NORWAY

TRADE SUMMARY

The U.S. goods trade deficit with Norway was $4.7 billion in 2006, a decrease of $152 million from $4.8 billion in 2005. U.S. goods exports in 2006 were $2.4 billion, up 23.3 percent from the previous year. Corresponding U.S. imports from Norway were $7.1 billion, up 4.5 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 $2.1 billion in 2005 (latest data available), and U.S. imports were $2.0 billion. Sales of services in Norway by majority U.S.-owned affiliates were $3.4 billion in 2004 (latest data available), while sales of services in the United States by majority Norway-owned firms were $459 million.

The stock of U.S. foreign direct investment (FDI) in Norway in 2005 was $8.8 billion (latest data available), up from $8.4 billion in 2004. 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 principal exception is in the agricultural sector, which the EEA accord does not cover.

Although Norway maintains a liberal trade and investment regime with respect to industrial products, its agricultural sector remains highly protected. Some of Norway's trade restrictions are more severe than those of the EU, such as non-tariff 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. As a non-EU member, Norway's ability to influence EU decisions is limited.

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 non-agricultural 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 stalled 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 non-tariff 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 and 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 non-agricultural 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 notifications – generally only two to five days before implementation – favor nearby European suppliers and make imports from the United States, especially of fruit, vegetables and other perishable horticultural products, very difficult. For a number of processed food products, tariffs are applied based on their recipes, 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 are divided into two categories – minimum access quotas and Generalized System of Preferences (GSP) quotas. Tariff-rate quotas 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 or from large farmer-owned companies to block competition to their own domestically-produced 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 30 percent to 40 percent of the quotas auctioned are usually filled through imports. There is no system to reallocate unused import quotas, 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 grants some EU processed food products a preferential duty. In 2003, the 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 in 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. 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 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 bar 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. 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.

While the revised Norwegian regulations incorporated the major elements of the EU regulations, they do not represent a formal or complete implementation of EU directives. 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.

Wines and Spirits

The wine and spirits retail market in Norway is controlled by the government monopoly Vinmonopolet. There were 198 Vinmonopolet stores throughout Norway at the end of 2006. 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, limiting the variety of U.S. wines available to Norwegian consumers. Vinmonopolet relies on a tender system, with set specifications and conditions for quality, price and delivery, in acquiring most new products. Products chosen for sale through Vinmonopolet must meet annual minimum sales quotas or they are dropped from the inventory. Advertising of alcoholic beverages is strictly prohibited.

GOVERNMENT PROCUREMENT

Norway is a signatory to the WTO Agreement on Government Procurement (GPA). Norway's government procurement procedures are non-discriminatory 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 items such as rescue helicopters that can also be used in military operations. 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

Internet piracy and cable/satellite decoder and smart card piracy have risen in Norway. Broadband Internet is standard, making peer-to-peer downloads of music and video easy and common. Encoding groups that release early copies of new motion pictures on the Internet are problematic. Television and cable companies are active in combating decoder and smart card piracy, and satellite operators recently introduced conditional access technologies that have mitigated the problem. Private organizations like the Motion Picture Association are attempting to raise public awareness of Internet and video piracy, for example, by running anti-pirating advertisements in movie theaters. Norwegian authorities have not undertaken any serious public relations efforts to combat Internet or other piracy of copyrighted property.

Copyright

In June 2005, Norway enacted legislation based on the EU's 2001 Copyright Directive that combats Internet piracy and addresses some gaps in Norway's IPR protections. The legislation bans unauthorized peer-to-peer file sharing and requires that creative works can be downloaded from the Internet only with the artist's prior approval. However, contrary to the EU Copyright Directive, Norway has failed to provide rights holders the ability to seek injunctive relief against Internet Service Providers who allow pirate websites to operate on their networks.

The legislation also grants legal protection to technological protection measures designed to prevent unauthorized use of a creative work. The law bars the intentional circumvention of such systems in most circumstances. However, an exception is made for "private use." Norway thus expressly allows circumvention of copy protection and other technical measures for private use of copyrighted materials other than computer software. For example, this measure allows music CD owners to breach protection measures in order to transfer copyrighted music. Although not expressly stated in the law, the legislative history of this provision suggests that “private use” also includes providing free copies to family and friends. In compensation, Norway budgeted NOK32.5 million ($5 million) in 2005 and NOK33.5 million in 2006 for payments to adversely affected music and motion picture rights holders. Norway plans to make such payments annually from future government budgets. However, the funds will be paid only to artists in the EU and EFTA countries, though copyrighted U.S. products undoubtedly comprise a high percentage of downloaded material. The funds are distributed by a non-governmental organization, the Norwegian Organization of Rightholders in Audio-visual Works (NORWACO), which uses radio air time statistics to determine their allocation among EU/EFTA artists.

The EFTA Surveillance Authority is reviewing whether Norway has correctly implemented the EU Copyright Directive.

Counterfeit and Pirated Goods

Norway does not expressly ban imports of counterfeit or pirated goods. A trademark or copyright holder must obtain a court order and have the case referred to the police before customs authorities will take action to stop entries of pirated goods. However, Norway’s strict privacy laws bar customs authorities from informing rights holders when questionable shipments arrive at the border, rendering the remedy ineffective. Although counterfeit and pirated goods are not commonly available domestically, counterfeiters and intellectual property pirates use Norway as a “gateway” to third countries – importing illicit goods, paying applicable import duties and reshipping the goods to EU nations.

Enforcement

Enforcement of IPR protections is inconsistent. Norwegian police and judicial authorities are generally committed in principle to taking action against piracy and intellectual property right infringement, to the extent authorized by Norwegian law, and have successfully prosecuted a number of high-profile cases. However, the authorities lack the capability and resources to handle complaints about IPR violations effectively. Police authorities are aware of such problems as the “gateway” issue and have been working to address them, but with little result. Given limited resources, Norwegian law enforcement authorities have placed more priority on areas like computer crime than traditional IPR violations. For example, local business representatives indicate that complaints about copyright infringement usually either go unaddressed or are given low priority.

Digital Rights Management Technologies

In 2006, significant public attention developed in Norway with respect to the demands of some consumer advocates to mandate interoperability among consumer electronic devices used for downloading and playing recorded music. While it is not clear whether Norwegian law will be amended to address interoperability of digital rights management (DRM) technologies, this issue bears continued monitoring to ensure that the intellectual property rights of DRM developers and of artists whose copyrighted works are protected by DRM technologies remain fully respected.

SERVICES BARRIERS

Financial Sector

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 the acquisition does not unduly limit competition. The Authority applies national treatment to non-bank foreign financial groups and institutions, but applies nationality restrictions to bank ownership. At least half the members of the board and half the members of the corporate assembly of a financial institution 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. Norway grants branches of U.S. and other foreign financial institutions the same treatment as domestic institutions.

Telecommunications Sector

In 1998, Norway began to liberalize the telecommunications services sector. The former monopoly provider – Telenor – was partially privatized in December 2000, leaving the government with a stake of 78 percent. Since that time, the government's share has declined to about 54 percent, though Norway's new government has indicated it will suspend further privatization of state-controlled companies.

Telenor remains 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 analogue terrestrial networks. New regulatory obligations have been imposed on Telenor by the NPTA in order to facilitate competitors' entry into and further access to these markets.

The introduction of Voice-over Internet Protocol (VoIP) telephone services has further encouraged competition among telecommunications operators in Norway. The NPTA released an outline of regulation on VoIP services in April 2005.

INVESTMENT BARRIERS

Norway welcomes foreign investment as a matter of policy and grants national treatment to foreign investors, except in financial services, 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 ten years.

In the offshore petroleum sector, Norwegian authorities encourage – but do not require – the use of Norwegian goods and services. The Norwegian share of the total supply of goods and services in this sector has remained high (approximately 50 percent) over the last decade. Norway's petroleum concession process still operates on a discretionary basis, with the government awarding licenses based on subjective factors rather than competitive bidding. Though the Norwegian government has in the past shown a strong preference for Norwegian petroleum companies in awarding the most promising oil and gas exploration and development blocks, foreign companies report no discrimination on the basis of nationality in recent licensing rounds. Norway has implemented EU directives requiring equal treatment of EEA oil and gas companies.

The Norwegian government maintains monopolies for certain postal services (letters under 50 grams), railways and the retail sale of alcohol. The government rarely allows foreign investment in hydropower production, and such investments, if approved, are limited to 20 percent equity participation. Norway has fully opened the electricity distribution system to foreign participation.

State Ownership and Control of Commercial Enterprises

The government continues to play a strong role in the Norwegian economy through its ownership and/or control of many of the country's leading commercial firms. The public sector accounts for nearly 60 percent of Norway's GDP. Central or local authorities own approximately 35 percent of the companies listed on the Oslo Stock Exchange, and more than one-third of the stock exchange's capitalization is in government hands.

A 2002 government "White Paper" called for reducing and improving state ownership in the economy. Norway took steps over the last several years to implement that policy, partially privatizing some of the country's leading firms (e.g., Statoil, Norsk Hydro, Telenor and others). However, the government coalition that took office in fall 2005 has halted further privatization of state-controlled companies.

Government Pension Fund

In 2004, the Norwegian Ministry of Finance adopted ethical guidelines for the "Government Pension Fund - Global" (the Fund). The Fund is composed of 78 percent tax revenue the government of Norway receives from petroleum profits and from returns on its direct interests in petroleum production licenses; this capital is then invested entirely in foreign financial instruments. At the end of 2006, assets accumulated in the Fund stood at more than $270 billion. The ethical guidelines state that the Norwegian Central Bank, which manages the Fund, may exclude investments in, or divest itself from, companies that: (1) produce weapons, such as nuclear arms or cluster bombs, that may violate humanitarian principles; or (2) contribute to serious violations of fundamental ethical norms, such as through human rights violations, severe environmental damage or gross corruption. In 2006, the Finance Ministry, on the recommendation of the Fund's Council on Ethics, instructed the Central Bank to divest shares in a number of companies, the majority of which are from the United States. The U.S. Government has urged Norway to work toward greater transparency and more formal procedural structures for the Fund's decision-making.

OTHER SECTORAL POLICIES

Pharmaceuticals

Foreign pharmaceutical firms continue to experience difficulties in the Norwegian market. Until 1992, Norway limited patent protection for pharmaceuticals to the manufacturing process for a drug's active ingredient. Although Norway introduced product patents for pharmaceuticals in 1992, the previous system has left a difficult legacy for pharmaceutical companies as competitors claiming to use non-patented processes have recently entered the market. Several U.S. pharmaceutical companies are involved in legal actions in Norwegian courts alleging infringement by these new entrants. One U.S. company lost a preliminary injunction in a patent infringement case in 2006, which allowed the copycat drug to enter the market immediately, cost the company significant revenue, and led to layoffs of local employees. In 2006, affected multinational pharmaceutical companies, supported by the U.S. and two European embassies, advocated that Norway amend the public health care system's drug reimbursement regulations to bar pharmacies from substituting generics for branded drugs that have process patents. The Norwegian government rejected the appeals in June 2006.

Transparency on pricing, reimbursement decisions and recommendations is lacking. U.S. pharmaceutical products often face lengthy delays in securing approval for their products' inclusion in the state health care reimbursement scheme. Reimbursement and approval decisions are complex and political, with the Parliament making final decisions as part of its budget process.

The Norwegian Medicines Agency (NMA) added another potential hurdle to reimbursement approvals in 2005 by denying a U.S. pharmaceutical manufacturer's reimbursement application for lack of documentary proof – which would have taken several years to develop – that the costs of the drug in question compared reasonably with its treatment value and the costs of alternative treatments. The NMA's procedures for reviewing reimbursement applications neither require such cost-benefit data nor make them a factor in reimbursement decisions. The drug at issue is reimbursed in all EU countries except Denmark, and no other EU country requested such data as a condition of approving reimbursement. Requiring manufacturers to perform multi-year cost benefit studies of medically approved pharmaceuticals as a condition of reimbursement will result in significant additional costs and delays in bringing new drugs to the Norwegian market.

U.S. pharmaceutical manufacturers cite Norway's total prohibition of supplying product information to consumers – ranging from advertising to scientific data – as a barrier to market entry and expansion. Consumers are not fully informed about pharmaceutical innovations, sometimes delaying consumer access to the latest medicines.

The Norwegian Association of Pharmaceutical Manufacturers, which includes U.S. pharmaceutical firms, has complained about Norway's inadequate implementation of EU directives on transparency of measures regulating medicinal products for human use. Although Norway complies with the letter of EU requirements that reimbursement applications be acted on within 180 days, Norwegian authorities often reject applications as the period expires, giving them an unlimited amount of time to consider applications once appealed.

Automotive Sector

The general vehicle taxation system that Norway put into place 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.

Norway announced in October 2006 that it would substitute a new CO_2 emissions factor for the engine displacement parameter in its vehicle taxation regime, effective January 1, 2007. The new system is expected to encourage sales of diesel-powered passenger vehicles, which generally are not manufactured in the United States. Moreover, Norway will accept only European standards for measuring CO_2 emissions, further disadvantaging vehicles manufactured in the United States. 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.