NORWAY

TRADE SUMMARY

In 2000, the U.S. merchandise trade deficit with Norway was $4.2 billion, an increase of $1.6 billion from the previous year, largely reflecting an increase in the value of oil imports from Norway. U.S. exports to Norway were $1.5 billion in 2000, similar to the value in 1999. In 2000, U.S. imports from Norway totaled $5.7 billion, an increase of $1.7 billion from the level of imports in 1999. U.S. exports of private commercial services (i.e., excluding military and government) to Norway were $1.3 billion in 1999, and U.S. imports were $813 million. Sales of services in Norway by majority U.S.-owned affiliates were $2.2 billion in 1998, while sales of services in the United States by majority Norway-owned firms were $1.6 billion. The stock of U.S. foreign direct investment in Norway in 1999 was $6.6 billion, a decrease of 5.9 percent from 1998. Such investment is concentrated in the petroleum, manufacturing, and financial services.

OVERVIEW

Norway is a member of the European Economic Area (EEA), which consists of the 15 European Union (EU) Member States as well as Norway, Iceland, and Liechtenstein. Although not a member of the EU, Norway has assumed most of the rights and obligations of the EU because of the EEA, but has limited ability to influence EU decisions.

While Norway has its own tariff system, U.S. exports face many of the same trade and investment barriers that limit U.S. access to the EU. Norway grants preferential tariff rates to the EU and other EEA members. The Norwegian government has completed much of the transition required under EEA obligations to comply with EU directives. However, adaptation is a constant process as the EEA requires Norway to implement most new EU directives. The new minority Labor government, which entered office in March 2000, is a proponent of closer relations with the EU and actively promotes adoption of EU directives by Parliament. EEA non-tariff barriers of greatest concern for U.S. trade with Norway are those regarding labeling and approval for agricultural goods produced using growth hormones or through genetic modification, where questions have been raised regarding the scientific basis for such measures.

IMPORT POLICIES

In July 1995, Norway accelerated implementation of its WTO commitments for tariff reduction on agricultural commodities by immediately adopting the year 2000 bound tariff rate targets. Tariffication of agricultural non-tariff barriers as a result of the Uruguay Round led to the replacement of quotas with higher product tariffs. Domestic agricultural shortages and price surges have been countered by temporary tariff reductions. Lack of predictability of tariff adjustments and insufficient advance notification (generally only two to five days prior to implementation) have made imports from the United States of fruit, vegetables, and other perishable horticultural products substantially more difficult than under the previously existing import regime, and favor nearby European suppliers.

STANDARDS, TESTING, LABELING AND CERTIFICATION

Sanitary & Phytosanitary Measures

The Norwegian government follows the EU policy of banning the import of animals, and meat from animals, that have been administered growth hormones, including growth hormones approved in the United States for beef. The ban effectively keeps out U.S. exports of red meat and meat products to Norway.

The government introduced a regulation in October 1997 requiring the labeling of all products that contain a minimum of two percent material derived from modern biotechnology. The regulation requires labeling regardless of whether

the GMO trait is carried into the processed product. There is strong opposition to food products containing GMOs among Norwegian consumer organizations and retail groups, with the focus currently on GMO soybeans and derivative products. While the government has thus far refrained from banning such commodity imports, market prospects are very limited if alternative non-GMO commodities products are available. The refusal of Norwegian food processors to buy soybeans not certified as “GMO-free” has resulted in U.S. soybean sales declining from a traditional level of about 250,000 tons annually until 1995 (before the appearance of GMO soybeans in the U.S. crop) to none in 1997, 1998 and 1999. On the processed foods side, the Norwegian consumers’ council, in cooperation with the large retail food chains, has threatened periodically to boycott products containing GMOs.

The government may ban the import of products containing GMOs under the authority of Norway’s 1993 Gene Technology Act. The Act’s stated purpose is to ensure that the production and use of GMOs do not cause detrimental effects to health and the environment, take place in an ethically and socially justifiable way, and in accordance with the principle of sustainable development. Thus, criteria beyond the strict scientific merits (such as safety and effectiveness) of the product may be considered by the government in deciding to ban such products. Moreover, even if a product has been authorized for sale and distribution in the EU, and thus presumably free to circulate in Norway because of the EEA, the government may ban it if determined not to comply with the Gene Technology Act. Norway has rejected eight GMO products approved in the EU. The government maintains that there is no general ban on GMO products even if non-GMO alternatives are available, and that there is no exception for locally produced GMO products. The authorities also state they have not received any Norwegian applications for placing GMO products on the market and that this explains why there is currently no commercial trade of Norwegian GMO products.

The market for U.S. processed foods is impeded significantly in Norway due to the Norwegian food authorities’ restrictive practices concerning the import of processed foods that contain enrichment additives. While limited exceptions are granted on a case-by-case basis, the authority generally bans or restricts the distribution of foods that contain additives not essential to the product, regardless of whether the additives are beneficial. Examples include bakery mixes with enriched flour and cereals with vitamin additives.

An additional barrier for the U.S. processed food market is the requirement that importers complete a detailed agricultural raw materials declaration. Manufacturers have declined to provide the information out of concern that it would require releasing proprietary information.

INVESTMENT BARRIERS

In 1995, in accordance with EEA national treatment articles, the Norwegian government abolished earlier rules governing foreign investment in industrial companies. Under the new system, foreign investors no longer need to obtain government authorization before buying limited shares of large Norwegian corporations. However, both foreign and Norwegian investors are still required to notify the government when their ownership in a large company (meeting certain size criteria) exceeds specific threshold levels of 33 percent, 50 percent, and 67 percent. The Norwegian authorities can initiate a closer examination if they believe the acquisition could have a substantial negative effect on the target company, trade, or the public interest, including a negative effect on employment. The result could mean some market protection to existing business against new market entrants.

There are no formal standardized performance requirements imposed on foreign investors. In the offshore petroleum sector, Norwegian authorities encourage the use of Norwegian goods and services. The Norwegian share of the total supply of goods and services to the offshore petroleum

sector has been about 50 to 60 percent over the last decade. In the past, the Norwegian government has shown a strong preference to Norwegian oil companies in awarding the most promising oil and gas blocks. However, in 1995, the government implemented an EU directive requiring equal treatment of EEA oil and gas companies. Although American oil companies competing in subsequent concession rounds (including the 16th in 2000) agree generally that they were treated on a much-improved basis, Norway's concession process still operates on a discretionary basis, instead of utilizing fully competitive bids.

In December 2000, the government proposed a partial privatization of Statoil, the 100 percent state-owned oil company; between ten and twenty-five percent of the company would be sold initially and up to one-third eventually. The government also proposed to divest 20 percent of the State's Direct Financial Interest (SDFI), with 15 percent to be sold to Statoil at market value and the remaining 5 percent to Norsk Hydro and other oil companies. Parliament will consider these proposals in 2001.

Financial Sector

In December 1997, the government made commitments under the WTO Financial Services Agreement (the Fifth Protocol to the GATS). No additional implementation measures were required. Recent deregulation of financial markets appears to have eliminated many of the barriers facing U.S. financial institutions seeking to operate in Norway.

Without an exemption from the Ministry of Finance due to special circumstances, no single or coordinated group of investors, Norwegian or foreign, may purchase more than 10 percent of the equity of an Norwegian insurance company, commercial bank, or savings bank. However, on December 17, 1999, an amendment to the Act on financial activities and financial institutions entered into force that allows the Ministry of Finance to approve ownership holdings up to 25 percent "in combination with strategic cooperation and alliances." Although this amendment applies without discrimination to both Norwegian and foreign institutions, there is no explicit guidance on what criteria the Ministry will consider as a basis for approving the exceptions.

Without an exemption from the Ministry of Trade and Industry, half the members of the board and half the members of the corporate assembly of a financial institution must be permanent residents of Norway or citizens of a state within the European Economic Area.

Cross-border insurance can only be supplied through an insurance broker authorized in Norway. In order for one or more foreign banks to establish a new Norwegian bank, one of the foreign banking partners must own more than 50 percent of the equity in the new bank.

OTHER BARRIERS

Pharmaceuticals

The Norwegian Association of Pharmaceutical Manufacturers (which includes American firms) has complained about Norway's inadequate implementation of an EU directive on transparency of measures regulating the pricing of medicinal products for human use and their inclusion in the scope of national health insurance systems. The EFTA Surveillance Authority (ESA) – the European Free Trade Association (EFTA) includes Norway, Iceland, Liechtenstein, and Switzerland – issued a preliminary ruling in favor of the complaint, but there are still concerns about how the Norwegian government implements the directive. American companies have cited the Norwegian government's frequent failure to process reimbursement applications within the 90 days required under the EU transparency directive as a barrier to marketing innovative medicines in Norway. In this regard, Merck, a U.S. company, filed a follow-up complaint with ESA in June 1999 documenting the lack of transparency in the

process of evaluating the reimbursement for the asthma medicine “Singulair.” The case had not been resolved at the end of 2000.

Telecommunications

On January 1, 1998, Norway fully liberalized its telecommunications services market to comply with its WTO commitments. This ended the effective monopoly of Telenor on fixed line voice services, infrastructure, and telex services. Telenor had been fully-owned by the state but was partially privatized with the sale of a quarter of its shares at the end of 2000. Equipment that has not been tested and certified under the EEA’s common technical regulations must be type-approved by the Norwegian telecommunications authority. The Norwegian government has indicated that this takes about six weeks under normal procedures. In the past, U.S. companies have reported that such approval is slow and costly for companies offering new products. Norway and its EEA-EFTA partner countries have expressed interest in negotiating mutual recognition agreements (MRAs) with the United States in telecommunications terminal equipment, electromagnetic compatibility, electrical safety, recreational craft, pharmaceutical good manufacturing procedures, and medical devices (the same six sectors as covered by the U.S.-EU Mutual Recognition Agreement).