NORWAY

TRADE SUMMARY

The U.S. goods trade deficit with Norway was $3.8 billion in 2010, up $950 million from 2009. U.S. goods exports in 2010 were $3.1 billion, up 11.1 percent from the previous year. Corresponding U.S. imports from Norway were $6.9 billion, up 22.2 percent. Norway is currently the 48th largest export market for U.S. goods.

U.S. exports of private commercial services (i.e., excluding military and government) to Norway were $2.8 billion in 2009 (latest data available), and U.S. imports were $1.5 billion. Sales of services in Norway by majority U.S.-owned affiliates were $6.5 billion in 2008 (latest data available), while sales of services in the United States by majority Norway-owned firms were $1.8 billion.

The stock of U.S. foreign direct investment (FDI) in Norway was $27.0 billion in 2009 (latest data available), up from $24.4 billion in 2008. U.S. FDI in Norway is primarily concentrated in the mining and manufacturing sectors.

IMPORT POLICIES

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. These sectors are in addition to finance and foreign policy, which are not covered by the EEA accord. As a non-EU member, Norway's ability to influence EU decisions is limited.

As a general matter, Norway has implemented, or is in the process of implementing, most EU trade policies and regulations. Norway's market, except for agricultural products and processed foods, is generally open. Norway has continued to dismantle import tariffs on industrial products on a unilateral basis. The average Most Favored Nation (MFN) tariff on nonagricultural products has fallen from 2.3 percent in 2000 to less than one percent today. More than 95 percent of industrial tariff lines are currently duty-free.

Although Norway maintains a liberal trade and investment regime with respect to industrial products, its agricultural sector remains highly protected, and U.S. exporters of agricultural products face trade barriers that are at least as high as they face in the EU.

Agricultural Products

Although agriculture accounts only for slightly more than one percent of Gross Domestic Product (GDP), support provided by Norway to its agricultural producers as a percentage of total farm receipts is among the highest in the world. 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 as justification for high domestic support levels. One of Norway's concerns in the WTO Doha Development Round has been the preservation of its highly subsidized agricultural sector.

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* or specific tariffs on these products. According to the WTO, Norway's simple average applied tariff is 43.2 percent for agricultural goods and 0.5 percent for non-agricultural goods.

Although Norway is only 50 percent self-sufficient in agricultural production, it maintains a system that assures that domestic producers – farmers as well as producers in the food processing industry – have little competition until all domestic production has been consumed. Tariff rates on agricultural products can range as high as several hundred percent.

Domestic agricultural shortages and price surges are offset by temporary tariff reductions. However, a 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 product formula, 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, as a result, their products are subject to maximum tariffs.

Tariff-Rate Quotas

As of 2010, Norway has tariff-rate quotas (TRQs) for 64 agricultural and horticultural products, and the Norwegian Agricultural Authority holds online auctions for the allocation of quotas for 54 of these products. Norwegian importers are primarily interested in TRQs for grains or niche products. However, participating in the auctions is inexpensive, and importers that secure a quota are not required to actually import those products. The Agricultural Authority does not have a system to reallocate any unused quotas.

Raw Material Price Compensation

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 applies a preferential duty on EU processed food products. The agreement covers a wide range of products, including bread and baked goods, breakfast cereals, chocolate and sweets, ice cream, pasta, pizza, soups, and sauces. This regime disadvantages U.S. exporters of these processed foods in access to the Norwegian market.

Norway also maintains a price reduction regime 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 the high costs of domestic raw material.

Wines and Spirits

The wine and spirits retail market in Norway is controlled by the government monopoly Vinmonopolet. The monopoly regulates all domestic access to spirits. Wine and spirits sales through ordinary retail stores are not allowed. Both 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, leading to complaints from U.S. wine exporters about the limited variety of U.S. wines available to Norwegian consumers. 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 2007, the market share of U.S. wine offered through the Vinmonopolet was less than two percent. U.S. and Norwegian authorities then held constructive discussions on ways to raise awareness and the number of quality U.S. wines sold in Norway. These discussions strongly contributed to Vinmonopolet's decision to have a nationwide focus on U.S. wines in January and February 2009, with a special release of 17 U.S. wines in all its stores and positive features in its magazine Vinbladet. From 2008 to 2009, sales of U.S. wines grew by over 50 percent for reds and 15 percent for whites, and the growth has continued in 2010.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Norway was listed on the Watch List in the 2010 Special 301 Report. The key issue cited in the report was the lack of product patent protection for certain pharmaceutical products. U.S. industry has expressed concern that the regulatory framework in Norway regarding process patents filed prior to 1992 – and pending in 1996 – denies adequate patent protection for a number of pharmaceutical products currently on the Norwegian market. The United States will continue to encourage Norway to resolve this issue.

U.S. industry also reports concerns regarding Norway's implementation of the EU's 2001 Copyright Directive that addresses Internet piracy, and regarding private use exceptions under Norway's copyright laws. The Norwegian government is currently drafting revised legislation that would enhance copyright protection.

U.S. and Norwegian authorities held constructive discussions in 2010 regarding several IPR matters, including: pharmaceuticals product patent protection; the need to educate and promote public awareness of illegal internet use; the role of Internet service providers in prohibiting piracy; and the need to dedicate necessary public resources to combat counterfeiting and piracy and to prosecute offenders.

SERVICES BARRIERS

Financial Services

Norway maintains nationality requirements mandating for certain types of financial institutions that at least half the members of the board and half the members of the corporate assembly be nationals and permanent residents of Norway or another EEA nation.

INVESTMENT BARRIERS

Norway generally welcomes foreign investment and grants national treatment to foreign investors, with exceptions in the mining, fisheries, hydropower, maritime and air transport sectors. Foreign companies wishing to own or use various kinds of real property must seek prior approval from the government. In the petroleum sector, Norway's concession process continues to be operated on a discretionary basis, with the government awarding licenses based on subjective factors other than competitive bidding. Direct foreign ownership of hydropower resources is prohibited.