NORWAY

TRADE SUMMARY

Norway is a member of the European Free Trade Association (EFTA), which also includes Switzerland, Iceland, and Liechtenstein. Formed in 1960, EFTA provides for the elimination of tariffs on manufactured goods and select agricultural products that originate in, and are traded among, the member countries. Norway, along with Iceland and Liechtenstein, has structured its economic 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 adopted most EU legislation and grants preferential tariff rates to EEA Members. U.S. exports to Norway 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 bioengineered agricultural goods or the use of growth hormones.

The U.S. trade deficit with Norway was $4.4 billion in 2002, an increase of $1.1 billion from 2001. U.S. goods exports in 2002 were $1.4 billion, down 23.3 percent from the previous year. Corresponding U.S. imports from Norway were $5.8 billion, up 12.1 percent. Norway is currently the 50th largest export market for U.S. goods.

U.S. exports of private commercial services (i.e., excluding military and government) to Norway were $1.2 billion in 2001 (latest data available), and U.S. imports were $921 million. Sales of services in Norway by majority U.S.-owned affiliates were $2.0 billion in 2000 (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 in 2001 was $6.7 billion, up from $5.8 billion in 2000. U.S. FDI in Switzerland is concentrated mainly in the finance and petroleum sectors.

IMPORT POLICIES

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 the import 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.

In addition to its own requirements related to the import of food products, in January 1999, Norway also adopted EU rules and regulations. As a result, imported animal products for consumption must come from an EU-approved facility and be accompanied by the necessary certificates. The importer in Norway must be registered and must notify Norwegian authorities in advance of the arrival of any shipment – 24 hours in advance for plants and 30 days in advance for animals. With the exception of fish products, shipments must enter through either Oslo harbor or Oslo airport. Twenty entrance locations exist for fish products.

STANDARDS, TESTING, LABELING AND CERTIFICATION

Sanitary and Phytosanitary Measures

On April 19, 1996, the Norwegian Ministry of Agriculture issued a regulation banning imports of beef from cattle raised with hormonal growth promoters. According to the Ministry of Agriculture, the government implemented the ban as one of numerous EU harmonization measures under the EEA agreement. Also, as part of the EEA agreement, Norway has implemented EU Directive 90/220 on the deliberate release into the environment of biotechnology products.

However, under the 1993 Gene Technology Act, Norway has additional and more stringent regulations on biotechnology products, including a requirement for approval to market products already approved by other EEA Members. In addition, the Gene Technology Act contains unspecified criteria related to ethical issues, sustainable development, and social justification. As a result, fourteen biotechnology products approved for use in the EU have been rejected by Norway. To date only four biotechnology products have been approved for import into Norway. One is a tobacco plant (grown in France), and the other three are types of carnations grown as greenhouse plants.

Norwegian Food Control Authority (NFCA) labeling requirements apply to all bioengineered food products, whether or not their properties or characteristics are different from those of comparable non-bioengineered food products. According to the NFCA, products containing bioengineered ingredients must be labeled whenever more than 2 percent of any ingredient contained in the product is bioengineered. In an amendment to the regulation, this threshold was reduced to 1 percent on February 1, 2003.

Risk assessment of novel foods must be conducted according to Norwegian guidelines prior to approval of a bioengineered food product, even if the product does not require labeling. Although Norway's guidelines are based on EU guidelines that were designed for administration of the 1997 EU Novel Foods Regulation, Norway is constantly broadening its analysis of possible unintended effects resulting from bioengineering.

EXPORT SUBSIDIES

Agriculture Export Subsidies

Norwegian farm production policy goals have focused on providing some degree of national food self-sufficiency and providing incentives for farmers to remain in sparsely populated areas of the country, rather than export markets. 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. Of the total export subsidies in 2000, 9 percent was direct support and 91 percent producer financed. For 2001, export subsidies were 13 percent direct support and 87 percent producer financed.

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

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, a 1999 Amendment to the Act on Financial Activities and Financial Institutions 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 country 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

In January 1998, Norway fully liberalized its telecommunications services market and ended the effective monopoly of Telenor on fixed line voice services, infrastructure, and telex services. Telecommunications 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 government has indicated that this should take about six weeks under normal procedures. However, U.S. companies have reported that such approval is slow and costly for companies offering new products.

Norway and the other EFTA EEA Members 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 1998 U.S.-EU MRA. The United States will begin negotiation of an MRA with the EFTA EEA countries in 2003 that will parallel the provisions of the U.S.-EU MRA, but will be restricted to sectoral annexes on telecommunications equipment, electromagnetic compatibility, and recreational craft.

INVESTMENT BARRIERS

In accordance with EEA articles on national treatment, in 1995, Norway abolished previous rules governing foreign investment in industrial companies. Under current regulations, 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, Norway encourages 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, Norway had shown a strong preference for Norwegian oil companies in awarding the most promising oil and gas exploration and development blocks. However, in 1995, the government implemented an EU directive requiring equal treatment of EEA oil and gas companies. Although U.S. oil companies competing in subsequent concession rounds agree 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), the state's share in oil and gas assets, to Statoil (15 percent) and other oil companies (6.5 percent). After approval by the Parliament, in June 2001, 19.8 percent of Statoil was sold in an initial stock offering. The telecommunications group Telenor was partially privatized in December 2000, leaving the government with a stake of 78 percent, and in June 2001, the government announced that the state stake in Telenor might be reduced to 34 percent.

Prompted by EU Commission calls for liberalization, Norway's Oil and Energy Ministry announced in May 2001 that Norway's gas sales monopoly (Gassforhandlingsutvalget, or GFU), which in the past had negotiated all natural gas sales to Europe, would be suspended on June 1, 2001. After this step was implemented, the GFU was permanently dismantled on January 1, 2002, meaning that all gas producers and operators on the Norwegian continental shelf are now free to negotiate gas sales contracts on an individual basis.

In April 2002, the Government of Norway presented a long-awaited White Paper proposing a reduction in the level of state ownership in Norwegian industry. The White Paper discussed general issues regarding extensive state ownership in the Norwegian economy and measures to strengthen private ownership, and examined state ownership in almost 40 individual companies (including Norsk Hydro, Telenor, NAMMO and Kongsberg). Given that the government does not have sufficient votes in the Parliament to push the package through without support from other political parties, it is unclear which of the proposals will be implemented. A reversal by opposition parties of long-standing support for privatization meant that the government was not able to pass privatization legislation in 2002.

OTHER BARRIERS

Pharmaceuticals

The Norwegian Association of Pharmaceutical Manufacturers, which includes U.S. 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 pharmaceutical association, but there are still concerns about how the Norwegian government implements the directive. U.S. 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 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.