NORWAY

TRADE SUMMARY

Norway is a member of the European Free Trade Association (EFTA), which also includes Switzerland, Iceland, and Liechtenstein. Norway, along with Iceland and Liechtenstein, has structured its relations with the European Union (EU) in the form of the Agreement on the European Economic Area (EEA), through which the three countries participate in the EU Single Market. As a member of the EEA, Norway has assumed most of the rights and obligations of the EU and grants preferential tariff rates to EEA members. However, Norway is not a member of the EU and so has limited ability to influence EU decisions. U.S. exports face many of the same trade and investment barriers that limit U.S. access to the EU, including non-tariff barriers related to labeling and approval for agricultural goods produced through genetic modification or using growth hormones.

In 2001, the U.S. goods trade deficit with Norway was $3.4 billion, a decrease of $790 million from the previous year. U.S. goods exports to Norway were $1.8 billion in 2001, up 18.9 percent from 2000. In 2001, U.S. imports from Norway totaled $5.2 billion, a decrease of $499 million from the level of imports in 2000.

U.S. exports of private commercial services (i.e., excluding military and government) to Norway were $1.3 billion in 2000 (latest data available), and U.S. imports were $757 million. Sales of services in Norway by majority U.S.-owned affiliates were $2.0 billion in 1999 (latest data available), while sales of services in the United States by majority Norway-owned firms were $5.3 billion.

The stock of U.S. foreign direct investment in Norway in 2000 was $6.3 billion, an increase of 2.0 percent from 1999. Such investment is concentrated in the petroleum, manufacturing, and financial services.

IMPORT POLICIES

In July 1995, Norway accelerated implementation of its WTO commitments for tariff reductions 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 addressed through temporary tariff reductions. Lack of predictability in tariff adjustments and insufficient advance notification (generally only two to five days prior to implementation) has made imports of fruit, vegetables, and other perishable horticultural products from the United States much more difficult than under the previous import regime, and favors nearby European suppliers. At the 4th WTO Ministerial Conference, Norway suggested it would accept a phase-out of export subsidies and softening of other measures that promote protectionism in agriculture.

STANDARDS, TESTING, LABELING AND CERTIFICATION

Sanitary & Phytosanitary Measures

Growth Hormones: The Norwegian government applies the EU's current ban on the import of animals and meat from animals treated with growth hormones, including hormones approved for beef in the United States. The ban effectively keeps U.S. exports of beef and meat products out of Norway.

Biotechnology Food and Agricultural Products: Under the authority of Norway's 1993 Gene Technology Act, the government may ban the import of biotechnology food and agricultural products based on a number of criteria. The Act's stated purpose is to ensure that the production and use of biotechnology products do not cause detrimental effects to health and the environment, and takes place in an ethically and socially-justifiable way and in accordance with the principle of sustainable development. Thus, the government may consider criteria beyond the strict scientific merits of a product, if it decides to ban such products. These criteria apply despite the scientific merits of the product, including safety and effectiveness.

The Norwegian government introduced a regulation in October 1997 requiring the labeling of all products that contain a minimum of two percent material derived from biotechnology sources. The regulation requires labeling regardless of whether the processed product carries biotechnology traits. Norwegian consumer organizations and retail groups are strongly opposed to biotechnology food and agricultural products, with the focus currently on biotechnology soybeans and derivative products. While the government has thus far refrained from banning such commodity imports, market prospects are very limited if alternative non-biotechnology commodities products are available.

The inability of U.S. soybean producers to obtain import approval for biotechnology soybeans from the Government of Norway has resulted in U.S. soybean sales declining from a traditional level of about 250,000 tons annually until 1995 (before the appearance of biotechnology soybeans in the U.S. crop) to zero in the 1997-2001 period. With respect to processed foods, the Norwegian Consumers' Council, in cooperation with the large retail food chains, has threatened periodically to boycott biotechnology food and agricultural products. Even if a product has been authorized for sale and distribution in the EU, and thus is presumably free to circulate in Norway under the EEA, the Norwegian government can ban it if it does not comply with the Gene Technology Act. Norway has rejected eight biotechnology plants, organisms, and/or non-food products approved in the EU, but has approved four others, including tobacco and flowers. Another twenty applications are pending; four of which are for plants, organisms, or non-food products already approved in the EU. There are no pending applications for approval of biotechnology food or agricultural products, although four applications have been filed and then withdrawn. The Government of Norway maintains that there is no general ban on biotechnology food and agricultural products even if non-biotechnology alternatives are available, and that the policies apply equally to locally produced biotechnology products. The authorities also state they have not received any Norwegian applications for placing biotechnology food or agricultural products on the market and that this explains why there is currently no commercial trade of Norwegian biotechnology products.

Other Barriers: In addition to its own requirements, Norway adopted the rules and regulations of the EU related to the import of food products from animals and other food beginning January 1, 1999. This means that imported animal food products must come from an EU-approved plant and be accompanied by the necessary certificates. The Norwegian importer must register and notify the authorities 24 hours in advance (30 days in advance for animals) of the arrival of any shipment. Except for fishery products, shipments must enter through either Oslo harbor or Oslo airport. Twenty entrance locations exist for fishery products.

Restrictive practices concerning the import of processed foods that contain enrichment additives significantly impeded the market for U.S. processed foods. While limited exceptions are granted on a case-by-case basis, the Norwegian Food 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 U.S. processed foods 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 accordance with EEA articles on national treatment, in 1995 the Norwegian government abolished earlier rules governing foreign investment in industrial companies. Under the current 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 (the definition of which depends on certain size criteria) exceeds specific threshold levels of 33 percent, 50 percent, or 67 percent. Norwegian authorities can initiate a closer examination if they believe the acquisition could have a substantial negative effect on the company, trade, or the public interest, including a negative effect on employment. 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 has remained approximately 50 percent over the last decade. In the past, the Norwegian government had 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 current 17^{th} round to be completed in 2002) agree 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 of Norway proposed partial privatization of Statoil (up to one-third of the company) and the sale of 21.5 percent of the State Direct Financial Interest (SDFI) to Statoil (15 percent) and other oil companies (6.5 percent). Parliament agreed to this proposal, and on June 18, 2001, 23 percent of Statoil was sold in an initial stock offering. Telecommunications group Telenor, meanwhile, was partially privatized in December 2000, leaving the government with a stake of 78 percent. In June 2001, the Government of Norway announced that the state stake in Telenor might be reduced to 34 percent. Norway's new center-right coalition government, which assumed power on October 19, 2001, has announced that a White Paper will be presented in Spring 2002 proposing wide-ranging privatization measures (e.g., postal services, railways, etc.).

EXPORT SUBSIDIES

Agriculture Export Subsidies

Norwegian farm production policy goals have never focused on exports, but rather on other goals, including some degree of national food self-sufficiency and providing incentives for farmers to remain in sparsely-populated areas of the country. Self-sufficiency in farm products is less than 50 percent overall – the lowest in Europe. Norwegian farming has been highly subsidized and protected for years. This has occasionally contributed to surplus production in excess of domestic demand. Such surpluses – at prices much higher than international price levels – have been disposed of via official government subsidies or producer financed subsidies. In some years, exported products exceed the annual commitment levels for some product groups. However, the Norwegian Ministry of Agriculture asserts that Norway is in conformity with Article

9.2(b) of the WTO Agreement on Agriculture, which allows unused accumulated export subsidies.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

U.S. industry sources are concerned that cable/satellite decoder and smart card piracy and unauthorized cable retransmission continue to be a problem in Norway. Industry estimates that 33 percent of all such transmissions may be unauthorized or pirated. Norwegian courts and authorities have responded, and copyright enforcement is prompt and reasonably effective. A 1995 amendment to the penal code imposed fines and one-year prison sentences for the sale, marketing, and use of illegal decoders and smart cards.

SERVICES BARRIERS

Financial Sector

In December 1997, Norway 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, no single or coordinated group of investors – Norwegian or foreign – may purchase more than 10 percent of the equity of a Norwegian insurance company, commercial bank, or savings bank. However, on December 17, 1999, an amendment to the Act on Financial Activities and Financial Institutions took effect 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 EEA. 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.

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 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, as well as electromagnetic compatibility, recreational craft, pharmaceutical good manufacturing practices, medical devices, and electrical safety – the same six sectors as covered by the U.S.-EU Mutual Recognition Agreement.

OTHER BARRIERS

Pharmaceuticals

The Norwegian Association of Pharmaceutical Manufacturers (which includes American firms) has complained about Norway's inadequate implementation of the 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 issued a preliminary ruling in September 2001 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. The Norwegian government maintains that its response time falls within the 90-day requirement under its interpretation of the directive, an interpretation with which the pharmaceutical industry disagrees.