CAICYT totalled 509, of which 25 were plans co-ordinated with some public research body.

Of these 509 plans, 231 have been declared "successful" (projects completed and marketed), 60 have been declared "unsuccessful" (the project was completed but is not marketable), 18 have been declared "abnormally terminated" (project not completed because not scientifically viable), 22 were not completed because of "administrative problems" and 178 are still in hand as scheduled; some 983 applications have been rejected.

The State financial contribution for these 509 concerted plans totalled some Ptas 9,847 million out of a total budget estimate of Ptas 21,423 million

(in the period 1982/83 State loans amounted to Ptas 2,226 million out of a total budget of Ptas 4,332 million).

2. AIDS TO INDUSTRIAL INNOVATION IN THE ENERGY FIELD

To date, there have been two types of promotion activity for industrial innovation in the energy sector:

- the UNESA Research Plan (PIU), and
- promotion of innovation in the field of energy conservation (Law 82/1980 on energy conservation).

UNESA Research Plan (PIU)

As already indicated in GATT document L/5102/Add.20, this instrument, based on Royal Decree 1486/1980 of 19 July 1980, comprises a quasi-fiscal levy earmarked for industrial innovation in the energy sector in the form of price supplements on certain products subject to government control, the proceeds to be used for industrial innovation activities.*

Under a Ministerial Order dated 1 August 1983, the status of PIU was changed and it has become the Technological and Electrotechnical Research and Development Programme (PIE). Numerous research projects, launched mainly by the twenty-two leading undertakings in the electric sector, have been co-ordinated so as to avoid duplication of effort and achieve objectives more effectively. In addition, the framework for collaboration with other research centres, whether public or private, has been defined so as to develop research capacity in Spain.

The six research areas recognized under PIU have been maintained.**

Whereas at the end of 1981 the Programme covered some 200 research projects, by 31 December 1983 their number had risen to more than 400, whose completion will require investment of some Ptas 15,500 million, the major part of which (almost 6,500) is earmarked for electrical research laboratories. This is because of the need to raise Spanish research levels to match those of more highly-developed countries and to include high-voltage laboratories

* Under Article 11 of that Royal Decree, enterprises of the electricity sub-sector are required to devote not less than 0.3 per cent of earnings from energy sales to research in the field of energy, as determined by the Ministry of Industry and Energy, for which purpose it will agree on the corresponding technological programme with Unidad Eléctrica SA (UNESA).

** New energies, fossil fuels, technological savings and improvements, environment, research laboratories.

whose construction will take longer than other projects in the Programme. The next most important item is that of new energies, for which the sum of almost Ptas 5,000 million has been earmarked in the total budget.

Promotion of innovation in the field of energy conservation (Law 82/1980, on energy conservation)

Law 82/1980 on energy conservation provides for a budget appropriation to subsidize not more than 30 per cent of investment in technological innovation projects regarding energy conservation, new energy sources and fuel switching.

Each year the Budget Law establishes appropriations for this purpose. In 1983 some Ptas 500 million were earmarked for energy innovation projects and for the current year the corresponding amount is close to Ptas 1,000 million.

3. INDUSTRIAL TECHNOLOGICAL DEVELOPMENT CENTRE (CEDETI)

This Centre, which came into operation in 1978 as an autonomous body of the Ministry of Industry and Energy, has been transformed legally into an entity of public law with legal personality.

Its basic functions are:

- to identify priority technological areas;
- to promote collaboration between industry and research centres;
- to promote industrial application of new technologies;
- to participate in risk-capital operations;
- to supervise and acquire product and plant prototypes;
- to administer support services for technological innovation.

CEDETI financing is not a subsidy but takes the form of credit for research or a contribution to risk and venture capital. The rate of interest for credit granted varies with the risk that the project entails.

Products committed up to 31 December 1983 totalled some Ptas 5,000 million of which some 4,300 million have been allocated.

INDUSTRIAL RECONVERSION

4. PUBLIC AIDS FOR INDUSTRIAL RECONVERSION

The Western economic crisis, triggered in 1973 by the increase in energy prices, had its own characteristics in Spain whose industry was beset by

serious structural defects and imbalances due to the country's belated development process.

Having regard to that situation under the provisions of Law 21/1982 of 9 June 1982 on industrial reconversion measures, covering the period up to 31 December 1982, Spain introduced adjustment policies for industrial supply - measures which had already been under way in various European countries since 1975.

This Law was designed as a legal instrument that would allow co-ordinated action to meet the growing need for measures at the sector level; Royal Decrees had already been promulgated for reconversion in the electrical household appliances, iron and steel and special steel sectors, and the need was recognized for action in other new sectors.

As from 1983 the new Government decided to pursue industrial adjustment policy with a new approach to reconversion policy so that in parallel with adjustment action, re-industrialization mechanisms were established. This policy provides for a transfer of idle resources, whether human or material, from long-established sectors to others offering better future prospects.

The basic objective of industrial reconversion is to make the enterprises concerned more competitive internationally in the medium- and long-term, in a free market.

An industrial sector is declared ready for reconversion only where the sector concerned is experiencing a particularly grave crisis and its recovery is deemed to be in the general interest.

Spain's new reconversion policy comprises various measures, inter alia in regard to labour: forecasting in regard to operating plants and their adjustment, time-frames for application of adjustment measures, determination of criteria for applying measures to ensure geographical and functional redeployment of workers, vocational training and re-training programmes, and establishment of wage policy guidelines for the sector concerned.

Another basic aspect in the Spanish Government's new reconversion policy is the promotion of urgent re-industrialization zones in areas of the national territory that are particularly affected by depression in some sectors: financial aid is granted basically at regional level, for the re-training of surplus labour with a view to redeployment in developing industries in the same region. In such cases, the effects of various sectoral reconversion processes have to be taken into account, but the number of these areas is limited. Measures of this kind must therefore be considered as shock treatment, designed to offset the industrial and social effects of reconversion processes in their area of application, and not as a permanent instrument of industrial policy.

EXPORT CREDITS SYSTEM

In September 1977, Spain joined the OECD Arrangement on guidelines for officially supported export credits, so that the entire system of financial support for exports is fully in accord with the standards of the OECD Consensus and is therefore consistent with the provisions of the second paragraph of section (k) of the Annex to the Subsidies and Countervailing Duties Code. Our country continues to be firmly committed to active support of the international efforts under the OECD Consensus to rationalize official support and to ensure uniform rules of conduct in the matter of export credits.

The export credits system now in force is governed by the Official Credits Law of 19 June 1971.

In Spain, the system is financed from two main sources:

- Private contributions, consisting of resources furnished by private banks, savings banks and the Banco Exterior de España.

Such resources are mobilized through the establishment of an obligatory coefficient of investment which must come from active operations connected with exports.

- Official contributions which, while channelled by the Banco Exterior and private banks, consist basically of grants of official credit implemented through the Official Credits Institute (ICO).

Normally, the credits cover an average of 70-80 per cent of the value of the export contract.

Owing to the complexity of the system, which intermingles public and private resources, it is very hard to calculate how much public support is ultimately involved.