NORWAY

TRADE SUMMARY

The U.S. goods trade deficit with Norway was $3.9 billion in 2008, a decrease of $346 million from $4.3 billion in 2007. U.S. goods exports in 2008 were $3.4 billion, up 11.1 percent from the previous year. Corresponding U.S. imports from Norway were $7.3 billion, down 0.1 percent. Norway is currently the 47th largest export market for U.S. goods.

U.S. exports of private commercial services (*i.e.*, excluding military and government) to Norway were $3.0 billion in 2007 (latest data available), and U.S. imports were $2.1 billion. Sales of services in Norway by majority U.S.-owned affiliates were $4.9 billion in 2006 (latest data available), while sales of services in the United States by majority Norway-owned firms were $1.3 billion.

The stock of U.S. foreign direct investment (FDI) in Norway was $11.7 billion in 2007 (latest data available), up from $10.3 billion in 2006. U.S. FDI in Norway is concentrated largely in the mining and manufacturing sectors.

IMPORT POLICIES

Industrial Goods

Norway, along with Switzerland, Iceland and Liechtenstein, is a member of the European Free Trade Association (EFTA). EFTA members, with the exception of Switzerland, participate in the European Union (EU) single market through the European Economic Area (EEA) accord. Norway grants preferential tariff rates to EEA members. As an EEA signatory, Norway assumes most of the rights and obligations of EU member states. The exceptions are in the agricultural and fishery sectors, in addition to finance and foreign policy, none of which are covered by the EEA accord. As a non-EU member, Norway’s ability to influence EU decisions is limited.

Although Norway maintains a liberal trade and investment regime with respect to industrial products, its agricultural sector remains highly protected. Some of Norway’s agriculture trade restrictions are more severe than those of the EU, such as nontariff barriers related to approval for agricultural products derived from biotechnology. As a general matter, Norway has implemented or is in the process of implementing most EU trade policies and regulations. Therefore, U.S. exports to Norway face many of the same trade and investment barriers that limit U.S. access to the EU, such as the ban on hormone-treated meat products.

Norway’s market, except for agricultural products and processed foods, is generally transparent and open. Norway has continued on a unilateral basis to dismantle import tariffs on industrial products. The average Most Favored Nation (MFN) tariff on nonagricultural products has fallen from 2.3 percent in 2000 to less than 1 percent today. More than 90 percent of industrial tariff lines are currently duty free.

Agricultural Products

Although agriculture accounts only for about 1 percent of Gross Domestic Product (GDP), Norway maintains strict protections that shelter the sector from global competition. As justification for this policy, Norway emphasizes the importance of "non-trade concerns," which include food security, environmental protection, rural employment, and the maintenance of human settlement in sparsely populated areas. One of Norway's leading concerns in the WTO Doha Development Round has been the preservation of its highly subsidized and protected agricultural sector. Norway remains committed to advocating tariff-sensitive product and special product protections for its agricultural sector.

Agricultural Tariffs

Norway bound its tariffs for agricultural commodities in 1995 as part of its WTO commitments. Tariffication of agricultural nontariff barriers as a result of the Uruguay Round led to the replacement of quotas with high *ad valorem* product tariffs. Although Norway is only 50 percent self-sufficient in agricultural production, it maintains a protective system that assures that domestic producers – farmers as well as the food processing industry – have little competition until all domestic production has been consumed. Tariff rates on agricultural products currently average about 38 percent – in comparison to less than 1 percent for nonagricultural products – and can range as high as several hundred percent.

Domestic agricultural shortages and price surges have been offset by temporary tariff reductions. Lack of predictability in tariff adjustments and insufficient advance notification of these adjustments – generally only two days to five days before implementation – favor nearby European suppliers and make imports from the United States, especially of fruits, vegetables and other perishable horticultural products, very difficult. For a number of processed food products, tariffs are applied based on their formulas, requiring the Norwegian importer to provide a detailed disclosure of product contents. Many exporters to the Norwegian market refuse to give all requested details and their products are, as a result, subjected to maximum tariffs.

Agricultural Tariff-Rate Quotas

Norwegian tariff-rate quotas (TRQs) are divided into two categories – minimum access quotas and Generalized System of Preferences quotas. TRQs exist for grains and a number of horticultural products. In 2001, Norway also implemented auction quotas for grain and other carbohydrate feed. All quotas are traded at auctions held by the Norwegian Agricultural Authority, a Ministry of Agriculture agency that controls all agricultural imports. Interest in the quotas among Norwegian importers is limited, except for grain, despite the substantial reductions in duties for some products. Compared with domestic consumption and production, the quotas are very small. Most of the interest in Norway's quota auction comes from smaller importers who use their quotas for niche products.

Auction participation is inexpensive, and those who secure a quota are not required to actually import. Although about 98 percent of the quotas each year are sold on these auctions, only 40 percent to 60 percent of the quotas auctioned are usually filled. There is no system to reallocate unused import quotas, also hindering foreign exporters seeking access to the Norwegian market for these products.

Raw Material Price Compensation

Though Norway uses high import tariffs to protect domestic commodities from foreign competition, the situation is more complex for certain processed goods. Although the EEA does not generally apply to agricultural products, it includes provisions on raw material price compensation that are meant to increase trade in processed food. Norway has a special agreement with the EU within the EEA framework that imposes a preferential duty on some EU processed food products. In 2003, this agreement extended coverage to bread and baked goods, breakfast cereals, chocolate and sweets, ice cream, pasta, pizza, soups, and sauces. This scheme disadvantages U.S. exporters to the Norwegian market for the covered processed foods.

Norway also maintains a price reduction scheme that includes subsidies for using certain domestically-produced raw materials in processed foods. Products for which such subsidies are paid include chocolate, sweets and ice cream (for milk and glucose), and pizza (for cheese and meat). The purpose of the system is to help compensate the domestic food processing industry for high domestic raw material costs.

EU Based Agricultural Regulations

In addition to its own requirements related to the import of food products, Norway has generally implemented EU regulations since 1999. The majority of Norwegian sanitary and phytosanitary measures related to trade in plants, animals and foodstuffs are harmonized with EU legislation through the EEA Agreement. An exception is plant health legislation and the approval and use of pesticides. Some EU regulations that Norway has adopted inhibit trade, such as EU regulations on veterinary control of animals and animal products requiring that meat products entering the country come from an EU-approved plant and be accompanied by the necessary health certificates. The importer in Norway must be registered and notify authorities in advance of the arrival of any shipment (24 hours in advance for plants and 30 days in advance for animals). Except for fish products, shipments must enter through either Oslo harbor or Oslo airport. Twenty entrance locations exist for fish products.

Norway also implements EU regulations that ban imports of meat from animals treated with growth hormones. However, the market for U.S. beef for consumption on cruise ships based in, or calling on, Norwegian ports is burgeoning, as beef consumed on board is not subject to such import restrictions.

Biotechnology

Norway's strict limitations on imports of agricultural biotechnology products have had an adverse impact on U.S. producers. Before the limitations took effect in 1996, U.S. exporters usually supplied 60 percent to 80 percent of the Norwegian soybean market. As a result of the limitations, the entire market has been lost.

Although not a member of the EU, as an EEA member Norway is required to implement EU legislation with regard to food, feed and seed produced from genetic engineering. However, the Norwegian Gene Technology Act of 1993 is more restrictive than EU legislation, as it requires proof that agricultural biotechnology products were developed with an ethical justification, provide a societal benefit, and accord with sustainable development goals. This difference in the assessment of products of bioengineering for licensing has led to Norway's rejection of several biotechnology products approved in the EU. Only four biotechnology products have actually received approval for marketing in Norway – one line of tobacco and three lines of carnations. In 2004, the EU implemented Regulation 1829/2003 on Genetically Modified Food and Feed, as well as Regulation 1830/2003 on Traceability and Labeling of Genetically Modified Organisms and the Traceability of Food and Feed Products produced from Genetically Modified Organisms. These polices were integrated into Norwegian regulations in September 2005.

All food and feed produced from genetic engineering, including products that no longer contain detectable traces of agricultural products derived from biotechnology, must be labeled. The allowable adventitious presence level is set at 0.9 percent for EU-approved products and 0.5 percent for products that have not yet been approved but have successfully completed an EU or Norwegian risk assessment. All products testing above these levels must be labeled. The regulation does not require labeling of products that are not food ingredients, such as processing aids. Meat, milk or eggs obtained from animals fed with products derived from biotechnology or treated with medicinal products derived from biotechnology do not require additional labeling.

Norway actively works to promote its views on biotechnology through international organizations like the Cartagena Protocol on Biosafety and the Codex Committee on Food Labeling.

Wines and Spirits

The wine and spirits retail market in Norway is controlled by the government monopoly Vinmonopolet, with a stated social mission of contributing toward curbing alcohol consumption, regulating spirit access, and adhering to a system of social control. There were 234 Vinmonopolet stores throughout Norway in 2008, with over 10,000 products sold. The market share of U.S. wine offered through the Vinmonopolet in 2007 is less than 2 percent. Wine and spirits sales through ordinary retail stores are not allowed. An approved importer/agent and distributor are required in order to enter the market. Gaining approvals to include wines and other alcoholic beverages on Vinmonopolet's retail list is cumbersome, contributing to the limited variety of U.S. wines available to Norwegian consumers. Vinmonopolet's tender system sets specifications and conditions for quality, price and delivery, for the purchase of most new products. Products chosen for sale through Vinmonopolet must meet annual minimum sales quotas or they are dropped from the basic list inventory. Advertising of alcoholic beverages is strictly prohibited. In 2008, U.S. and Norwegian authorities held constructive discussions on ways to raise awareness of U.S. wines and increase the number of quality U.S. wines in Norway. These discussions strongly contributed to Vinmonopolet's decision to promote more American wines throughout their stores in 2009.

GOVERNMENT PROCUREMENT

Norway is a signatory to the WTO Agreement on Government Procurement. Norway's government procurement procedures are nondiscriminatory and based on open, competitive bidding for procurement above certain threshold values. A similar set of national rules applies to public contract tenders below these thresholds. Exceptions for defense procurement leave a "gray area" for dual use items that can also be used in military operations. National law regulates defense procurement. Although disputes may be settled by the European Surveillance Authority (ESA) or by the courts, the process can be unduly lengthy.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Enforcement of IPR in Norway is inconsistent. U.S. industry reports that Norwegian police and judicial authorities are apparently committed in principle to taking action against piracy, counterfeiting and other forms of IPR infringement, and have successfully prosecuted a number of high profile cases. However, further improvements in IPR enforcement are needed.

Industry representatives report that Internet piracy exists in Norway, due to prevalent broadband Internet penetration and to the ease of peer-to-peer downloads of music and video. In 2008, Norway experienced its first "camcording incidents" involving motion pictures illegally recorded in cinemas.

According to U.S. industry, Norway does not expressly ban imports of counterfeit or pirated goods. Although counterfeit and pirated goods are not commonly available domestically, counterfeiters and pirates reportedly have used Norway for transshipment to EU nations.

Industry representatives report concerns with Norway's implementation of the EU's 2001 Copyright Directive that addresses Internet piracy, as well as broad private use exceptions under Norway's copyright laws. The United States will also monitor legal developments in Norway relating to interoperability of digital rights management (DRM) technologies.

U.S. and Norwegian authorities held constructive discussions in 2008 concerning the need to educate and promote public awareness of illegal internet use, the role of ISPs in prohibiting piracy, and dedicating necessary public resources to combat piracy and prosecute offenders.

Pharmaceuticals

U.S. pharmaceutical companies continue to be concerned with the lack of product patent protection for certain pharmaceutical products in Norway. The United States will continue to encourage Norway to resolve this issue.

SERVICES BARRIERS

Financial Services

Current regulations require that the Norwegian Financial Supervisory Authority grant permission for ownership levels in local financial institutions that exceed certain thresholds. The Authority assesses the acquisitions to ensure that prospective buyers are financially stable and that the acquisition does not unduly limit competition. The Authority applies national treatment to nonbank foreign financial groups and institutions, but maintains nationality requirements for certain types of financial institutions where at least half the members of the board and half the members of the corporate assembly must be nationals and permanent residents of Norway or another EEA nation. On January 1, 2005, Norway removed the ceiling on foreign equity in a Norwegian financial institution, provided the Authority has granted a concession.

Telecommunications

Telenor, a company in which the government holds a 54 percent stake, is the dominant operator in the Norwegian telecommunications market. In 2005, the Norwegian Post and Telecommunications Authority (NPTA), in line with the EU's telecommunications regulatory framework, declared that Telenor had significant market power in a number of segments in the telecommunications sector including: leased lines; call origination; transit services; wholesale unbundled access to metallic loops and sub-loops for the purpose of providing broadband and voice services; wholesale broadband access; and wholesale transmission services for national radio, local television, and national television on analog terrestrial networks. The NPTA imposed regulatory requirements on Telenor in order to facilitate competitors' entry into, and further access to these markets.

INVESTMENT BARRIERS

Norway welcomes foreign investment as a matter of policy and grants national treatment to foreign investors, except in mining, hydropower and property acquisition. Foreign companies are required to obtain concessions for the right to own or use various kinds of real property, including forests, mines, tilled land and waterfalls. However, foreign companies do not need concessions to rent real estate, provided that the rental contract is made for a period of fewer than 10 years.

Norway's petroleum concession process still operates on a discretionary basis, with the government awarding licenses based on subjective factors rather than competitive bidding. The Norwegian government does not allow foreign investment in the direct ownership of hydropower resources.

Energy Sector Competition

Norway's two major petroleum producers and the largest Norwegian Continental Shelf (NCS) operators, the government-controlled Statoil and Norsk Hydro, merged on October 1, 2007. The new entity, StatoilHydro, controls approximately 80 percent of NCS operatorships. The Norwegian government has a 63.9 percent share in the merged firm, and stated that it will increase its ownership to a 67 percent share. Given the two Norwegian petroleum firms' previous dominant and competitive NCS operatorship roles, the merger may have ramifications for foreign competitors seeking to operate and/or develop the NCS. The Norwegian government has contended that the merger will not reduce NCS value creation, even though the government recognizes that the merger requires governmental monitoring to ensure a balance in future NCS development.

On June 22, 2007, the Norwegian government also bought a 30 percent share in the Norwegian company Aker Holding AS, which in turn is a 40 percent owner of AkerSolutions, the largest Norwegian-owned services company in the country's oil and gas industry, as well as the largest equipment supplier to Norway's oil and gas industry. The approximately $800 million investment was prompted by the government's call to ensure national ownership in key businesses. The long-term impact on market access for U.S. companies resulting from both the StatoilHydro merger and AkerSolutions buy-in is unclear.

OTHER SECTORAL POLICIES

Automotive Sector

The general vehicle taxation system that Norway implemented in 1996, under which taxes are calculated progressively on the basis of vehicle weight, engine horsepower, and engine displacement, has had a strong negative impact on sales of U.S. vehicles in Norway. These parameters tend to be unfavorable to vehicles manufactured in the United States, which are generally heavier and equipped with engines with more horsepower and higher displacement than vehicles manufactured in other nations. In the year before this tax regime went into effect, approximately 9,500 American vehicles were sold in Norway, nearly 8 percent of the market. Since that time, sales of U.S. vehicles in Norway have steadily declined, to less than 1,500 in 2005 (about 1 percent of the market), most of which were light trucks. However, in its 2006 budget, the Norwegian government imposed new taxes on light trucks that, in effect, eliminated the last significant remaining market for U.S. vehicles in Norway. More than 1,000 U.S. light trucks were sold in Norway before the tax went into effect. Post-tax sales plummeted to several dozen vehicles.

Effective January 1, 2007, Norway substituted a new carbon dioxide (CO_2) emissions factor for the engine displacement parameter in its vehicle taxation regime. All non-EU tested cars are subject to an engine displacement factor when taxes are formulated. Certain American cars exported to Norway, which are neither tested in Europe, nor use EU test cycles, must now use the displacement factor (which increased by 23 percent from 2006 levels), resulting in higher taxes. The new system encourages sales of diesel powered passenger vehicles, which generally are not manufactured in the United States. Moreover, Norway will not accept any foreign emission standards, including those of the U.S. Environmental Protection Agency, in the new tax regime, adhering only to EU standards for measuring CO_2 emissions. Norway announced that it would lift the light truck tax in 2007 for trucks with cargo space above certain limits, but the space limitations deny most U.S. light trucks the benefit of the restored exemption. Estimates indicate a 50 percent reduction in the number of exported American cars, specifically caused by the new tax, since the newly-factored tax rate was instituted.

In 2008, U.S. and Norwegian authorities held discussions on the initial consequences of the new tax regime, including industry requests to allow data from EU test cycles when calculating sales taxes. The new tax system has led to significantly higher taxes, with one American hybrid automobile currently subject to a tax increase exceeding $70,000. The Finance Ministry is currently reviewing data demonstrating the higher tax rates now affecting many U.S. automobiles.