NORWAY

TRADE SUMMARY

The U.S. goods trade deficit with Norway was $2.9 billion in 2009, down $1.1 billion from 2008. U.S. goods exports in 2009 were $2.8 billion, down 16.4 percent from the previous year. Corresponding U.S. imports from Norway were $5.7 billion, down 22.4 percent. 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 $3.5 billion in 2008 (latest data available), and U.S. imports were $2.0 billion. Sales of services in Norway by majority U.S.-owned affiliates were $5.4 billion in 2007 (latest data available), while sales of services in the United States by majority Norway-owned firms were $1.5 billion.

The stock of U.S. foreign direct investment (FDI) in Norway was $10.9 billion in 2008 (latest data available), down from $12.0 billion in 2007. 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 on a unilateral basis to dismantle import tariffs on industrial products. The average Most Favored Nation (MFN) tariff on nonagricultural 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.

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 1 percent of Gross Domestic Product (GDP), support to 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 leading 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. Although Norway is only 50 percent self-sufficient in agricultural production, it maintains a system that assures that domestic producers – farmers as well as 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, 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 their formulas, 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, subject to maximum tariffs.

Tariff-Rate Quotas

Norway has tariff-rate quotas (TRQs) for 350 agricultural and horticultural products including grains, meat, and eggs, and the Norwegian Agricultural Authority holds auctions for the allocation of quota for many 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. Although almost all of the TRQ quota amounts are sold at auctions each year, the quotas for grains have an average fill rate of only 53 percent, and the quotas for other products have an average fill rate of only 62 percent. 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 some 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 to the Norwegian market for 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 high costs of domestic raw material.

Wines and Spirits

The wine and spirits retail market in Norway is controlled by the government monopoly Vinmonopolet, with a stated social mission of curbing alcohol consumption. The monopoly regulates all domestic access to spirits. There were 242 Vinmonopolet stores throughout Norway in 2009, with over 10,000 products sold. 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, contributing to the limited variety of U.S. wines available to Norwegian consumers. Vinmonopolet's tender system sets specifications and conditions for quality, price, and delivery for the purchase of most new products. 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 2 percent. In 2008, U.S. and Norwegian authorities held constructive discussions on ways to raise awareness of U.S. wines and increase the number of quality U.S. wines in Norway. These discussions strongly contributed to Vinmonopolet's decision to promote more American wines throughout its stores in 2009. Vinmonopolet decided to have a nationwide focus on U.S. wines in January 2009 and February 2009 with a special release of 17 U.S. wines in all its stores, as well as featuring U.S. wine and regions in its magazine Vinbladet. Through wide exposure created by this focus, as well as through a number of targeted tastings and events, more attention has been put on the quality and variety of U.S. wines. Vinmonopolet sales statistics for the first 6 months of 2009 show that sales of U.S. wines are up 61.7 percent for red wines and 19.5 percent for white wines compared to the same period in 2008.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Norway was listed on the Watch List in the 2009 Special 301 report. Key concerns cited in the Report included 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 representatives report that Internet piracy in Norway is facilitated by the high level of broadband Internet penetration and the ease of peer-to-peer downloads of music and video. Industry representatives report concerns with Norway's implementation of the EU's 2001 Copyright Directive that addresses Internet piracy, as well as broad private use exceptions under Norway's copyright laws. The government is currently reviewing the legislation and the results are expected to be published in 2010.

U.S. and Norwegian authorities held constructive discussions in 2009 concerning several matters including: 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 piracy and prosecute offenders.

SERVICES BARRIERS

Financial Services

Current regulations require that the Norwegian Financial Supervisory Authority grant permission for ownership levels in local financial institutions that exceed certain thresholds. The Authority evaluates the acquisitions to ensure that prospective buyers are financially stable and that the acquisition does not unduly limit competition. The Authority applies national treatment to nonbank foreign financial groups and institutions, but 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. On January 1, 2005, Norway removed the ceiling on foreign equity participation in a Norwegian financial institution, provided the Authority has granted permission.

INVESTMENT BARRIERS

Norway welcomes foreign investment as a matter of policy, and grants national treatment to foreign investors, except in mining, hydropower, and property acquisition. Foreign companies are required to obtain permission 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 permission to rent real estate provided that the rental contract is made for a period of fewer than 10 years.

Norway's petroleum concession process still operates on a discretionary basis with the government awarding licenses based on subjective factors other than competitive bidding. The Norwegian government does not allow direct foreign ownership of hydropower resources.