NORWAY

TRADE SUMMARY

U.S. goods exports in 2013 were $4.5 billion, up 28.2 percent from the previous year. Corresponding U.S. imports from Norway were $5.5 billion, down 16.4 percent. The U.S. goods trade deficit with Norway was $1.0 billion in 2013, down $2.1 billion from 2012. Norway is currently the 46th largest export market for U.S. goods.

U.S. exports of private commercial services (*i.e.*, excluding military and government) to Norway were $3.3 billion in 2012 (latest data available), and U.S. imports were $2.1 billion. Sales of services in Norway by majority U.S.-owned affiliates were $6.2 billion in 2011 (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 $38.8 billion in 2012 (latest data available), up from $33.3 billion in 2011. 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, except in the agricultural and fishery sectors.

Norway has implemented, or is in the process of implementing, most EU trade policies and regulations. Except for agricultural products and processed foods, Norway's market is generally open. Norway has continued to dismantle 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 0.5 percent in 2013. 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.

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 several quotas with high *ad valorem* or specific tariffs on agricultural products. According to the WTO, Norway's simple average applied tariff in 2013 was 53.2 percent for agricultural goods and 0.5 percent for non-agricultural goods. These averages often change annually as Norway's applied rates vary greatly from bound rates.

Although Norway is only 50 percent self-sufficient in agricultural production, it maintains tariff rates on agricultural products as high as several hundred percent to ensure that domestic farmers as well as producers in the food processing industry have little competition until all domestic production has been consumed. 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 products from the United States, especially of fruits, vegetables, and other perishable horticultural products, very difficult to import. For a number of processed food products, tariffs are applied based on a 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.

Agricultural Products

Although agriculture accounts only for 0.3 percent of gross domestic product (GDP) (based on 2011 data), support provided by Norway to its agricultural producers as a percentage of total farm receipts is, at 63 percent in 2012, the highest in the world according to the OECD. 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.

Norway also imposes problematic sanitary barriers on agricultural products, including prohibiting the import of beef from animals treated with hormones despite decades of scientific evidence demonstrating that this practice poses no risks to health. In addition, Norway applies extremely restrictive policies to genetically engineered crops. Norwegian legislation – which is not fully aligned with the relevant European Union legislation under the EEA – requires that genetically engineered varieties meet criteria that are not related to the protection of health, food safety, or the environment. These restrictive policies cost U.S. industry an estimated $100 million in lost soybean sales annually.

Tariff-Rate Quotas

Although Norway has 232 tariff-rate quota (TRQ) commitments in its WTO tariff schedule (or 16 percent of total WTO Member TRQs), most of these are not active as current applied rates are either equal to or lower than the in-quota bound rate. Norway has 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 allocation are not actually required to import any products. The Agricultural Authority does not have a system to reallocate any unused quota.

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 results in the application of 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 preferential access for EU suppliers disadvantages U.S. exporters of these processed foods.

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 domestically produced raw materials.

Wines and Spirits

The wine and spirits retail market in Norway is controlled by the government monopoly Vinmonopolet. Sales of wine and spirits are not allowed in ordinary retail stores. Obtaining 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. Vinmonopolet's six-month marketing and product plans for selecting and purchasing wines are so detailed and narrow as to significantly constrain competitive supply. Products chosen for sale through Vinmonopolet must meet annual minimum sales quotas or they are dropped from the basic list inventory. Existing wine suppliers benefit from exposure in Vinmonopolet stores, a situation exacerbated by the strict ban on advertising alcoholic beverages.

Following constructive discussions between the United States and Norway on ways to raise awareness and sales of quality U.S. wines in Norway, sales of U.S. red wines through Vinmonopolet grew 150 percent over the 2008-2012 period. In the same period, the U.S. share of the overall market for red wines more than doubled from 2.27 percent to 5.41 percent. U.S. white wine sales have dropped slightly to a 1 percent market share. U.S. rosé sales passed U.S. white wine sales in 2012, up 40 percent from 2011, amounting to a 14 percent market share. Challenges with Vinmonopolet's subjective tender system, a relative lack of opportunities for new market entrants, and, as a result, a relatively low awareness of U.S. wines, remain.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

Norway was removed from the Special 301 Watch List in 2013. Norway had been on the list since 2008 principally because of concerns regarding the lack of product patent protection for certain pharmaceuticals. While the effects of Norway's patent policies have diminished over time, there remains a continued need for Norway to engage with all stakeholders with respect to its medicines policies.

Norway's efforts to combat online piracy were also cited in previous Special 301 reports. Norway's copyright laws were amended in 2013. The amended Copyright Act was presented to Parliament on February 8 and entered into force on July 1. The amended act includes clarifications of the legal basis for the collection of information on illegal file-sharing activity.

U.S. and Norwegian authorities held constructive discussions in 2013 regarding several intellectual property rights (IPR) matters, including: pharmaceuticals product patent protection; the need to educate the public about IPR and to promote public awareness of IPR-infringing activity that occurs over the Internet; the role of Internet service providers in combating piracy; and the need to dedicate the necessary public resources to combat counterfeiting and piracy and to prosecute offenders.

SERVICES BARRIERS

Financial Services

For certain types of financial institutions, Norway requires 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 country.

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, except in rare instances when the government may grant foreign investment limited to 20 percent equity.