NORWAY

In 1996, the U.S. trade deficit with Norway was $2.3 billion, an increase of $514 million from the U.S. trade deficit of $1.8 billion in 1995. U.S. merchandise exports to Norway were $1.6 billion, an increase of $265 million (20.5 percent) from the level of U.S. exports to Norway in 1995. Norway was the United States' forty-seventh largest export market in 1996. U.S. imports from Norway were $3.9 billion in 1996, an increase of $778 million (25.2 percent) from the level of imports in 1995.

The stock of U.S. foreign direct investment (FDI) in Norway in 1995 was $4.9 billion, an increase of 14.5 percent from the level of U.S. FDI in 1994. U.S. FDI in Norway is concentrated largely in the petroleum, manufacturing, and wholesale sectors.

Overview

Although Norwegian voters rejected European Union (EU) membership in 1994, Norway retains membership in the European Economic Area (EEA) which consists of the EU member countries together with Norway, Iceland, and Liechtenstein. As an EEA member, Norway has assumed most of the rights and obligations of the EU single market. However, Norway has very little ability to influence EU decisions.

Norway has its own tariff system but by virtue of EEA obligations or Norwegian Government policies, U.S. exports face most of the same trade and investment barriers which can limit U.S. access to the EU. Preferential tariff rates are granted to the EU and other EEA members. The most significant EEA non-tariff barriers which affect U.S. commercial interests in Norway concern labeling, acceptance of agricultural goods (related to genetically modified organisms and growth hormones), and preferential treatment of EEA-based firms in publicly tendered major projects.

Norway's trade and investment regime is in a state of transition, with continuing implementation of Uruguay Round and EEA commitments. Additional liberalization steps may be possible based on the successful conclusion of ongoing World Trade Organization (WTO) negotiations in specific areas.

IMPORT POLICIES

Agricultural Tariffs

In July 1995, Norway accelerated its WTO implementation commitments for tariff reduction on agricultural commodities by immediately adopting the year 2000 bound tariff rate targets. Tariffication of agricultural non-tariff barriers under the Uruguay Round had led to the replacement of quotas with higher product tariffs. Agricultural shortages or price surges have been countered by temporary tariff reductions. But lack of sufficient advance notification and predictability 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.

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Tariff-Rate Quota Administration

The Norwegian Ministry of Agriculture has established an auction for the rights to import under the tariff-rate quotas established for meats, butter, eggs, and cabbage. If the proceeds of the auction to the Norwegian Government, plus the applicable tariff, exceed the bound rate, then Norway may be in violation of Article II of WTO 1994. This issue is now before the Committee on Agriculture.

STANDARDS, TESTING, LABELING, AND CERTIFICATION

Agricultural Product Standards

In 1996, the Norwegian Government banned the import of growth hormone-treated meat, including growth hormones approved in the United States for beef. In practice, the ban had minimal impact on U.S. beef imports into Norway since meat distributors had previously refused to buy hormone-treated beef based on concern that Norwegian consumers would reject it.

As of January 1997, the Norwegian Government's position on genetically modified organisms (GMOs) and related labeling remained unclear. As a member of the EEA, it is highly likely that Norway will accept the EU's position. However, there is strong opposition to GMO food products among Norwegian consumer and retail groups, with the focus currently on genetically modified soy beans and derivative products. Even if the Norwegian Government allows such products to enter Norway, market prospects appear to be very limited if alternative non-GMO products are available.

Application of Safety Certification Standards

In 1996, the Norwegian Maritime Directorate (NMD) instructed the Norwegian maritime community to discontinue use of emergency survival suits produced by a leading U.S. manufacturer, after the suits failed to pass a testing procedure which was not in conformance with tests and standards set by the International Maritime Organization. The equipment tested had been approved by the U.S. Coast Guard and had met uniform certification standards throughout the world. As of March 1997, the NMD has failed to respond adequately to U.S. Government requests to address this issue.

Norway is changing its rules regarding entry and operation for foreign financial service providers. Implementation of the EEA accord removed many such barriers for EU and EFTA member countries and recent deregulation of financial markets appears to have eliminated many of the barriers facing U.S. financial institutions seeking to operate in Norway. Norway has also adopted the EU's Second Banking Directive which, among other provisions, has allowed financial institutions established in the EEA to open branches in Norway. Since July 1, 1996, branch banking from the United States and other non-EEA countries has been permitted.

INVESTMENT BARRIERS

Norway has been an active participant in the Organization for Economic Cooperation and Development (OECD) Multilateral Agreement on Investment (see MAI in the EU chapter) and has made a proposal for significant liberalization. In 1995, in accordance with EEA national treatment directives, the Norwegian Government changed the rules governing foreign investment in industrial companies. Under the new system, foreign investors no longer need to obtain a government concession before buying limited shares of Norwegian corporations. However, both foreign and Norwegian investors are still required to notify the government when their ownership in a company exceeds certain levels (e.g. 33 percent, 50 percent, 67 percent). The Norwegian Government then can take action if the purchase is considered contrary to national interests, which could include objectives such as maintaining high employment and providing some market protection to existing businesses against new market entrants.

At present, foreign and domestic investors must have permission of the Norwegian Government to purchase more than 10 percent of the equity of an existing financial institution, and foreign investors may not own more than 33 percent of the equity of any financial institution without a government concession. 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 the three Norwegian oil companies in awarding the most promising oil and gas blocks.

OTHER BARRIERS

Telecommunications Equipment

Despite ongoing reform of its telecommunications market, Norway still maintains some restrictions which limit market access for U.S. telecommunications equipment. The state owned corporation, Telenor, will maintain its effective monopoly on fixed-line voice services, infrastructure, and telex services until January 1, 1998, at which time Norway has committed in the WTO negotiations on basic telecom services to open its services market fully to competition.

Equipment which has not been tested and certified under the European economic area’s common technical regulations must be type approved by the Norwegian telecommunications authority. American companies report that this type approval process is slow and costly for companies offering new products.

Monopoly for Alcoholic Beverages

In accordance with EEA directives, Norway lifted its national monopoly for the importation and wholesale distribution of alcoholic beverages. Similar to some other countries, Norway retains for political and social reasons its high taxes and retail distribution monopoly for alcoholic beverages. There is an exception for beer.

Shipbuilding

Norway supported and has ratified the OECD shipbuilding accord which curtails such subsidies. Since the accord has not entered into force because some key participants have not yet ratified, Norway has extended shipbuilding subsidies until July 1, 1997, or until the OECD shipbuilding subsidy pact comes into force.

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In compliance with the EEA rules, new vessels costing $12.5 million or more will receive a subsidy equivalent to 9 percent of the amount while vessels costing less will receive a 4.5 percent subsidy. The Norwegian Government has earmarked $75 million for ship subsidies for the first half of 1997. Additional subsidies will be budgeted if the OECD pact is not implemented.