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Committee on Subsidies and Countervailing Measures

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SUBSIDIES

Replies to Questions posed by JAPAN¹, KOREA², ARGENTINA³, POLAND⁴ and the UNITED STATES⁵ Regarding the New and Full Notification of NORWAY⁶

The following communication, dated 20 January 1997, has been received from the Permanent Mission of Norway.

Replies to questions from Japan

1. *The Export Campaign, the Strategy Programme and the Programme for Export Development in SME*

Does Norway consider that the subsidies for trade fairs, market research/surveys, seminars, training and consultancy fees, etc. are not export subsidies?

Reply

The support for trade fairs, increase in competence etc. is granted in accordance with the State aid rules of soft aid as laid down both in the Treaty of the European Union and the European Economic Area Agreement. Soft aid includes the cost of participating in trade fairs and of studies or consultancy needed for the launch of a new or existing product on a new market, or help and advice from outside consultants for one-off increases in competence in different areas. Support directly linked to the goods exported, to the establishment and operation of a distribution network or to current expenditure linked to the export activity, is prohibited and not included.

Thus, the support under this scheme is not contingent upon export performance. The support is not in any way related to export volume. This scheme is therefore not an export subsidy as laid down in the SCM Agreement.

2. *Export Credit Financing Scheme*

Does Norway consider that "an international undertaking in Annex I(k) means "the OECD Arrangement on Guidelines for officially Supported Export Credits"?

¹G/SCM/Q2/NOR/2+ Rev.1, ²G/SCM/Q2/NOR/1, ³G/SCM/Q2/NOR/4, ⁴G/SCM/Q2/NOR/3, ⁵G/SCM/Q2/NOR/5.

⁶G/SCM/N/3/NOR+ Corr.1.

Reply

Norway's answer to this question is affirmative. Norway considers that "an international undertaking" in Annex I(k) means, *inter alia*, the "OECD Arrangement on Guidelines for Officially Supported Export Credits". Norway has been part of the Arrangement since it began in April 1978. The OECD Arrangement meets all the criteria listed in Annex I(k) of the SCM Agreement.

3. Support for energy saving devices on board fishing vessels

Paragraph 8.9.5 of the notification states that a limited range of energy saving devices qualifies for the support. In this connection, could Norway answer the following questions?

- *What are the criteria for selecting the equipment covered by this programme?*
- *Is only domestically produced equipment covered by this programme?*

Reply

In order to get the best effect of the support scheme, just a certain type of equipment qualify for the support. This means that only devices which are considered to be most important in the effort to reduce the energy savings, are included. According to the restriction, these are instruments to measure the use of and expenditure on fuel.

The covered equipment is not restricted to domestic products.

The support scheme was removed in 1996.

4. *Could Norway explain the outlines of the following programmes and the reason why they have not been notified?*

- (1) *Reduced Mineral Oil Tax for the Paper and Pulp Industry and the Fishflour Industry*
- (2) *Customs Duty Exemption for Shipbuilders*

Reply

Reduced Mineral Oil Tax for the Paper and Pulp Industry and the Fishflour Industry are notified in Paragraph 7.3 of our subsidies notification, under the title: "Reduced CO₂ Tax on Mineral Oil/Coal and Coke".

As regards the system of customs duty exemptions for shipbuilders, this system was reduced over a period of several years in the 1980's. The system was terminated on 6 October 1987. No exemptions were allowed from that date.

Replies to questions from Korea

1. Regional investment grants

Your notification states that the regional investment grants are provided to the enterprises located in assisted areas which are divided into three zones, i.e., zone A, B and C. On what basis were the assisted areas divided into the afore-mentioned zones? What industrial sectors are the greatest beneficiaries?

Reply

The aid schemes are available to all new and existing undertakings located in the regions eligible for regional State aid.

The areas eligible for regional State aid covers approximately 25% of the total Norwegian population.

The European Economic Area consists of two pillars, the EFTA and the EC pillar.

The EFTA Surveillance Authority has the same function in State aid matters in the EFTA pillar as the European Commission has in the EC pillar. The areas eligible for regional State aid and the maximum ceilings for investment aid in the selected areas are approved by the EFTA Surveillance Authority (ESA).

The EFTA Surveillance Authority applies the same method in determining the regions eligible for regional State aid as the European Commission. The method is in line with the criteria laid down in Article 8.2 of the SCM Agreement.

The method is based on three main criteria:

- GDP per capita;
- unemployment rates; and
- low population density.

The maximum aid ceilings allowed are differentiated according to the level of development of the assisted region. The less developed, the higher the ceiling for aid intensity. In Norway the assisted area is divided into three zones (A, B and C) with maximum aid ceilings in accordance with the aid intensity approved by the EFTA Surveillance Authority.

The Regional Investment Grant Scheme is neutral with regard to sector. Thus the scheme does not favour certain sectors. The sectors receiving most regional investment grants vary from year to year and depend on from which sectors the applications are received.

2. *Scheme for restructuring in regions dependent on a single industry*

This is a scheme under which grants are provided to enterprises in municipalities dependent on a single industry or a single enterprise. What industrial sectors are the greatest beneficiaries?

This scheme does not favour certain specific sectors. Which sectors are the greatest beneficiaries of the restructuring schemes, depends on which sectors the applicants in the actual region represent.

3. *Aid to structural measures and rationalization in the fish processing industry*

Your notification states that the aid is given in accordance to annual agreement between the Norwegian Fishermen's Association and the Ministry of Government Administration so as to strengthen the competitiveness of the fish processing industry and to promote the export and domestic sale of fish and fish products. Could you provide a more detailed explanation of the criteria used for selecting the firms or the products to be granted?

Your notification also states that for 1995 no aid was granted. Is it expected to be granted again?

Reply

This subsidy scheme was terminated in 1995.

When the scheme was in operation firms eligible for support were firms which were going to enter into binding cooperation through ownership in order to obtain improved usage of local resources.

An important requirement for granting support was that the support was to be within the long-term plans for development of the structure of the industry in the concerned area. Priority was given to projects assumed to have the best potential for restructuring of all the industry and future profitable operation.

4. Marketing Funds

Your notification states that the aid is given in accordance to annual agreement between the Norwegian Fishermen's Association and the Ministry of Government Administration so as to strengthen the competitiveness of the fish processing industry and to promote the export and domestic sale of fish and fish products. Could you provide a more detailed explanation of the criteria used for selecting the firms or the products to be granted?

Your notification also states that for 1995 no aid was granted. Is it expected to be granted again?

Reply

This subsidy measure was terminated in 1994. Consequently, no aid has been granted in 1995 and 1996.

When the measure was in operation, no maximum aid level was set for grants to one single recipient. In general, the applicants would have to finance a minimum of 50% of total expenditures connected with the relevant project.

Other limitations or criteria for the subsidy: Subsidies were not granted in the form of investment or income support.

Replies to questions from Argentina

1. *With regard to the subsidies programme for assistance to disadvantaged regions, could Norway specify the regions benefiting under the programme and the criteria used to grant the subsidies, in accordance with Article 8.2(b) of the Subsidies Agreement?*

Reply

Our answer to question 1 from Korea applies also to this question.

2. National programmes for regional development:

- (a) *What R&D costs are covered by the programme and the percentage of total programme costs that are covered by such subsidies, in accordance with Article 8.2(a) of the Subsidies Agreement.*

Reply

Single enterprises do not receive support from this scheme, unless they participate in pluriannual programmes.

About 30% of total programme cost covers subsidies to research and development projects. The research and development projects supported are precompetitive development activities. The cost categories eligible are personnel costs and administrative instruments costs and to a lesser degree equipment costs.

Thus, research and development support to single enterprises are in accordance with the criteria of Article 8.2(a) of the SCM Agreement.

- (b) *What regions are eligible under the programme and the criteria used to select them, in accordance with Article 8.2(b) of the Subsidies Agreement?*

Reply

Zones A, B, and C referred to, in our reply to Korea's question No. 1, constitute the eligible regions. Information about the criteria used to select them is also covered by our answer to question No. 1 from Korea.

Replies to questions from Poland

1. Public Research and Development Contracts

As we understand this subsidy is granted to the enterprise to cover part of its cost related with accomplishment of the projects aiming at implementing new technologies, and the basis of this subsidy is an agreement between an enterprise and a public authority. We would like to find out however if the amount of subsidy is repaid by the enterprise in case of failure of the project?

Reply

The answer to this question is no. The firms are not asked to repay the funds received in case of failure of the project.

2. The Export Campaign, the Strategy Programme for Export Development in SME

Are there any additional criteria that must be fulfilled by SME enterprises to be granted this subsidy? If yes, please specify.

Reply

The answer to this question is no. There are no additional criteria to those already notified.

3. *The notification does not specify clearly what criteria are taken into account while granting subsidies to firms and organizations, what decides the amount of aid granted to a certain subject and what is the maximum level of such an aid admissible for a single subject. Could Norway please explain these points?*

Reply

This question has already been answered in connection with question No. 4 from Korea.

4. *This scheme provides a special subsidy given to the buyer or to the builder of fishing vessels in Finnmark county limited to 15% of the building price of the new vessel or 15% of the purchase price of the old vessel, simultaneously the shipowner can also take advantage of Support to Fishing Vessels for Domestic Delivery Scheme which provides a subsidy of up to 9% of the contract price of the ship, this second scheme is applied on the territory of the whole of Norway. Does this mean that in the case of a transaction which takes place in Finnmark county, the level of a subsidy can amount up to 24% of the contract price or the subject can use only one of this schemes? Could Norway clarify on this point?*

Reply

The 15% subsidy granted to the buyer of fishing vessels in Finnmark is given on the condition that the general subsidy of up to 9% is already granted.

Replies to questions from the United States

1. *The stated objective of the "Export Credit Guarantees" scheme is to promote Norwegian exports of goods and services, primarily by covering the exporter's commercial and credit political risk. Could Norway provide information with regard to the agricultural products that benefit from this programme? Also, what are the eligibility criteria for programme participants?*

Reply

The Norwegian Guarantee Institute for Export Credits (the GIEK) has not issued guarantees relating to the export of agricultural products under the scheme in 1994. This applies also for 1995.

However, as regards the eligibility criteria for programme participants, credits related to exports of all categories of products may be covered under the scheme. An exporter is required to furnish sufficient credit information before an application for cover is processed. GIEK provides cover for credits in accordance with normal terms for the trade in question.

GIEK only underwrites export credits on the provision that the exporter pays a premium. The premium rates are adequate to cover the long-term operating costs and losses of the programmes, (see Annex I(j) of the SCM Agreement).

2. *Could Norway explain in greater detail how the "Export Credit Financing Scheme" operates? In addition, information on the eligibility criteria to participate in the programme would be appreciated.*

Reply

The Export Credit Financing Scheme is a governmental interest rate support scheme made available through an agreement between the Norwegian Government and AS Eksportfinans. Under this agreement, Eksportfinans administers the granting of export credits, as outlined in the OECD Arrangement, on behalf of the Norwegian Government.

The scheme operates in the following manner: The Norwegian Government allows for Eksportfinans, which administers the scheme, to be able to extend credits at the minimum rates allowed by the OECD Arrangement. The Government does this by paying the administrative costs associated with the scheme. In addition, the Government reimburses Eksportfinans if it has to pay a higher rate of interest on its funds than it can attract on its investments. With the investment, we mean the export credits on OECD Arrangement terms. The Government also reimburses Eksportfinans for any losses that it may endure due to exchange rate fluctuations. Any profit made by this scheme would be treated as Government income.

The eligibility criteria for participation in the programme are that:

- the credit is used by an importer to buy Norwegian capital goods from a Norwegian exporter;
- only medium- and long-term credits are supported by the Government, and these credits can be made on OECD Arrangement terms; and
- the financing of non-Norwegian components is limited to 30% of a contract.

The Export Credit Financing scheme follows strictly the OECD Understanding. It is therefore considered to be in conformity with Annex I(k) of the SCM Agreement.

3. *Could Norway provide the specific amount of support provided for oilseed production in 1994 and 1995?*

Reply

The Norwegian oil seed production is rather limited, and no policy measure applies specifically to these products. However, oilseed production is treated as part of the grain sector, and accordingly is eligible for support provided under the Grain Price Support scheme as well as under the Acreage and Cultural Landscape Support scheme. The support provided under these schemes was NOK 36.4 million in 1994 and NOK 41.7 million in 1995.

It is important to note that the Norwegian oilseed production is used exclusively as a protein source in the domestic feeding stuff production, and not as a raw material in the production of cooking oils for human consumption.

Oilseed Production			
Grain Price Support			
Year	Volume 1,000 tons	Rate NOK/kg	Total Mio NOK
1994	13.4	1.55	20.8
1995	14.6	1.55	22.6

Acreage and Cultural Landscape Support			
Year	Area Hectares	Rate NOK/ha	Total Mio NOK
1994	9,880	1,580	15.6
1995	10,860	1,760	19.1
Total Figures			
Measure	Grain price Support Mio NOK	Acreage and Cultural Landscape Support Mio NOK	Total Mio NOK
1994	20.8	15.6	36.4
1995	22.6	19.1	41.7