1. At the meeting of the Working Party on Structural Adjustment and Trade Policy on 2 July 1981, it was agreed that the secretariat should invite all contracting parties to provide by the end of 1981 the information required in Paragraph II(b) of the Annex to L/5120, taking into account the objectives outlined in Paragraph I of the Annex and the work already done (L/5177, paragraph 10). Paragraph II(b) of the Annex to L/5120 states that one of the tasks to be undertaken is "consistent with the GATT and the results of the MTN, an exchange of information and discussion on the experience of all contracting parties with regard to structural adjustment, along with an overall analysis of the experience".

2. Contracting parties were invited in GATT/AIR/1742 of 13 July 1981 to provide the requested information. The submission of Norway is reproduced in the Annex to this document.

3. Some participants have underlined that, with a view to the usefulness of the exercise, they attach considerable importance to the fact that all members of the Working Party fulfil their obligation and make written contributions. These participants have also indicated that they would be prepared to participate in an examination of their contribution in the Working Party only when notifications of the other contracting parties participating in the Working Party have also been received.

4. Delegations which have not yet submitted information are requested to do so as soon as possible.
Structural developments

The structure of the Norwegian economy has changed considerably in recent years. Factors which have been and are calling for structural change are both of internal and external nature. As to internal factors, the following can be mentioned: changes in natural resources, i.e. reduction of fisheries' resource basis and rise of a new petroleum sector, changes in relative factor prices, in productivity and in consumers' preferences. The most important external factors appear to be: exchange-rate developments, changes in relative cost levels (competitiveness) and in demand patterns on foreign markets adversely affecting market shares abroad. Reduction of barriers to trade have furthered adjustments to international competition.

The two following charts give an indication of the structural changes that have taken place in Norway over the last thirty years.
These aggregate figures do not indicate the scope of changes that have taken place within the various sectors.
During the 1970s Norway became an oil exporting nation. The petroleum sector's contribution to the GNP increased from 6.4 per cent in 1978 to 15 per cent in 1980.

Activities related to petroleum exploration and extraction have become an important market for other industrial sectors, particularly the heavy engineering industry. In 1980 about 10,000 persons were employed directly in petroleum exploration and production, but three times as many, 30,000 persons, were employed in activities related to the petroleum sector.

The petrochemical industry in Norway has expanded in recent years due to the petroleum resources on the Norwegian continental shelf.

The expansion of the petrochemical sector has to a large extent been connected with the building of one large petrochemical plant supplied with liquid natural gas on a long-term contract from a Norwegian oil and gas field.

The shipbuilding industry has been subject to a significant restructuring since the general fall in demand for new vessels, the shipbuilding capacity having been reduced by about 40 per cent from 1976/77 to 1981. To some extent the production capacity of Norwegian shipyards has been transferred to the expanding offshore market.

Today some 28,000 persons are engaged in the shipbuilding and offshore construction sector as compared to 35,000 persons in shipbuilding alone in 1973. Thirteen thousand of these are occupied in building vessels, about 6,000 are working on oil drilling rigs and offshore constructions, with the balance engaged in repairs.

In the pulp and paper industry there has been a clear development towards larger production units and increased production capacity in certain product groups, such as newsprint.

As the available domestic resources of timber are limited and almost fully utilized, a number of smaller production units have been taken out of operation and the raw material has been allocated to the larger, competitive units.

These structural changes were motivated by the benefits of economy of scale and, concerning chemical pulp production, strict pollution standards introduced in the seventies which necessitate large investments in environment protection equipment.

The textile and garment industries have become more and more affected by international competition. In the textile industry the production volume has been more or less stable during recent years, while in wearing apparel and footwear there has been a clear reduction. The overall employment figures have declined from 40,400 in 1960 to 20,000 in 1980.
There has been a considerable reduction of employment in the primary sectors, fisheries and agriculture, during the last thirty years. This transfer of manpower to other sectors is explained by a reduction of fisheries' resource basis, by mechanization and by policies aimed at productivity gains from transfer of human and capital resources to other sectors. It is still expected that some reduction in agricultural employment will take place in the years ahead, and that productivity gains will mainly be derived from rationalization measures within the sectors themselves.

Trade and trade policy

Norway firmly supports an improved international division of labour, as a means to achieve greater welfare for all, and has actively participated in the significant liberalization of international trade which has taken place over the last three decades, notably the various rounds of trade negotiations in the GATT, and the creation of the large free-trade system in Western Europe.

A priority objective is to facilitate the progressive integration of developing countries in the world economy, taking their development needs duly into account in the process. Developing countries have duty-free access to the Norwegian market for most industrial products under the Generalized System of Preferences or on an m.f.n. basis. All products from the least developed countries enter duty free into Norway.

The ever more open character of the Norwegian economy which has resulted from the general process of liberalization of world trade, has been accompanied by fundamental structural adjustments, as described above. This process has by and large taken place smoothly, and without profound social problems. Such priority goals of Norwegian economic policy as full employment and the harmonious regional development do, however, impose certain constraints on the pace and modalities of structural adjustment, and certain measures have been found necessary to avoid or mitigate unacceptable social effects of too rapid and too fundamental changes.

The above-mentioned tariff reductions have of course increased competition in our home market. At the same time, however, sales in Norway of import products have been affected by the recessionary tendencies in international economy and trade. Imports from industrialized and developing countries have nevertheless contributed to reshaping various sectors of Norway's economy.

Developments in the international division of labour have been particularly felt in the textile and clothing industry. In addition to strong competition from member countries of EFTA and EEC, new producers of textiles and clothes in countries with low labour costs entered the Norwegian market at an accelerating speed during the seventies. In view of this rapid increase and the low market share of domestic production Norway introduced temporary global quotas for certain textile products under GATT's Article XIX in 1979.
Policies for structural adjustment

Industrial restructuring is a long-standing political objective which has been pursued by measures stimulating investments. Another measure with the same objective was a support scheme (The Restructuring Fund - "Omstillingsfondet") which was introduced in 1963. The original objective of this fund was to stimulate necessary restructuring in the home-market industries following Norway's participation in the newly-established European Free Trade Area. Later on, this fund was merged with the Industrial Fund ("Industrifondet"), but the original functions continue as a part of the functions of the Industrial Fund. In recent years a large part of the allocations under this fund has been earmarked to restructuring programmes in specific industries.

In the shipbuilding and textile sectors support schemes have been introduced. The support scheme for the shipbuilding industry has been scaled down during the recent years. In 1981 the support scheme for the shipbuilding industry was modified to contribute more effectively than the previous scheme had done to the restructuring of the industry.

While most of the enterprises in Norway are small, the large ones are concentrated in branches exposed to strong foreign competition and to large fluctuations in demand. Particularly in the export-oriented branches (pulp and paper, chemicals, steel, ferro-alloys, aluminium), enterprises are often located in regions with few alternative employment possibilities. Due to this fact restructuring often creates particular problems in such regions. In some cases selective support measures have been introduced in order to soften the negative impact of the restructuring process on employment.

In 1976/77 selective support measures were scaled up in order to bridge the economic downturn at that time. This policy was based on the assumption that the recession would be of a short-term character. In 1978 this policy was revised in light of the continuing recession and the selective support measures have since then been scaled down.

In December 1980 a Report to the Storting on industrial policy was submitted. In the spring of 1981 the main guidelines for industrial policy were approved by the Storting. One of the main elements in the industrial policy is to obtain the necessary structural changes in industries by means of strengthening the general long-term measures, in particular introduced in the field of R & D, industrial investments, and stimulation of establishment of new enterprises. At the same time selective measures directed towards single firms and branches, particularly selective support to industrial firms in financial difficulties, will be scaled down. Market forces will be allowed to work more freely by stimulating competition through abolishing or simplifying regulations. As a result of this policy it is expected that the restructuring process in Norwegian industry will accelerate in the coming years.
The Report on Industrial Policy proposes also several specific measures aimed at facilitating industrial restructuring. Several new incentives for industrial R & D were introduced. A broadly-based productivity campaign was launched in January 1982.

The rapid growth in the use of oil revenues in Norway's mainland economy may speed up the restructuring process in the Norwegian economy to an unacceptable rate. The possible use of part of the oil revenues abroad has therefore been under discussion in Norway. Such a policy would provide us with a capital basis for foreign direct investments. In the Report on Industrial Policy of 1980 a study was proposed to evaluate practical and fundamental questions in connection with the increasing internationalization of Norwegian manufacturing industry. A report on this issue was presented by a government-appointed committee in October 1981. Several measures were proposed to stimulate the process of internationalization. These proposals are presently under study.

Evaluations

Continuous adaptation to a changing division of labour within a liberal trading system and changing demand conditions in the international market is the most important factor in the restructuring process.

As can be seen from the above description of Norway's policies relating to industrial restructuring, policy measures of a general nature, as well as measures directed towards specific branches are employed. The general measures aim, generally speaking, at facilitating and promoting industrial adjustment. Some of the branch specific measures have aimed at slowing down the speed at which restructuring is taking place and to mitigate adverse social effects. On the other hand there are other sector-specific measures intended to facilitate restructuring of the sectors in order to restore competitiveness in a longer time perspective.

The policy measures relating to industrial restructuring have undergone changes taking account of experience and new developments, but it would be most difficult to make any statements as to the way our industries might have developed in the absence of such measures.

Although some of the support measures may have slowed down the restructuring process, a significant restructuring has nevertheless taken place in Norwegian industry.