The following communication, dated 2 August 1993, has been received from the Permanent Mission of Norway.

1. In general, the agricultural sector plays an important rôle in Norway in promoting regional development and employment. The dairy industry is of vital importance in several rural regions where alternative forms of agricultural production are scarce. A further characteristic for these regions are limited possibilities for other types of industry.

2.
3.
4. Structural income support, also called low income subsidy, has to be seen in connection with the small scale structure characterizing animal husbandry. Only 20 per cent of the total milk production comes from farms with larger herds than twenty dairy cows. Structural income support for milk production is granted in the form of a fixed payment with a minimum production of 30,000 litres of cows milk or 15,000 litres of goats milk. The overriding objective is to equalize income between large and small holdings. Furthermore, Northern Norway is given priority in the disbursement. Rates are approved on a yearly basis in the Agricultural Agreement.

5. The reason why subsidies to the dairy farmers reached a lower level in 1992 compared to 1991 is that the Norwegian national assembly (Stortinget) changed some price subsidies into a support decoupled from production.

6. Consumer price subsidies were abolished from 1 July 1993. The objective for consumer price subsidies was to reduce consumer retail prices on some dairy products on the domestic market. Liquid milk and some hard sorts of cheese of Norwegian origin was included in the scheme. There are hardly any imports of these products. From 1 July 1993 compensation for value added tax will be granted for these dairy products and for meat. Further details on this scheme will be provided in the next notification pursuant to Article XVI:1.

7. As underscored under point 1, agriculture plays an important rôle in promoting regional development and employment. Maintaining a certain level and geographical distribution of agricultural

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production is an important means of preserving the existing population pattern. In many areas, agriculture forms the basis for economic activities and hence for settlement. The regional differentiated price subsidies compensate higher production costs in these areas. The changes in the regional differentiated price subsidies are due to minor alterations in the subsidy-system. The Governments policy towards regional differentiation has not been changed.

8. A harsh climate, low temperatures and short growing seasons limit the possibilities for grain production in Norway. There is, however, a central objective to maintain the current production level. Furthermore, crops vary considerably from one year to another due to climatic instability. In this respect, direct and indirect support are necessary compared to the existing world market price level on grain.

The increased subsidies to grain producers from 1991 to 1992 are due to the big harvest in 1991 which partly was bought by the Norwegian Grain Monopoly in 1992. In fact, the guarantee prices on grain and feeding stuffs were reduced from 1991 to 1992.

9. The transport subsidies are important measures in Norwegian regional policy of agriculture. There are no plans for reducing these schemes.

10. The aims of the contract production scheme for eggs can be summarized as follows:

- to restrict production of eggs for consumption,
- to reduce the costs of market regulation,
- to improve egg quality,
- to provide producers and egg packing plants with a basis for planning and
- to help achieve these aims by channelling a greater share of the market volume through approved egg packing plants.

The support is granted to egg producers which have signed a production contract with an approved egg packing plant. The contract production scheme is a voluntary arrangement. The support is granted as an added premium per kg. of eggs supplied. For the purpose of regulating the market and to be able to pay an added premium, the producer has to make a certain break in the production during the year.

All eggs producers are entitled to participate in the scheme provided they fulfil certain requirements. The most important producer requirement are:

- Production operations and plants must comply with applicable legislation and regulations.
- The contract must apply to all hens kept by the producer.
- The producers entire output must be delivered to the packing plant.
- All hens must be slaughtered at an approved poultry slaughterhouse.
The producer undertakes to participate in any other production-regulation measures which may be implemented.

11. Statistical information on production, imports, exports and consumption on the subsidization given to fisheries, including aquaculture, is submitted as Appendix I. This information has previously been submitted to the OECD.
ANNEX I

Introduction

1. As part of the general economic policy in Norway, financial support has been given to the fishing industry over the past thirty years, during the first years, very often on an ad hoc basis to address short-term problems.

2. 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.

3. The Government policy is aimed at securing the fishermen an income equal to that which industrial workers could obtain in the coastal areas of Norway.

4. To secure a normal level of activity within the fishing industry, and to discourage the current trend of people moving away from scarcely populated areas in the northern and western part of Norway, it has, in some years, been necessary to increase the support to 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’s support to the fishing industry must be regarded as an integral part of the Norwegian social and economic policy.

5. It is, however, a political aim to make the industry independent of Government support. In addition, state aid which distorts competition will have to be abolished when the EEA Agreement between the EC and the EFTA-states comes into force. Norway is also committed by the EFTA Agreement to abolish distorting support by 1 January 1994. The support has been considerably reduced since 1991. For 1993 the financial support will be at the lowest level since the financial support package was established in 1964.

6. In 1990 NOK 1,125 million was made available through the financial support package. Due to difficulties, an additional NOK 126 million was granted for extraordinary measures. In 1991 the support package amounted to NOK 715 million. In addition, NOK 50 million was made available to alleviate liquidity problems in the fish processing industry. A certain amount was transferred from previous years in both 1990 and 1991. In 1992 the support package amounted to NOK 425 million, while the support for 1993 will be further reduced to NOK 195 million.

7. The positive development in the fishing industry changed during 1988. The stock situation for cod and haddock proved to be worse than estimated in 1987. The stock level of the most important species is now increasing. Due to the difficult stock situation, the actual revenue is still less than the potential income.

8. In addition to the financial support package, economic aid is given through the National Fishery Bank and the Regional Development Fund.
HARVESTING SECTOR

Border Measures

Direct investment and access restrictions

9. Concessions to acquire fishing vessels or shares in a company which owns such vessels is only granted to Norwegian nationals or joint-stock companies seated in Norway, where all members of the Board are shareholders and Norwegian nationals with resident in Norway, and further that at least 60 per cent of the equity capital is owned by Norwegian nationals. Fishing with trawls from Norwegian vessels is reserved for Norwegian nationals and the type of company mentioned above.

10. Access to Norwegian harbours by foreign vessels is granted freely on a non-military basis. Authorization is given by the Ministry of Foreign Affairs.

11. The Act of 17 June 1966 prohibits the landing of fish from foreign fishing vessels. The Ministry of Fisheries can make exemptions to this prohibition. The Government has proposed to change the Act relating to Norway’s fishing limit. Foreign vessels will, according to the proposal be allowed to land catches in Norwegian fishing ports. The EFTA Agreement implies that fishing vessels from EFTA countries are permitted to land fish in Norway. The Act also prohibits transit of non-Norwegian catches and transhipment inside the fishery limit of 12 nautical miles.

Domestic measures

(a) Social help

(i) Contingency programmes

12. NOK 10 million was made available through the financial support package both in 1990 and in 1991 to education schemes.

(ii) Regional development

13. There are no single and specific actions taken within the branch of fisheries as such towards the forwarding of regional development. The fisheries policies, and thus the economic programmes listed in this paper, constitute a part of the Government’s overall policy on regional development. In 1990 and in 1991, however, NOK 5 million was granted each year to promote alternative industry in coastal areas which are strongly dependent on the fishing activity.

(iii) Minimum wage scheme and unemployment benefits

14. Minimum wage scheme: 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 1990, NOK 279 million was made available and in 1991 NOK 112 million for this purpose, of which NOK 126 million in 1990 and NOK 5 million in 1991 were part of the unemployment benefits to fishermen.

15. Vacation scheme: In 1980, a vacation scheme for the fishermen was established. This scheme is partly finance by Government grants and partly by the fishermen. In 1990, NOK 51 million was spent and in 1991 NOK 50 million.
(iv) Tax incentives

16. A tax deduction is given to fishermen who have been fully engaged in fishing and/or hunting for at least 15 weeks of the fiscal year. The scheme has been established in order to secure the recruitment of young fishermen. The deduction is 30 per cent of net earnings. The limit upwards of the deduction is NOK 70,000.

(b) Economic help

17. The main objective has been to increase the relative share of support given to promote structural reorganization and innovations in the fishing industry. The last ten years the share of support to structural programmes has increased. In 1987 more than 50 per cent of the government support was aimed at this. Since 1988 the share of support spend on structural programmes has been reduced. This is mainly due to the extraordinary problems in the fishing industry the last years. As a result of a reduction in the support package both in 1991 and in 1992, a larger part of the support has been spent on social schemes. In 1990 and in 1991 the share of support related to structural programmes were 26 per cent and 32 per cent respectively. In 1992 this share dropped to 14 per cent. In the same period, however, the direct income support dropped from 40 per cent in 1990 to 30 per cent in 1992.

(i) Operational subsidies

18. Price support: The most important means to increase the fishermen's income are the subsidies to support landing prices of certain species of fish. Most kinds of fish and fishery products landed in Norway are delivered to the fishermen's sales organization, which administers 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 hectolitre of the catches. Price support in general will not be granted from 1993 onwards.

19. In 1990 and 1991 price support was granted for the following species: crab, coastal shrimp, coastal mackerel, sprat and fjord herring. The amount granted was NOK 35 million in 1990 and NOK 38 million in 1991. In addition price support was also given to all other species sold. The amounts granted to these species was NOK 114 million in 1990 and NOK 142 million in 1991. the support has mainly been granted to the cod fisheries.

20. Transport support was given for the transportation of fish from the place landed to the place of processing. In 1990, NOK 30 million was granted and in 1991 NOK 44 million was granted for this purpose.

21. Insurance support: there is a scheme which covers part of the fishermen's insurance costs. The arrangement, in its present form, was established in 1986. The scheme amounted to NOK 25 million in 1990 and NOK 30 million in 1991.

22. Bait purchase subsidies and support to baiting stations: Subsidies for the purchase of bait are granted in order to reduce the fishermen's costs. In 1990 such support amounted to NOK 18 million and in 1991 NOK 13 million.

23. Support was also given to baiting stations for long lines. The arrangement was introduced in 1980, and amounted to NOK 10 million in 1990 and NOK 2 million in 1991. The aim of the arrangement has been to make the long line fisheries more efficient by increasing operating time for the vessel at sea as well as to increase recruitment.
24. **The National Fishery Bank:** 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 National 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 favourable development of the fishing industry.

25. A new financing arrangement regarding the fishing fleet was introduced in 1986. This arrangement is based on the OECD articles concerning financing of vessels and larger-scale rebuilding.

26. Within a limit of NOK 500 million in 1990 and NOK 350 million in 1991, 1992 and 1993 and in accordance with the OECD articles, the vessel owner is granted a contract subsidy which amounts to 10 per cent of the contract price for constructions and 6.55 per cent for larger scale rebuilding (1990-92 figures). From 6 October 1992 the contract subsidies were changed to 11.5 per cent and 7.6 per cent respectively. The contract subsidies are separately granted and not dependent on the finance institution.

27. Investment grants through the National Fishery Bank have been given to ease financing of coastal fishing vessels in regions where fishing is the main activity. The amount granted in 1990 was NOK 19 million and in 1991 NOK 12 million, of which NOK 12 million in 1990 and NOK 5 million in 1991 were granted to the norther part of Norway. The remaining amount was only given to projects with a contract subsidy and a granted loan in the National Fishery Bank. The grant can be given within the limit of 15 per cent of the cost price (in special instances up to 20 per cent). In 1992 the investment grants were reduced to NOK 5 million and in 1993 no grants will be given.

28. Loans for reconstruction and larger scale rebuilding are granted as first mortgage loans within 70 per cent of the total investment. These loans are given for a maximum period of 12 years and at an interest rate of 12.5 per cent (1990-92 figures). The maximum amount of other first mortgage loans is up to 60 per cent of the total investment. These loans are given for a maximum period of 10 years and at an interest rate of 12.0 per cent. The maximum amount of second mortgage loans is from 70-80 per cent of total investment, including first mortgage loans. The maximum repayment period is 10 years, if necessary with no repayment obligations during the first two years. The interest rate on second mortgage loans is 10.5 per cent (1990-92 figures). From 1993 the interest rate on all new mortgage loans and second mortgage loans will be changed to 12 per cent.

29. The total subsidies granted through the National Fishery Bank were NOK 163 million in 1990 (NOK 19 million in investment grants, NOK 8 million in interest subsidies and NOK 137 million in contract subsidies) and NOK 118 million in 1991 (NOK 12 million in investment grants and NOK 106 million in contract subsidies).

30. Due to extraordinary difficulties, the Government has granted subsidies to alleviate the liquidity problems. NOK 253 million was granted in 1990 and NOK 33 million in 1991 to the fishing fleet.

31. To ensure a certain limited level of seal catches, a few vessels received support in 1990 and in 1991. This is important from an ecological point of view. The amounts were NOK 33 million in 1990 and NOK 12.9 million in 1991.

(ii) **Modernization and diversification**

32. **Readaptation schemes:** The purpose of the readaptation schemes is to support investments to enhance rationalization and reorganization in the fishing fleet. The schemes were implemented in their present form in 1985. They consist of supporting further introduction of energy-saving equipment, investment for improving the working conditions on board fishing vessels and the establishment of
joint management services. In 1990 NOK 5 million and in 1991 NOK 1 million was spent for this purpose.

(iii) Development

33. Efficiency scheme: The scheme supports programmes aimed at making fishing more efficient. Money from this scheme also goes into a fund for experiments and fish-finding, which also includes the monitoring of resources. The costs of the scheme amounted to NOK 30 million in 1990 and NOK 45 million in 1991.

(iv) Fleet rationalization

34. Structural rationalization: The last 3-4 years efforts to reduce the fleet capacity has been considerable. In 1990 and in 1991 NOK 210 million and NOK 99 million were granted for this purpose. In addition, NOK 20 million were granted in 1991 to promote reallocation of purse seiners from the southern to the northern part of Norway.

PROCESSING SECTOR

Border measures

35. All fish and fish products landed in Norway are delivered to the fishermen's sales organizations which administer the grants. On the basis of expected market prices, a fixed minimum price is set. For certain fish species support is granted on a decreasing basis.

36. As a consequence of the EFTA Agreement, distorting support will have to be abolished by 1 January 1994.

Domestic measures

(i) Investments

37. Regional Development Fund: Fish processing companies, including companies dealing with aquaculture, located in certain remote areas can, as most manufacturing industries in these areas, benefit from special grants and loans from the Regional Development Fund (RDF) (Distriktenes Utbyggningsfond). RDF 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.

38. As regards the processing industry, RDF mainly supports plans aiming at rationalization and modernization of existing plants, as well as plans for advanced product development. The maximum period for loans to the processing industry is 25 years and with an interest rate of 12 per cent (1990-92 figures). These grants are intended to assist in project development in areas with limited employment opportunities and with a low level of industrial and commercial development. The Fund also guarantees loans granted by private credit institutions.

39. RDF may support industries located in certain designated development regions. These grants are fixed at 15-40 per cent 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.
40. In 1990 and 1991 the Regional Development Fund lent NOK 112 million and NOK 33 million respectively to the fish processing industry (aquaculture sector included). The financial guarantees amounted to NOK 80 million in 1990 and NOK 19 million in 1991 and the investment grants to NOK 164 million in 1990 and NOK 100 million in 1991. The total subsidies granted through the Regional Development Fund were NOK 165 million in 1990 (NOK 164 million in investment grants and NOK 1 million in interest subsidies) and NOK 100 million in 1991 (investment grants only).

41. The National Fishery Bank: The National Fishery Bank has been granting certain loans to the processing industry at 11.5 per cent interest. From 1988, however, the involvement of the National Fishery Bank was taken over by the State Industry Bank.

(ii) Structural adjustments

42. In 1990 NOK 70 million was granted to restructure the fish processing industry, of which NOK 45 million was given to the northern part of Norway. In 1990 NOK 60 million was granted to the fish processing industry of which NOK 10 million was to the northern part of Norway and NOK 50 million to improve the capital situation in the industry.

(iii) Organization of national markets

43. The Information Agency for Fish Products: The Agency aims at increasing the domestic overall consumption of fish products. In 1990, NOK 10 million was employed for this purpose and in 1991 NOK 7 million.

(iv) Export and marketing assistance

44. Export marketing: This scheme supports programmes which promote Norwegian fish products for export markets. In 1990 NOK 10 million was spent and in 1991 NOK 13 million.

Results

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

MANAGEMENT

46. The main objectives of the Norwegian fisher policy are related to resource management which is based upon ecological principles, economic efficiency and maintenance of settlement and employment in sparsely populated areas. These objectives form the basis of the regulation efforts in the traditional fishing industry.

47. There are roughly two types of regulation systems in Norway.

48. The first type of regulation system consists of practical measures in the cod and herring fisheries. The primary objective has been to regulate the fishing grounds and the relationship between different types of gear as well as to delineate certain rules as for the execution of fishing operations. The measures put limits on the types of gears rather than on the number of participants.

49. The second type of regulation system is via entry control. The measures have been aimed at restricting, not only types of certain gears, but also number of participants. The measures are either
introduced as a form of protection against outside investors, by restricting the use of new technology as well as ownership rights, or to secure a long-term adjustment of harvesting capacity to stock size.

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<td>I. HARVESTING</td>
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<td>(a) Social help</td>
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<td>(i) Contingency programmes</td>
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<td>(iii) Social welfare</td>
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<td>(iv) Tax incentives (statistics not available)</td>
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<td>(b) Economic help</td>
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<td>(i) Operational subsidies</td>
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<td>(ii) Modernization and diversification</td>
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<td>(iii) Development</td>
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<td>(iv) Fleet rationalization</td>
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<td>II. PROCESSING, MARKETING &amp; DISTRIBUTION</td>
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<td>(iv) Export and marketing assistance</td>
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<td>TOTAL (a)</td>
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(a) The total amounts do not correspond with the amounts available through the financial support package, the National Fishery Bank and the Regional Development Fund. There is a lag between grants and payments. Amounts from the support packages need not be spent during that year, some may be transferred to following year.