

GENERAL AGREEMENT ON

RESTRICTED

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TARIFFS AND TRADE

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SUBSIDIES

Notifications Pursuant to Article XVI:1

NORWAY

The following full notification concerning subsidies in the fields of agriculture, fisheries and industries has been received from the Permanent Mission of Norway.

A. AGRICULTURAL PRODUCTS

1. Nature and extent of the subsidy

(a) Authority

Allocations made under Chapter 1150 (Ministry of Agriculture) and Chapter 1580 (Ministry of Consumer Affairs and Government Administration) of the State budget provide for support for milk and dairy products, meat, Norwegian produced grain flour, eggs, fruits and vegetables. Appropriations for subsidies are fixed through annual parliamentary decisions. In Chapter 1580, item 70, allocations are made for the regulation of consumer prices and in Chapter 1150 for the fulfilment of the Agricultural Agreement.

(b) Incidence

1. Subsidies on milk and dairy products are paid to the producers represented by the Milk Pools (Melkesentralen) and the Norwegian Milk Producers National Asssocation (Norske Melkeprodusenters Landsforbund). These subsidies consist of three parts: firstly, a basic subsidy paid for the first 30,000 litres of cow milk (this is limited to 15,000 litres for goatmilk) and thirdly, a graded regional subsidy. The basic milk price is almost equal all over the country; however, the dairies' marginal costs influence the producers' price. Consumer subsidies are paid on milk and dairy products consumed in the country.

2. Regional price support on meat) are only paid to producers receiving regional price support on milk. Northern Norway receives additional price support on meat, - including pork, however, not on reindeer meat. Basic price support on beef is given.
3. In order to stimulate farmers to feed their animals on homegrown grain, thereby avoiding this grain being delivered to the Norwegian Grain Corporation for later re-sale to farmers at subsidized prices, farmers are paid a subsidy for grain from their own production used as fodder on the farm. Freight subsidies are paid on all grains, when the transport costs are a fixed amount, which is to be paid by the producers.
4. Freight subsidies are paid on meat and eggs in order to establish equal prices for producers and wholesalers all over the country.
5. Market regulation support is given for meat, eggs, fruits and vegetables, as a part of the Agricultural Agreement. The aim is to regulate the market to secure the target prices for the different products fixed in the agreement. Market regulation support is only given within the production ceilings fixed in the agricultural policy - i.e. adjusting production to the actual demand. Since 1983 the farmers themselves are responsible for market regulation costs caused by a domestic production beyond these ceilings.
6. The area support arrangement for coarse fodder production in animal husbandry is established to stimulate the production and use of home grown coarse fodder on the individual farms and to make production on small farms more profitable.
7. Area support arrangement for crop husbandry has the purpose to increase incomes in crop and plant production. Special attention is given to small farms. The support is differentiated according to regional criteria.

8. Structural and regional support per animal is established to increase the incomes on small farms according to regional criteria. Number of animals on the farm in August and February forms the basis for calculation of the support. The total support is fixed at a maximum NOK 43 000 for pigs and poultry. The support is paid directly to the producers.
9. Market regulation support on eggs and poultry meat and additional price support on high quality eggs indirectly have a subsidizing effect on eggs and poultry meat.
10. Potatoeproduction does also receive subsidies as a part of a potatoe market system. The support is given to participant (producers) of this market system.
11. Support programmes in the horticultural sector are aiming at market regulations and better qualities, and may thus be said to have an indirect effect on prices.

(c) Amount of subsidy

Appropriations are made in Chapter 1150 and 1580 of the State Budget for different support arrangements in force on January 1985 (Budget year 1985) and adjusted by 1 July 1985 (under the Agricultural Agreement).

Chapter 1150 Appropriations according to the Agricultural Agreement

	<u>NOK million</u>
(a) Milk and milk products	2783,4
(b) Basic support on meat	453,9
(c) Regional price support on meat	421,1
(d) Price support on domestic grain	900,1
(e) Regional price support on domestic grain	132,6
(f) Freight subsidies on meat and eggs	88,0
(g) Market regulation for meat, eggs, fruit	

(including storing facilities)	296,0
(h) Area support arrangement for coarse fodder production	894,3
(i) Area support arrangement for crop husbandry	116,4
(j) Structural and regional support per animal	1552,8
(k) Basic support on potatoes	98,8

Chapter 1580 Appropriations for consumer price support

(a) Whole milk	972,8
(b) Skim milk	200,2
(c) Cheese	288,4
(d) Meat:	
- Mutton and goat meat	50,2

₁) Including extra regional support for Northern Norway.

Estimated amount per unit

Price support according to unit of production
(based on the Agricultural Agreement for 1987/88).

NOK øre ₁)

The "basic price support" on milk	26,80 per litre
Price support on the first 20,000 litres ₂) of cow milk produced on each farm	214,00 " "
Price support for the following 10,000 l ₂) of cow milk produced on each farm	97,00 " "
Regional price support on milk varies from 13 to 60 øre per litre	
Regional price support on meat ₃)	150,00 per kg zone 1
	530,00 " " zone 2
Price support on meat in Northern Norway ₃)	390,00 " "

Consumer price support

	<u>NOK per litre</u>
Wholemilk for consumption (price support including VAT compensation)	1,67
Skim milk	1,82
Cheese	5,60
Flour	0,00
 Meat	
- mutton and goat meat	2,10

- 1) 1 NOK = 100 NOK øre.
- 2) Goatmilk receives 428 NOK øre/l for the first 10 000 l and 194 NOK øre/l for the next 5 000 l.
- 3) Except pork and poultry meat.
- 4) Proposed reduced with 1.58 NOK/kg in 1986.

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

Table 1 Cowmilk

<u>Year</u>	received by dairies <u>in million litres</u>	Consumption, million <u>litres</u>	
		Whole milk and skimmed <u>milk</u> ¹⁾	<u>Cream</u>
79	1742	796	27,2
80	1808	828	27,5
81	1825	814	27,9
82	1880	810 ²⁾	28,0
83	1855	820	28,3
84	1857	822	29,1
85	1817	817	29,6
86*	1820	827	30,0
87**	1840	839	30,2

Source: Budget Committee for Agriculture.

* provisional figures.

1) Including condensed and dued milk

2) Break in the series, new method of calculation from 1982 and on.

Table 2 Cheese (1.000 tons)

<u>Year</u>	<u>Production</u>	<u>Exports</u>	<u>Imports</u>	<u>Consumption</u>
79	67,6	20,8	1,4	48,9
80	69,6	18,8	1,3	50,9
81	71,6	21,2	1,2	51,4
82	73,2	20,0	1,3	50,0
83	65,3	20,6	1,9	51,3
84	69,9	17,6	2,0	50,8
85	70,1	19,7	2,0	52,7
86*	73,9	19,8	2,1	54,9
87**	76,0	22,3	2,1	55,9

Source: Budget Committee for Agriculture

Table 3 Butter (1.000 tons)

<u>Year</u>	<u>Production</u>	<u>Exports</u>	<u>Imports</u>	<u>Consumption</u>
79	20,5	0,4	1,7	22,0
80	21,7	0,5	1,8	23,2
81	23,1	2,8	-	19,5
82	24,6	3,6	-	19,8
83	26,9	7,3	-	19,6
84	25,4	4,8	-	19,4
85	25,2	6,2	-	20,1
86*	24,5	4,5		19,4
87**	26,8	6,5		19,4

Source: Budget Committee for Agriculture

* provisional figures

** forecast

Table 4 cereals (million kg) 1)

<u>Year</u>	<u>Production</u>	<u>Import</u>	<u>Exports</u>	<u>Consumption 2)</u>
<u>Wheat</u>				
79	67,0	357,2	9,2	375,4
80	65,0	360,8	4,6	363,1
81	57,7	453,0	4,1	420,0
82	75,4	393,1	3,2	445,4
83	96,8	267,1	3,1	345,0
84	170,3	253,6	4,3	369,2
85	170,0	199,5	3,6	371,0
86*	165,3	327,8	3,2	394,0
87**	198,9			387,0
<u>Rye</u>				
79	5,4	43,7	2,1	41,3
80	4,7	81,7	2,9	42,0
81	2,9	24,1	2,3	39,2
82	2,2	35,9	1,7	37,9
83	3,4	47,5	1,6	33,5
84	6,1	37,7	1,9	33,8
85	3,4	28,6	1,9	33,1
86*	3,0	63,7	1,8	33,7
87*	3,5			34,0

Barley

79	648,3	47,0	-	643,0
80	651,0	52,1	-	596,7
81	609,7	14,0	-	603,5
82	624,4	41,1	-	486,1
83	569,3	41,3	-	567,6
84	658,1	35,1	0,1	596,9
85	600,9	26,3	-	559,1
86*	533,4	140,2	0,2	656,7
87**	653,0			808,0

Source: Central Bureau of Statistics.

Table 4 cereals (million kg) 1)

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>Exports</u>	<u>Consumption 2)</u>
<u>Oats</u>				
79	367,2	2,8	-	345,3
80	428,6	6,6	-	365,9
81	464,3	2,0	13,9	374,3
82	495,8	1,3	13,8	409,3
83	401,1	2,9	-	467,5
84	581,6	0,4	0,1	460,8
85	494,2	0,8	-	519,6
86*	407,1	1,7	-	513,5
87**	528,4			400,0

Source: (Production): Budget Committee for Agriculture

Source: (Imports, Exports, Consumption); Norwegian Grain Corporation

* Provisional figures

** Forecast

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

2) Consumption of food grain, feed grain and sow grain.

Table 5 meat (million kg) ¹

<u>Year</u>	<u>2 Gros sale</u> <u>+ utilization</u> <u>on farms</u> <u>(by the farmers</u> <u>holdings)</u>	<u>Imports</u>	<u>Exports</u>	<u>- Consumption</u>
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<u>Beef and veal</u>		<u>Import ¹⁾</u>		
79	71,5	8,9	0,9	79,6
80	69,3	12,7	1,1	80,7
81	75,4	3,9	2,2	70,7
82	80,2	1,3	6,4	76,3
83	75,0	1,5	7,6	68,9
84	69,6	1,4	2,6	71,7
85	73,1	2,1	0,8	74,6
86*	74,8	3,9	0,4	79,3
87**	74,1	2,8	-	77,0

Mutton

79	18,8	3,6	-	22,4
80	18,4	3,3	-	22,1
81	20,8	1,8	-	20,2
82	22,8	0,9	-	22,4
83	22,7	0,3	-	23,8
84	23,9	0,4	-	23,6
85	24,2	0,4	-	24,6
86*	25,0	0,8	-	22,7
87**	23,0	0,6	0,4	23,2

Pork

Svine
kiøtt spekk

79	78,9	5,7	1,5	-	86,2	
80	83,1	5,9	1,6	-	90,0	
81	83,0	1,6	1,3	2,5	81,2	
82	81,4	2,6	1,6	12,7	75,7	
83	81,3	2,4	1,3	3,1	80,9	Inkl.
84	84,2	2,4	1,3	6,0	80,8	Import
85	83,8	4,2	1,2	6,3	85,0	spekk
86	85,7	2,0	1,2	0,6	87,1	
87	89,6	-	1,2	3,7	87,1	

Table 5 Meat (million kg) ¹

<u>Year</u>	<u>2 Gros sale + utilization on farms (by the farms holdings)</u>	<u>Imports</u>	<u>Exports</u>	<u>Consumption</u>
<u>Poultry meat</u>				
79	9,8	0,5	-	10,9
80	10,9	0,4	-	11,3
81	10,7	0,5	-	10,0
82	9,9	0,4	-	11,4
83	10,7	0,4	-	11,1
84	10,9	0,5	-	12,0
85	12,1	0,6	-	13,0
86	13,2	1,6	-	14,8
87	14,5	-	-	14,5
<u>Eggs</u>				
	<u>Nettoprod.</u>			
79	44,9	0,7	1,6	43,9
80	44,8	1,0	-	45,8
81	45,7	1,1	0,6	46,3
82	48,6	0,6	1,0	48,0
83	50,7	0,1	1,9	48,2
84	52,4	-	2,6	48,9
85	51,9	0,3	1,8	49,5
86*	51,3	0,8	1,3	49,7
87**	52,3	-	-	49,8

1) The difference (between the figures) is due to changes in stock.

Source: Budget Committee for Agriculture

* Provisional figures

** Forecast

B. FISH

I. NATURE AND EXTENT OF THE SUBSIDY

Background and policy

GENERAL POLICY

As a part of the general economic policy in Norway, financial support has been given to the fishing industry during the last 30 years, during the first years very often on an ad hoc basis as a solution to short term problems.

An agreement was concluded in 1964 between the Government and the Norwegian Fishermen's Association that stipulated the main lines for future support measures to be arranged through negotiations between the parties concerned. The provisions of the agreement emphasize the importance of introducing measures which can promote more efficiency in fishing, processing and trade, and thus increase the profitability of the fishing industry. The specific schemes for support in accordance with the general agreement are negotiated annually.

The Governmental policy is aiming at securing the fishermen an income equal to what an industrial worker could obtain in the coastal areas of Norway.

To secure a normal activity within the fishing industry, and to discourage the current trend of people moving away from scarcely populated areas in the northern and western parts of Norway, it has in some years been necessary to increase the support for the fishing industry. Without such emergency measures a great part of the labour force would move to other parts of the country in order to find new employment. On the whole the Government support of the fishing industry must be regarded as an integral part of the Norwegian social and economic policy.

STRUCTURE AND DEVELOPMENT OF THE FISHING FLEET

Towards the end of 1985 the Norwegian fishing fleet consisted of 24,078 vessels, of which 8,822 were decked vessels. A large part of these vessels are small open boats, only used during relatively short periods of the year. They provide only a smaller part of the total catch.

In 1980 the Ministry of Fisheries introduced measures to reduce the capacity of the purse seine and the trawling fleet, aiming at reducing the capacity of each group with 25% in order to increase the profitability in the fisheries. To achieve such a reduction the Government has granted funds to support sales or scrapping of old vessels.

THE SUPPORT SCHEMES

Investment

1.1 FISHING VESSELS

It has often proved to be difficult for the fishermen to raise capital for the acquisition of fishing craft, gear, etc. through private credit institutions. The primary objective of the State Fishery Bank is therefore to be a specialized credit institution for the fishermen in order to stimulate an adequate and effective development of the fleet and to promote a reasonable development of the fishing industry.

A new financing arrangement regarding the fishing-fleet was introduced in 1986. This arrangement is based on the OECD-articles concerning financing of ships and incorporates loans and interest for reconstruction and larger-scale rebuilding.

Within a limit of 640 million NOK the State Fishery Bank will finance fishing vessels on a long term basis with an interest rate of 14%. However, the actual interest is reduced with a subsidy (6,5% for loans with a term of 8 1/2 years). The subsidies are calculated on the basis of an assumed loan of 80% of the contract price. The subsidy is separately granted and not dependent on the loan-giver.

In addition to the priority given within the framework of 640 million NOK, a grant arrangement limited to 21 million NOK was instituted in order to further secure possibilities for fishery and regional priorities - an investment grant of this kind can only be given to projects with a granted interest support and a granted loan in the State Fishery Bank. The traditional coast- and long-line vessel (10-30 metres) are given priority. This grant can be given within the limit of 15% of the cost price (in special instances up to 20%). The investment grant is given as a grant to owners capital for vessels of regional - or fishery related importance.

Loans for other purposes are granted on the same conditions as before. Loan for reconstruction and larger scale rebuilding are granted as first mortgage-loans within 70% of the total investment. These loans are given for a maximum period of 12 years and at an interest rate of 14%. The maximum amount of other first mortgage loans is up to 60% of the total investment. These loans are given for a maximum period of 15 years and at a rate of 11.5%. The maximum amount of second mortgage loans is from 70% to 80% of total investment, including first mortgage loans. The maximum repayment period is 15 years, if necessary with no repayment obligation during the first two years. The rate of interest is 10%. There also used to be a special loan scheme financing, in certain cases, up to 25% of the total investment. The loan terms were 15 years repayment period, incl. 5 years repayment exemption and no interest. This arrangement was cancelled with the introduction of newly instated financing arrangement, mentioned above.

PROCESSING

- 1.2 The State Fishery Bank also grants certain loans to the processing industry. These loans have a maximum period of up to

20 years and 11.5% interest.

- 1.3/ The Regional Development Fund (RDF) (Distriktenes Utbyggingsfond) is charged with the general development of industries in districts with special employment problems or districts which are poorly developed. The Fund thus attaches great importance to the direct and indirect effect which the project has on the employment and income situation in the coastal regions.

As regards the processing industry RDF mainly supports plans aiming at rationalization and modernization of already existing plants as well as plans for advanced product development. The maximum period for loans to the processing industry is 20 years and with an interest of 11.5%. These grants are intended to assist in project development in areas with limited employment opportunities and with low level of industrial and commercial development. The Fund also guarantees for loans granted by private credit institutions.

- 1.5 RDF may support industries located in certain designated development regions. These grants are fixed at maximum 15 to 40% of approved investment costs, depending on where the investment is made. This support constitutes a compensation for additional costs and problems in a transitional period connected with investments in regions with low levels of industrial development.

II. OPERATIONAL SUPPORT

In 1986 such support (grants) amounted to 1,330 million NOK, compared to 1,375 million NOK in 1985. The most important items are commented below. Figures given in Annex I refer to the amount granted for 1985 and 1986. For 1985 and additional 100 million NOK was granted as liquidity loans to the fishing fleet and the fish processing industry, partly issued as payment in 1986.

- 2.1 The most important means to increase the fishermen's income is the subsidies to support landing prices of certain species of fish. Most kinds of fish and fisheries products landed in Norway are delivered to the fishermen's sales organizations which administer the grants. The rules for payment to the fishermen are decided by the Minister of Fisheries. The subsidy is generally based on a fixed amount per kilo or hectoliter of the catches.
- 2.2 Subsidies for the purchase of bait are granted to in order to reduce the fishermen's costs. In addition support is given to baiting stations for longliners.
- 2.3 By means of grants the Government contributed in 1977 to a fund to reduce price fluctuations on fish products. This fund has since been financed through a special tax on the exports of fisheries products.
- 2.4 The Government supports experimental work for improving the efficiency in the fisheries.

- 2.5 The Government guarantees a minimum weekly income for fishermen. The objective of this guarantee scheme is to secure a minimum income in case the fishing fails. If the minimum income is below this amount during the season, the difference is covered by the guarantee. In 1980 a vacation scheme for the fishermen was established. This scheme is partly financed by Governmental grants.
- 2.6 In 1985 the Government support scheme for the fishing industry included money made available to cover parts of the insurance costs for fishing vessels. In addition money were made available to cover parts of the insurance cost for fishermen. An arrangement was established in 1980 whereby fishing vessels receive a grant designed to reduce operational costs. These grants are intended to compensate for the heavy increase in the operational costs which has hit most types of vessels. The size of the grant is fixed according to the length of the vessels and the type of fishing it is engaged in.
- 2.7 State guarantee is given loans from the Bank of Norway for fish processing. The total amount available in 1986 was 260 million NOK. The total amount granted in 1985 was 99,2 million NOK and in 1986 110,7 million NOK. Loans are only granted to applicants who are expected to operate profitably but who have no other possibility to obtain credits. This is partly due to the bank structure in N. Norway. The rate of interest was 11,5% in 1985 and 1986.
- 2.8 Grants may be given to promote a structural reorganization of the Norwegian fishing fleet by facilitating sales, scrapping, etc. of older vessels. Similar actions are taken to support structural improvements in the processing industry. Special support is also given to promote readaptation in the fishing fleet and the fish processing industry.
- 2.9 Due to extraordinary difficulties the Government has granted loans to alleviate problems caused by scarce liquidity. These loans have a 5 years repayment period. The interest on these loans is usually covered by a special Government grant.

III. EFFECTS OF SUBSIDIES

The subsidies have not influenced the prices of the products which are sold at work market prices. With regard to imports the subsidies have had no noticeable effect. The domestic consumption of the fish products, constituting a minor part of the total production, is not thought to be affected by the subsidy arrangement.

ANNEX 1

NORWAY

Governmental support in 1985 and 1986 to the fisheries.

Type of aid	Brief particulars	Amount provided (Million NOK)	
		1985	1986
I. INVESTMENT			
1.1 Loan schemes; for investment in vessels, gear and other equipment. (State Fishery Bank)	First mortgage loans; up to 60% of total investments. Maximum period: 15 years Rate of interest: 11.5%	272	113
	Second mortgage loans; including first mortgage loans to 70 to 80% of total investment. Maximum period: 15 years Rate of interest: 10%	52	17
	Up to 25% of total investment. Maximum period: 15 years, incl. 5 years repayment exemption. No interest.	85	9
	First mortgage loans up to 70% of total investment. Rate of interest: 14% Interest subsidy: 6.5% Period of 8,5 years Actual interest 7,5%		275
	Investment subsidy. Up to 15% of the vessels cost price. In particular cases up to 20%		21
1.2 Loans to the fish processing industry. (State Fishery Bank)	Rate of interest: 11.5% Maximum period: 20 years	35	21
1.3 Loans to the fish processing industry in certain designated development regions.	Interest: 11.5% Maximum period: 20 years	52.5	80 *

(Regional Development Fund - RDF)			
1.4	Loan guarantees for financing processing plants in certain designated development regions (RDF)	Guarantees for loans by private credit institutions	13.5 17 *
1.5	Investment grants for processing plants located in certain designated regions (RDF)	Grants are fixed at maximum 15-35% (1984) / 40% (1985) of approved investment cost, depending on where the investments is made. (* estimates)	43.7 62 *
II. OPERATIONAL			
2.1	Subsidies to support landing prices of certain species of fish.	Yearly fixed basic sum (a certain amount per kilo or hectoliter)	626.5 542.5
2.2	Grants to reduce prices of bait and baiting stations	Bait (a certain amount per kilo) Baiting stations	40 40 7 8
2.3	Grants to price equalization measures		88 140
2.4	Grants to improve efficiency in fisheries	Experimental work	68 68
2.5	Guarantee of minimum weekly income for fishermen	Maximum aid of NOK 1350 (1986) and 1,300 (1985) per head per week	138 125
	Vacation scheme		51 59
2.6	Grants to reduce insurance costs		51 19
	Grants to reduce operational costs		139 171
2.7	Loans and guarantees for fish processing and trade (short term credit, Bank of Norway, max limit 260 mill. NOK.)	Rate of interest: 11.5%, increased to 12,5% from 1.1.87.	99,2 110,7 (of which max. NOK 260 mill. as loans)
2.8	Structural reorganization schemes covering the fishing		78.5 90

fleet and the processing industry		
Readapting scheme	25	25
2.9 Liquidity loans to the coastal fleet (State Fishery Bank) interest free.	50	0
Liquidity loans to the fish processing industry interest free.	50	0

If not otherwise specified the support schemes are administered by the Ministry of Fisheries.

C. INDUSTRY

1. Export promotion

Amount of subsidy (net cost, million NOK)

<u>1985</u>	<u>1986</u>
290	345

2. Sectoral aids

i) Shipbuilding industry

a) Authority and background

Government support for the shipbuilding industry has been provided since 1976/77, 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.

In 1982 a new aid scheme, in which interest subsidies were given in connection with long-term financing, was introduced to replace an arrangement based on direct price subsidy. The new scheme covered all contracts between domestic owners and shipyards for newbuildings over 100 gr.t., and for repairs and refitting of vessels over 1000 gr.t.

Two other schemes directed towards shipyards, have been in existence for many years. A customs refund grant and a grant to cover loan expenses in connection with construction.

b) Incidence

The customs refund grant has undergone a reduction since its introduction, from 6 per cent in 1982 to its present day level of 2 per cent of

the ships cost.

The subsidy embodied in the interest subsidy scheme has also been reduced since 1982. The terms of this scheme (for newbuildings over 100 gr.t., and refitting of vessels over 1000 gr.t.) is in accordance with the terms stated in the OECD Understanding, i.e. 80 per cent credit over 8 1/2 years at an interest rate of 8 per cent p.a. Equal terms of financing is therefore available for both foreign and domestic owners. The rate of subsidy relative to the present domestic commercial interest rate is 6 per cent p.a. The exact amount of annual support under this scheme depends upon the number of contracts each year. Total discounted subsidy amount per ship is 21.6 per cent of the ships cost measured in NOK. The subsidy measured in other currencies, depending upon the commercial interest rate for each currency, is usually lower.

Both foreign and domestic owners, as an alternative to the above mentioned scheme, are offered a grant if they arrange financing which is not otherwise Government supported. The terms are as follows: A hypothetical 5-year loan covering 80 per cent of the ships cost, with semi-annual payments, is used as a basis for grant payments. Grants are paid semi-annually as a 9.1 per cent p.a. interest on the amount outstanding on this hypothetical loan. The total discounted subsidy amount per ship is approximately the same as with financing under the terms stated in the OECD Understanding.

During the construction period, yards building ships which have qualified for the long-term financing scheme may receive a grant to cover loan expenses in connection with construction. For newbuilding the grants amount to 2.6 per cent of the ships cost when contracted by domestic owners and 2.4 per cent for foreign owners. For repairs, the grants respectively amount to 1.6 and 1.5 per cent.

c) Amount of subsidy (Million NOK):

	<u>1985</u>	<u>1986</u>
2.1.1 Customs refund	184	189
2.1.2 Interest rate subsidies for the shipbuilding industry long-term financing	300	492
2.1.3 Interest rate subsidies for the shipbuilding industry construction loans	59	77

	<u>1985</u>	<u>1986</u>
2.1.4 Construction loan guarantee arrangement and long-term financing guarantee arrangement	93	76

ii) Textile and garment industry

a) Background and authority

Due to structural problems in the Norwegian textile clothing and garment 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. Elements of the restructuring programme have been prolonged on a yearly basis after 1982. These elements are state funds to finance training, productivity and marketing schemes and employment aids.

b) Incidence

The state funds is administered by the Norwegian Industrial Fund in cooperation with the textile and garment industries' organizations. The amount granted is allocated to individual firms, according to the needs and priorities within the industry.

According to a Government decision, the employment aids was limited to firms with at least 5 employees. The support was granted as a fixed amount per man hour executed by factory workers. The firms received the support at the end of each quarter. The last year this allocation was in operation (1986) an additional requirement was added: The allocations were limited to a maximum of 20 factory workers per firm.

c) Amount of subsidy (Million NOK):

	<u>1985</u>	<u>1986</u>
2.2.1 Subsidies through the Norwegian Industrial Fund	29	29
2.2.2 Employment aids to textile industries	48	13

3. Support for technical research and development

Amount of subsidy (Million NOK):

	<u>1985</u>	<u>1986</u>
3.1 Direct grants to R&D in industry	118	200
3.2 Support to R&D in industry	41	48

4. Support to structural adaption and rescue

Amount of subsidy (Million NOK):

	<u>1985</u>	<u>1986</u>
4.1 Grants to mergers and to exposed companies	17	20
4.2 Adjustment grants	35	64
4.3 Capital-related subsidies through the Norwegian Industrial Fund	52	28

5. General aids

Amount of subsidy (Million NOK):

	<u>1985</u>	<u>1986</u>
5.1 Grants for environment protection	5	13
5.2 Conversion of loans for environment protection	3	1
5.3 Grants to investments in order to improve working conditions	2	1