NORWAY

In 1997, the U.S. trade deficit with Norway was an estimated $2.0 billion, a decrease of $297 million from the U.S. trade deficit of $2.3 billion in 1996. U.S. merchandise exports to Norway were $1.7 billion, an increase of $162 million (10.4 percent) over the level of U.S. exports to Norway in 1996. Norway was the United States's forty-sixth largest export market in 1997. U.S. imports from Norway were $3.7 billion in 1997, a decrease of $134 million (or 3.4 percent) from the level of imports in 1996.

The stock of U.S. foreign direct investment (FDI) in Norway in 1996 was $6.1 billion, an increase of 18.9 percent from the level of U.S. FDI in 1995. U.S. FDI in Norway is concentrated largely in the petroleum, manufacturing, and wholesale sectors.

Overview

Norway is a member of the European Economic Area (EEA) which consists of the EU member countries together with Norway, Iceland, and Liechtenstein. Inside the EEA but outside the EU, Norway has assumed most of the rights and obligations of the EU but has limited ability to influence EU decisions.

While Norway has its own tariff system, U.S. exports face most of the same trade and investment barriers which 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 affecting U.S. commercial interests in Norway concern labeling and the acceptance of biotech agricultural goods primarily related to genetically modified organisms and growth hormones.

The Norwegian government has completed much of the transition required under EEA obligations to comply with EU directives. However, change is still underway. The current government, which assumed power in October 1997, has indicated it will review the application to Norway of all EU directives, including those already implemented. The government may attempt to renegotiate some aspects of Norwegian compliance with certain directives.

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 has led to the replacement of quotas with higher product tariffs. Domestic agricultural shortages and price surges have been countered by temporary tariff reductions. Lack of predictability of tariff adjustments and insufficient advance notification (generally only two to five days prior to implementation) 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.

Norway

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.

The government passed a law in October 1997 requiring the labeling of all products which contain a minimum of two percent material derived from a gene modified (GM) source. The law requires labeling regardless of whether the GM trait is carried into the processed product. As of December 1997, no GM labeling has appeared on the market because the government has taken the position that there are no GM products in Norway which meet the labeling threshold. No products have been tested yet within Norway for GM components.

There is strong opposition to GM food products among Norwegian consumer organizations and retail groups, with the focus currently on GM soy beans and derivative products. While the government has thus far refrained from banning such GM-commodity imports, market prospects are very limited if alternative non-GM commodities products are available. The refusal of Norwegian food processors to buy soybeans which are not certified as "GM-free" has resulted in U.S. soybean sales declining from a traditional level of about 250,000 tons annually until 1995 (before the appearance of GM soybeans in the U.S. crop) to none in 1997. On the processed foods side, the Norwegian Consumers' Council, in cooperation with the large retail food chains, has threatened periodically to boycott GM products.

Under the authority of Norway's 1993 Gene Technology Act, the government may ban the import of GM products which are not "socially justifiable" and do not contribute to "sustainable development." These criteria apply regardless of the scientific merits of the product, including safety and effectiveness. The government has used the act selectively and applies a "precautionary policy," in which GM products are generally banned if non-GM alternatives are available. In practice, this has resulted in banning some GM imports while granting exemptions for some locally produced GM products.

In the pharmaceutical sector, for example, the government banned the import of certain products such as GM rabies vaccines on the basis that the disease was not endemic to Norway and non-GM alternative pharmaceuticals were available. On the other hand, the government has granted local pharmaceutical manufacturers exemptions to produce GM pharmaceuticals for the domestic and export markets.

The impact on U.S. exports of the government's selective banning of processed GM products is unclear and so far is limited to niche markets.

The market for U.S. processed foods is impeded significantly in Norway due to the Norwegian food authorities' restrictive practices concerning the import of processed foods with contain enrichment additives. While limited exceptions are granted on a case-by-case basis, the authority generally bans or restricts the distribution of foods which contain additives not essential to the product, regardless of whether the additives are beneficial. Examples include bakery mixes with enriched flour and cereals with vitamin additives.

An additional barrier for the U.S. processed food market is the requirement that importers complete a detailed agricultural raw materials declaration. Manufacturers have declined to provide the information out of concern that it would require releasing proprietary information.

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 and approved by the U.S. Coast Guard. The NMD's action was based on Norway's interpretation of the International Maritime Organization's (IMO's) certification and testing guidelines. The Norwegian understanding of the IMO standards differs from that of other IMO members, including the United States. This is still an open issue.

INVESTMENT BARRIERS

Norway has been an active participant in the Organization for Economic Cooperation and Development (OECD) Multilateral Agreement on Investment. 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 large Norwegian corporations. However, both foreign and Norwegian investors are still required to notify the government when their ownership in a large company (meeting certain size criteria) exceeds specific threshold levels of 33 percent, 50 percent and 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.

Financial Sector

In December 1997, the government agreed to all elements of the WTO Financial Services Agreement with the exception of limiting the establishment of cross-border insurance operations to companies authorized specifically to operate in Norway. No additional implementation measures were required since the government's earlier implementation of the EEA accords and the EU's second banking directive removed many financial sector barriers for EU and EFTA member countries. Recent deregulation of financial markets appears to have eliminated nearly all of the barriers facing U.S. financial institutions seeking to operate in Norway.

Without an exemption from the Ministry of Finance due to special circumstances, no single or coordinated group of investors, Norwegian or foreign, may purchase more than ten percent of the equity of an insurance company, commercial bank or savings bank. In order for one or more foreign banks to establish a new Norwegian bank, one of the foreign banking partners must own more than 50 percent of the equity in the new bank. Without an exemption from the Ministry of Trade and Industry, half of the members of the board and half the members of the corporate assembly of a financial institution must be citizens of Norway or citizens of a state within the European Economic Area.

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. However, in 1995, the government implemented an EU directive requiring equal treatment of EEA oil and gas companies. American oil companies competing in the 15 concession round (completed in 1996) agree generally that they were treated on a equal basis with the Norwegian companies.

OTHER BARRIERS

Telecommunications Equipment

On January 1, 1998, Norway fully liberalized its telecom services market to comply with its WTO commitments. This ended the effective monopoly of Telenor (the state-owned telecom company) on fixed-line voice services, infrastructure, and telex services.

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. The Norwegian government has indicated that under normal procedures, this takes about six weeks. In the past, American companies have reported that this type approval process is slow and costly for companies offering new products.

Intellectual Property: Copyright -- Parallel Imports

Under its EEA obligations, Norway must allow parallel imports from EEA countries but may permit or ban parallel imports on a selective basis from elsewhere. Parallel imports of CD recordings from non-EEA countries are banned under a 1993 law. The opposition Conservative Party has proposed repealing the ban. It is unclear how much support this proposal will gain.