

IV. TRADE POLICIES BY SECTOR

(1) INTRODUCTION

1. Numerous changes at the sectoral level have taken place since the last Trade Policy Review of Norway in 1996. Some of these are the result of adjustments required to comply with engagements under the EEA and WTO Agreements, particularly in agriculture and services. In agriculture, price support measures have to some extent been replaced with direct income payments. Nevertheless, assistance to domestic producers is still high, and tariffs for agricultural goods remain way above average.

2. A wide range of manufacturing activities exist in Norway, although their share in GDP has been shrinking in recent years. In 1999, the sector contributed 10.4% of GDP (Table IV.1), and exports of manufactured products accounted for some 30% of total merchandise exports. A substantial part of manufacturing activities are concentrated around petroleum, shipbuilding and metal processing.

3. The petroleum and natural gas industry is the backbone of the Norwegian economy. Norway is the largest exporter of crude oil outside OPEC, ranking second in the world after Saudi Arabia. Norwegian petroleum exports contributed some 30% of Norway's total export earnings. Although open to foreign companies, State ownership in the hydrocarbons sector is substantial.

4. The services sector accounts for some two thirds of GDP, and has been expanding at rates similar to or above GDP during the second half of the 1990s, particularly in the areas of financial services, tourism, and telecommunications. Norway's GATS Schedule grants unlimited market access and national treatment for cross-border supply, consumption abroad and commercial presence of a number of services, including telecommunications, construction and related engineering services, distribution services and transport services. Market access through commercial presence in banking and other financial services is subject to certain conditions with respect to establishment. In some cases these restrictions also apply to nationals; in other cases, they apply only to nationals or companies from outside the EEA. The Government is set to maintain a certain percentage of Norwegian ownership in banking. The reform of the telecommunications sector in Norway has somewhat lagged behind that of other European countries; the market was fully liberalized only in 1998.

(2) AGRICULTURE

(i) Features

5. The agriculture sector is relatively small; it contributed an estimated 1.1% to GDP in 1997 and employed 1.3% of the total work force. Livestock is the main activity, particularly the production of meat and meat products, and milk. Among crops, the most important are cereals, and flowers, fruit (chiefly apples and pears) and berries (Table IV.2). Production remained stagnant between 1994 and 1997; there was a decline in the value of production of meat, eggs and dairy products, while the value of production of grain and of vegetables increased.

6. Protection rates in agriculture remain substantially higher than for manufactured goods. The average MFN tariff rate in 1999 was 39.7%. Excluding fish and fish products, Norway is a net importer of agricultural products. The main export products include feeding stuff for animals, dairy products (particularly cheese), and cereals and cereal preparations, while it imports a wider range of agricultural products.

Table IV.1
Gross domestic product and value added by industry at current prices, 1997-99
(NKr billion and per cent)

	NKr billion			% of total		
	1997	1998	1999	1997	1998	1999
Gross domestic product	1,089.0	1,107.1	1,189.3	100.0	100.0	100.0
Agriculture and hunting	11.9	12.3	11.9	1.1	1.1	1.0
Forestry and logging	2.8	2.6	2.5	0.3	0.2	0.2
Fishing and fish farming	7.3	9.0	9.0	0.7	0.8	0.8
Oil and gas extraction	159.6	108.9	158.6	14.7	9.8	13.3
Mining and quarrying	2.2	2.2	2.2	0.2	0.2	0.2
Manufacturing	118.1	129.3	123.9	10.8	11.7	10.4
Food products, beverages and tobacco	17.8	18.0	16.7	1.6	1.6	1.4
Textiles, apparel, leather	2.2	2.0	1.8	0.2	0.2	0.2
Wood and wood products	4.8	4.8	4.4	0.4	0.4	0.4
Pulp, paper and paper products	4.8	5.8	5.5	0.4	0.5	0.5
Publishing, printing, reproduction	13.2	13.9	13.4	1.2	1.3	1.1
Refined petroleum products	2.4	4.0	1.0	0.2	0.4	0.1
Basic chemicals	6.6	6.8	6.3	0.6	0.6	0.5
Chemical and mineral products	11.2	10.8	10.6	1.0	1.0	0.9
Basic metals	8.3	10.0	10.6	0.8	0.9	0.9
Machinery and other equipment	31.2	35.3	35.4	2.9	3.2	3.0
Building of ships, oil platforms and modules	11.6	13.6	13.9	1.1	1.2	1.2
Furniture	4.1	4.5	4.2	0.4	0.4	0.4
Electricity and gas supply	25.3	25.4	26.0	2.3	2.3	2.2
Construction	39.6	45.4	49.0	3.6	4.1	4.1
Service industries excluding general government	436.7	466.6	492.4	40.1	42.1	41.4
Wholesale and retail trade	98.6	102.9	107.6	9.1	9.3	9.0
Hotels and restaurants	13.8	15.3	16.7	1.3	1.4	1.4
Transport via pipelines	13.0	13.4	14.6	1.2	1.2	1.2
Water transport	18.3	17.9	16.7	1.7	1.6	1.4
Ocean transport	15.9	15.4	14.0	1.5	1.4	1.2
Inland water and costal transport	2.4	2.6	2.7	0.2	0.2	0.2
Other transport industries	44.9	47.2	50.7	4.1	4.3	4.3
Post and telecommunications	19.8	20.0	20.2	1.8	1.8	1.7
Financial intermediation	37.0	39.9	44.0	3.4	3.6	3.7
Business services, etc.	63.5	73.6	78.2	5.8	6.7	6.6
Dwelling services	66.0	68.4	71.3	6.1	6.2	6.0
Service activities incidental to oil and gas extraction	7.2	7.9	7.2	0.7	0.7	0.6
Personal services	54.7	60.3	65.2	5.0	5.5	5.5
General government	166.1	180.8	193.0	15.3	16.3	16.2
Mainland Norway (basic prices)	773.7	836.9	874.0	71.1	75.6	73.5
Value-added tax and investment levy	104.4	110.5	112.7	9.6	10.2	9.5
Other taxes on products, net	44.1	44.9	46.2	4.1	4.1	3.9
Financial intermediation services indirectly measured	-28.5	-31.9	-38.2	-2.6	-2.9	-3.2
Statistical discrepancy	-0.4	1.1	0.3	-0.1	0.1	0.0

Note: Gross domestic product is valued at market prices, while industries are valued at basic (factor) prices.

Source: Information provided by the Norwegian authorities.

Table IV.2
Value of agricultural production, 1994-97
(Nkr million)

	1994	1995	1996*	1997
Total gross value	21,291	21,028	21,413	21,117
Crops^a, total	5,182	5,482	5,624	5,702
Grain, dry peas and oil-seeds	2,115	2,448	2,588	2,582
Other seeds	26	38	50	57
Potato	531	516	514	544
Hay	44	45	41	42
Vegetables	781	816	850	870
Fruit, berries, flowers	1,685	1,620	1,582	1,607
Livestock products, total	15,224	14,422	14,593	14,245
Milk	6,849	6,453	6,406	6,329
Meat and pork ^b	7,136	6,851	6,984	6,895
Wool	229	198	177	167
Eggs	669	581	525	508
Live animals	-2	-2	-4	1
Fur-bearing animals	300	290	453	286
Rabbits and bees	42	51	53	59
Other	905	954	1,088	1,116
Changes in stocks	-20	170	107	54

a Excluding seed and feed used on the farms.

b Including by-products.

Source: Statistics Norway.

7. Norwegian agricultural policy is currently aimed at improving cost efficiency, making the sector more competitive and market-oriented, and at achieving lower food prices. Although some progress has been made in this respect, production costs and food prices remain high. Agricultural policy also pursues objectives concerning income, regional development, the agricultural landscape, and the environment. These objectives and the multifunctional role of agriculture in general, have been gathering increasing weight in the last few years. Policy measures in this direction include support to mountain dairy farming, promotion of environmentally friendly production, encouragement of labour-intensive production in rural areas, a Rural Development Support Scheme, and headage and acreage support. In the context of the upcoming negotiations on agriculture, Norway is one the WTO Members supporting the consideration of agriculture as a multifunctional activity. For the Norwegian authorities this implies that agriculture is a provider not only of food and fibre, but also of rural settlements, food security, a living cultural landscape, cultural heritage, and biodiversity.

8. The main legislation regulating the agriculture sector is the Marketing Act of 10 July 1936. There has been no change in the responsibilities of the authorities in charge of policy formulation and implementation since the last Trade Policy Review of Norway in 1996: the Ministry of Agriculture is responsible for all aspects concerning agricultural policies; and regulatory measures are introduced by the Norwegian Agricultural Marketing Board. This body is also responsible for the collection of producer levies, which, together with payments provided by the Government through the Agricultural Agreement, are the main source of financing for the different support programmes in the sector.

9. In December 1999, the Minister of Agriculture presented to Parliament White Paper No. 19 (1999-2000) stating the general policy goal of adapting food production more closely to consumer interests. Agricultural policy should be aimed at producing safe and healthy foods of high quality in the light of consumer preferences, and public goods such as viable rural districts, environmental and cultural benefits, and long-term food security. The White Paper considers national food production a major element in securing long-term security, and also argues for increased attention to consumers by

encouraging competition in the food chain while keeping production and value creation in the whole of the country. With respect to the WTO negotiations on agriculture, the White Paper states that the maintenance of reliable import protection is essential in securing room for manoeuvre and in giving preferential treatment to Norwegian production important to agricultural policy goals. Recognizing that export subsidies have negative effects on global food markets, the White Paper foresees a possible, gradual reduction of these.

10. Government intervention to regulate prices and production has declined in recent years, but is still present in some areas. Support remains high, at about the same level as agricultural GDP. Production-limiting measures are used in the dairy sector, with quotas applied on milk production; quota arrangements were slightly modified in 1998 (see below). Currently, administered prices are maintained for some grains. Under the Agricultural Agreement, the Government is committed to purchasing grain up to a given amount at guaranteed prices. This amount is negotiated each year with the Farmers Union, together with target prices. In 1999, certain adjustments to the agreement were announced, aimed at obtaining more flexibility in the market and enhancing competitiveness. Target wholesale prices, based on average domestic market prices, are used for meat, dairy products, poultry, eggs, and potatoes. Maximum wholesale prices for milk products are no longer used. Market intervention to secure target prices is funded mainly from producer levies, but also from the state budget. Intervention takes the form of temporary tariff reductions when domestic prices exceed an upper limit above the target price for two consecutive weeks. Intervention takes place if the domestic price for meat and eggs exceeds an upper price limit of 10% above the target price. The upper limit is 12% for fruit and vegetables.

11. Administered prices for grain, together with target prices for other farm products, as well as the fiscal support to be accorded to agriculture, are laid down in the annual Agricultural Agreement between the Farmers' Union and the Government. The Agricultural Agreement is subject to ratification and appropriation of budget funds by the Parliament. Allocations made for regulation of consumer prices have been abolished. Support is provided for grains and oilseeds, fruit and vegetables, milk and dairy products, meat of bovine animals, veal, sheep, pig and poultry, eggs and wool. Direct payments are used substantially, through schemes differentiated by region, size of farms, amount of arable land, and number of animals.

12. Under the EEA Agreement, there are on-going bilateral negotiations between the EU and Norway concerning increased trade in basic agricultural products. A Protocol 3 to the EEA Agreement concerning trade with processed agriculture products is yet to be approved. Meanwhile, trade in processed agricultural goods is governed by Protocol 2 of the free-trade agreement between the EC and Norway.

13. Norway has notified the WTO Committee on Agriculture of its food aid programmes within the framework of the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries. In the notification for calendar year 1998, Norway reports food-related relief aid of NKr 321.4 million and long-term programme disbursements of NKr 117.4 million.¹

(ii) Border measures

(a) Tariffs and tariff quotas

14. The applied average tariff on agricultural products (WTO definition) is 38.7% including *ad valorem* equivalent rates (AVEs) of specific duties (33.6% if HS chapters 1-24 are considered)

¹ WTO document G/AG/N/NOR/26, 9 March 2000.

(Chapter III). The average preferential rate for agricultural products is just slightly lower, 38.5%. Preferences are granted to other EEA and EFTA States, to countries with FTAs with EFTA, and to countries benefiting from Norway's GSP scheme. In the case of FTAs, preferences vary and are inscribed in each country's Bilateral Agricultural Protocol.

15. Average bound rates remain well above applied duties as a result of the Uruguay Round. Average bound rates in 2000 stand at 94.4%, and show a wide dispersion, ranging from duty free for sugar for human consumption to 372.2% for meat and edible meat offal. Imports of most fruit and vegetables (potatoes, cabbages, cauliflower, tomatoes, Brussels sprouts, lettuce, cucumbers, artichokes, asparagus, celery, peppers, and others) are subject to seasonal tariffs (Chapter III(2)(iii)(d)); a range of imports of fruit and vegetables are duty free. Import duty rates are determined through regulation and may vary considerably according to the period; the difference with out-of-season rates may sometimes be quite large.

16. Tariff quotas are, in principle, applied to some 280 eight-digit HS headings and two headings at the four-digit level (goat meat HS 0204, and cheese HS 0406), on which Norway made minimum or current access commitments under the WTO Agreement on Agriculture. In practice, however, only products subject to minimum access commitments (meat and meat products, poultry, eggs, cabbage and butter), are subject to quotas (Table IV.3). Some products are subject to preferential quotas under the EEA/EFTA and related bilateral agreements (cheese, hay, strawberries); others are subject to GSP quotas (honey, corned beef, and some canned vegetables). Imports of products subject to current access commitments under the WTO Agreement on Agriculture take place in unrestricted quantities at MFN rates.²

17. Only out-of-quota rates are established in the Norwegian Tariff Schedule for products subject to tariff quotas. In quota rates, under minimum access commitments which were determined during the Uruguay Round, are one third of the MFN rates. All imports of products for which there is a current access commitment take place at the MFN rate, since in-quota rates are equal to out-of-quota rates. Applied out-of-quota rates are all specific, determined as krona per kilogramme. Out-of-quota AVEs may reach three-digit levels for some vegetables (potatoes, tomatoes, cabbages, and other vegetables), as well as for meat. Although Norway brought forward to 1 July 1995 its final tariff bindings under the WTO Agreement on Agriculture, applied tariff quotas have increased under an annual schedule between 1995 and 2000, resulting in different (and decreasing) weighted-average bound levels of protection each year. Bound out-of-quota duty rates on farm and food products are high, ranging up to 372% in *ad valorem* terms for milk products.

18. Despite their relatively limited scope, the use of tariff quotas plays a significant role in shielding sensitive activities, such as meat and egg production, from foreign competition. In the 1996-98 period, in-quota imports of some products subject to minimum access commitments have been close to the ceiling set by the quota, which is an indication of strong demand for these products, despite the high levels of protection (Table AIV.1). This was the case for swine, bovine meat, apple and pears, and, in 1998 only, for eggs. Total imports of products subject to minimum access commitments are shown in Table IV.3.

² WTO document G/AG/N/NOR/24, 5 January 2000.

Table IV.3
Tariff quotas and total imports for products under minimum access commitment, 1999
(Tonnes)

Description of products	Tariff item number(s)	Tariff quota	Imports
Minimum access quota			
Meat of bovine animal, frozen	02.02.1000; 2000; 3001;3009	904	2,230
Meat of swine, frozen	02.03.2100	1,151	1,130
Meat of sheep and goats, fresh, chilled or frozen	02.04.1000; 2100; 2200; 3000; 4100; 4200; 4300; 5000	171	470
Meat of Gallus domesticus	02.07.1200	200	77
Meat of turkeys	02.07.2500	200	42
Meat of poultry ducks, geese and guinea fowl	02.07.3300	200	36
Meat of deer	02.08.9041	25	26
Meat of elk	02.08.9042	100	85
Meat of game	02.08.1000; 9030; 9099	250	249
Butter	04.05.1000; 2000; 9000	532	182
Hens eggs	04.07.0019	1,160	352
White cabbage	07.04.9013; 9020	113	1,048
Red cabbage	07.04.9040	113	14
Apples	08.08.1011	8,000	16,820
Pears	08.08.2021	250	4,540

Source: Information provided by the Norwegian authorities.

19. The import regime for agricultural products, including tariff quotas, is administered by the Norwegian National Grain Administration. Minimum access quotas are allocated to the highest bidders at quota auctions; allocations to importers are made by the Norwegian National Grain Administration, mostly during the month of October, and are valid for the following year. The system of quotas allocation for turkey roll, meat of deer and elk, and meat of game, based on past import performance, was eliminated in 1998-99 and replaced by an auction system. Quotas for meat for promotional fairs and product testing are allocated to applicants to cover their special needs. Tariff quotas for apples and pears are seasonal; allocations are based on import performance in the past three years.

20. Tariff quotas for canned vegetables and tongue of bovine meat, under the GSP, are allocated through an auction system. Under the free-trade agreements with Poland, Hungary, Estonia and Lithuania, Norway maintains tariff quotas that allow for duty-free importation of fruit and berries reserved for the Norwegian domestic industry. The total quota of 3,570 tonnes is distributed as follows: 1,620 tonnes of frozen strawberries and 750 tonnes of frozen raspberries for Poland, 200 tonnes of frozen raspberries and 500 tonnes of apple juice concentrate for Hungary, and 500 tonnes of apple juice concentrate for Poland, Estonia and Lithuania.

(b) Non-tariff measures

21. As a result of the WTO Agreement on Agriculture, Norway transformed its previous licensing requirements on agricultural products into bound tariffs, with effect 1 January and 1 July 1995. Import licensing and restrictions are now limited to feeding stuff in domestic animal production, and to genetically modified products (Chapter III(2)(v)(ii)).

22. Norway has reserved its right to use the Special Safeguard provisions of the Agreement on Agriculture but has not invoked it to date.³

³ WTO documents G/AG/N/NOR/4, 3 May 1996; G/AG/NOR/8, 21 February 1997; G/AG/N/NOR/16, 13 May 1998, and G/AG/N/NOR/21, 18 February 1999.

(iii) **Internal measures**

(a) Assistance levels

23. Despite structural reforms in the agriculture sector in the past decade, support in Norway remains high. According to calculations by the Norwegian authorities, support to agriculture accounts for some 1% of GDP, about equal to the sectors share of total GDP. Total net budget outlays reached some Nkr 12,057 million in 1998 (Table IV.4).⁴ Norway's Producer Subsidy Equivalent (PSE), as calculated by the OECD, was 75% in 1998, among the highest in the OECD area.⁵ Budgeted outlays were expected to have increased in 1999 with respect to the previous year. Deficiency payments, structural income support, acreage and headage support, as well as the vacation and replacement scheme are granted directly to farmers. Other programmes are mainly market regulation schemes and other indirect schemes. Market regulation outlays are primarily financed through the marketing levy charged on producers when selling a product.

Table IV.4
Support to the agriculture sector
(Nkr million)

	1997	1998	1999 (provisional)
Total outlays of the Ministry of Agriculture	13,628	13,431	14,121
Less: Revenue	1,688	1,374	1,297
Net outlays	11,940	12,057	12,824
Total outlays under the Agricultural Agreements	11,789	11,764	12,405
Less: Revenue	110	112	110
Net outlays	11,679	11,652	12,295
Agricultural Agreements	10,069	10,379	..
Agricultural Development Fund	515	515	..
Market Regulation	96	96	..
Other direct payments to producers	6,858	7,282	..
Price support	2,599	2,486	..
Milk and milk products	708	625	..
Beef, veal, sheep-meat and pig-meat	890	878	..
Cereals	708	671	..
Wool	165	172	..
Other	129	139	..
Other direct payments to producers	6,858	7,282	..
Structural income support	1,450	1,422	..
Headage support, animals	1,692	2,015	..
Acreage and cultural landscape scheme	3,354	3,385	..
Production support on market crops	67	70	..
Transport support, meat and eggs	83	81	..
Other	213	310	..

.. Not available.

Source: Ministry of Agriculture.

24. In 1998, the Aggregate Measure of Support (AMS) notified to the WTO totalled Nkr 10,885.5 million, or some 88% of agricultural GDP. Despite its high level, the total AMS was well below the total AMS commitment for the year, Nkr 12,403 million.⁶ Most of the AMS consists in implicit transfers (revenue forgone), achieved by fixing target prices and maintaining high levels of protection in the sector; there is also support in the form of deficiency payments (Table IV.5).

⁴ This figure is not directly comparable with the AMS, because it refers to actual outlays from the Ministry of Agriculture and includes "Blue Box" and "Green Box" measures, while the AMS excludes these, and includes revenue forgone through price support, i.e. target prices, and possible disbursements from Ministries other than Agriculture.

⁵ OECD (1999b).

⁶ WTO document G/AG/N/NOR/25, 8 March 2000.

Table IV.5

Product-specific Aggregate Measure of Support: market price support, associated fees and direct payments, 1995-98

Description of basic products (measure type)	Total Aggregate Measure of Support (Nkr million)			
	1995	1996	1997	1998
Wheat (fixed farm gate price)	492.8	372.4	361.6	4,881.0
Barley (fixed farm gate price)	697.5	769.1	731.8	707.9
Oats (fixed farm gate price)	370.7	410.3	353.6	395.9
Milk (target price, farm feed adjustment, base deficiency payments)	3,510.1	3,836.8	3,978.8	4,025.1
Beef and veal (target price, transport subsidy, farm feed adjustment, base deficiency payments)	1,690.4	1,814.9	1,978.2	1,995.6
Pork (target price, transport subsidy, farm feed adjustment)	1,704.0	1,879.9	1,852.4	1,899.7
Sheep (target price, transport subsidy, farm feed adjustment, base deficiency payments, wool deficiency payments)	650.0	670.5	632.9	585.9
Poultry (target price, transport subsidy, farm feed adjustment)	457.6	512.7	556.5	669.0
Eggs (target price, transport subsidy, farm feed adjustment, contract production scheme)	388.7	393.6	442.7	448.6
Potatoes (target price, deficiency payment)	172.5	166.7	184.7	59.7
Fruit, berries and vegetables (regional deficiency payment, transport subsidy)	76.7	55.6	54.8	47.4
Total market price support	10,134.2	10,882.5	11,128.0	11,322.9
Milk (associated fees and levies)	-698.7	-449.8	-470.4	-412.4
Beef and veal (associated fees and levies)	-155.9	-190.9	-197.8	-192.4
Pork (associated fees and levies)	-360.3	-311.6	-308.6	-296.1
Sheep (associated fees and levies)	-11.5	-50.5	-48.1	-44.9
Poultry (associated fees and levies)	-62.2	-128.5	-113.9	-9.1
Eggs (associated fees and levies)	-128.4	-104.8	-96.9	-93.3
Total associated fees and levies	-1,417.0	-1,236.1	-1,235.7	-1,130.1
Milk (base deficiency payments)	432.4	344.8	258.4	172.6
Beef and veal (base deficiency payments)	252.1	264.3	273.4	263.0
Sheep (base and wool deficiency payments)	308.3	277.1	107.8	277.5
Eggs (contract production scheme)	28.4	13.5	0.6	0.0
Potatoes (deficiency payments)	39.4	53.9	41.2	19.6
Fruit, berries and vegetables (fruit storage subsidy, transport subsidy)	9.8	9.8	9.8	4.7
Total non-exempt direct payments	1,070.4	963.4	691.2	737.4
Other product-specific budgetary outlays	79.5	78.5	80.5	81.1
Other non-product specific AMS	-78.5	-80.4	-122.7	-125.7
Total Aggregate Measure of Support	9,785.7	10,529.4	10,525.9	10,885.5

Source: WTO documents G/AG/N/NOR/5, 30 September 1996, G/AG/N/NOR/11, 19 September 1997, G/AG/N/NOR/22, 29 April 1999, and G/AG/N/NOR/25, 8 March 2000.

25. The prices of wheat, barley and oats are fixed at farmgate level. Target prices are used for milk, beef and veal, pork, sheep meat, poultry, and potatoes. Administered prices are roughly between twice and four times the external reference price established in accordance with the WTO Agreement on Agriculture. Milk receives the highest support per unit of production, followed by different types of meat. In absolute levels, the milk industry is also the main beneficiary, receiving some 37% of the AMS in 1998, followed by beef and veal with 18% of the total, and pork with some 17.5%. These three products combined account for almost three quarters of total support (Table IV.5).

26. The share of non-exempt (linked to production) direct payments in the total AMS has been falling since 1995, due mainly to lower payments for sheep-meat and milk. Base deficiency payment rates for (cow) milk have been declining, while those for meat have remained stable (Table IV.6).

Table IV.6
Deficiency payments, 1997-99
(Nkr per litre or kg.)

Base deficiency payments	1 July 1997–30 June 1998	1 July 1998–30 June 1999
Milk	0.118	0.066
Beef and veal	2.70	2.70
Goat-meat	5.15	5.15
Sheep-meat	4.90	4.90
Regional deficiency payments	1 July 1997 –30 June 1998	1 July 1998–30 June 1999
Milk ^a	00/1.54	00/1.57
Meat ^a	00/13.00	00/13.00
Wool	30.00	31.00

a Minimum/maximum payment.

Source: Ministry of Agriculture.

27. Norway also provides support under a number of production-limiting programmes ("Blue Box" measures), as well as "Green Box" measures. The value of measures included under the "Green Box" increased substantially in 1996, but has since declined (Table IV.7); it totalled Nkr 3.89 billion (some US\$475 million) in 1998. Payments under the Blue Box are substantially larger than those under the Green Box; they reached Nkr 7.88 billion in 1998. Norway has three types of Blue Box measures: payments based on fixed areas and yields (45% of total payments in 1997); payments made on 85% or less of the base level of production (32% of total payments, of which 20% for structural income support to dairy farmers and 6% regional deficiency payments to milk production); and 6% are regional deficiency payments to meat producers, and headage support payments (23% of total payments). Headage and acreage support is paid mainly within the Acreage and Agricultural Landscape Scheme and the Headage Support programme, based on cultivated area and number of animals, and differentiated by region, farm size and kind of animal. To receive support, certain environmental criteria must be met; there is a maximum rate of support per farm.

Table IV.7
Measures exempt from the reduction commitment, 1995-98

Type of measure	Value of the measure during the reporting period (Nkr million)			
	1995	1996	1997	1998
1. Green Box	4,101.1	4,116.1	3,673.5	3,889.1
General services	1,023.1	971.2	706.9	827.6
Public stockholding for food security purposes	506.1	693.7	747.0	725.4
Payments for relief from natural disasters	125.0	20.0	30.0	30.0
Structural adjustment assistance	741.2	763.3	653.5	713.1
Environmental programmes	180.4	161.0	180.0	187.8
Regional assistance programmes	11.0	10.6	10.6	15.7
Other	1,514.2	1,496.3	1,346.5	1,389.5
2. Blue Box	7,117.3	7,246.3	7,375.1	7,880.3
Payments based on fixed areas and yields	2,750.7	3,209.0	3,305.1	3,752.1
Payments made on 85% or less of the base level of production	2,495.5	2,426.2	2,392.2	2,380.3
of which:				
Structural income support to dairy farmers	1,539.3	1,482.5	1,442.7	1,424.8
Regional deficiency payments to milk production	450.4	431.7	433.9	432.7
Regional deficiency payments to meat producers	505.8	512.0	515.6	522.8
Livestock payments made on a fixed number of head	1,871.1	1,611.1	1,677.8	1,747.8
3. Total of table	11,218.4	11,362.4	11,048.6	11,769.3

Source: WTO documents G/AG/N/NOR/5, 30 September 1996, G/AG/N/NOR/11, 19 September 1997, G/AG/N/NOR/22, 29 April 1999, and G/AG/N/NOR/25, 8 March 2000.

(b) Interest rate support

28. The State Bank for Agriculture (SBA) provides credit to farmers at below market rates. Interest rates are determined taking into account market interest rate conditions and the situation of the agriculture sector. The interest rate charged on ordinary loans from the SBA was 5.9% in 1998, compared with a market rate of approximately 6.5% in the same year. Credit is granted mainly to support investment in the agriculture sector; the support element of these credits is budgeted under the Agricultural Rural Development Fund: NKr 220 million were allocated for this purpose in 1998.

(c) Levies and fees

29. A number of levies and fees are applied on agricultural products. Marketing fees are paid by producers, mainly for market regulation purposes; they are levied on all agricultural goods, with the exception of vegetables, potatoes, fruit and berries. Fees are charged per kg. and may vary throughout the year. The authorities indicated that fees are determined on the basis of costs associated with market regulation and vary according to market expectations. The overall costs are calculated on the basis of: transport of goods between different parts of the country; storage; and export regulation. Fees vary during the year in accordance with the market situation; for instance, fees are lowered for pork-meat production in November and December to stimulate production for the Christmas season. The fee system is also used to discourage overproduction; in this case, they are adjusted upwards. Fees are paid only by Norwegian farmers; they are not levied on imports.

30. Basic agricultural products and semi-processed agricultural products of Norwegian and imported origin are subject to the payment of the inspection fee of 0.82%; the inspection fee for processed food is 0.64%. Meat is subject to a meat control fee that varies between slaughterhouses in relation to differences in efficiency and capacity. Environmental levies are charged on pesticides.

(iv) Export subsidies

31. Export subsidies are applied on a number of products; they are notified annually to the WTO. Reflecting commitments in the Uruguay Round, Norway has been reducing outlays (Table IV.8). Exports of cheese account for the majority of subsidized exports. Exports of eggs and butter are also heavily subsidized. Export subsidies continue to be funded mainly through producer levies, but also through government transfers through the Agricultural Agreement.

Table IV.8
Export subsidies, budgetary outlays and annual commitments under the WTO Agreement on Agriculture, 1995-98
(NKr million, calendar year)

	Outlay allocated				Annual commitments			
	1995	1996	1997	1998	1995	1996	1997	1998
Bovine meat	17.8	9.2	49.4	65.9	102.2	88.8	75.3	61.9
Swine-meat	8.4	6.4	84.9	17.3	127.4	119.3	111.1	103.0
Sheep-meat	1.6	6.3	25.2	9.6	25.9	24.3	22.6	21.0
Poultry-meat	1.7	0.0	0.0	0.0	0.7	0.7	0.6	0.6
Egg and egg products	19.4	16.1	17.7	13.1	25.3	23.7	22.1	20.5
Butter	50.5	27.8	28.0	18.4	78.2	73.2	68.2	63.2
Cheese	400.2	404.0	477.0	425.4	537.6	479.3	420.9	362.5
Whey powder	3.1	0.0	0.0	0.0	4.4	3.5	2.7	1.8
Fruit and vegetables	0.0	0.0	0.0	0.0	1.3	1.2	1.0	0.9
Honey	0.0	0.0	0.0	0.0	0.0	0.49	0.4	0.3
Processed agricultural products	24.7	35.5	41.5	32.9	25.4	4.79	45.0	42.1

Source: WTO documents G/AG/N/NOR/3, 28 March 1996, G/AG/N/NOR/10, 20 May 1997, G/AG/N/NOR/18, 17 June 1999, and G/AG/N/NOR/23, 16 November 1999.

(v) Assistance to specific subsectors

(a) Dairy products

32. Despite a certain opening of the milk and dairy sector, border protection remains high. Actual imports of milk and other dairy products are subject to face an average *ad valorem* equivalent tariff of 83% in 2000, while the average bound rate is 354.6%. Tariffs may, however, be reduced in some cases by administrative decision; the authorities indicated that this has occurred on a few occasions since 1996.

33. High domestic prices, due to high tariffs and a policy of target prices, have encouraged production; a shift in consumption patterns has, on the other hand, led to a reduced demand for milk. Reductions in milk quotas have taken place, but only with a time-lag leading to a situation where domestic supply has been larger than demand. As a result, a small trade surplus in dairy products has been posted in the last few years, despite the large difference between domestic and international prices, with imports in the range of US\$25 million annually, and exports of around US\$80 million, largely in the form of cheese.

34. The majority of producers are members of the dairy co-operative Tine Norwegian Dairies. A new Milk Marketing Regime including a reviewed price pooling system was established in 1997. The price pooling system is aimed at equalizing producer prices for milk irrespective of end use or whether it has been produced in remote areas. A price matrix that contains 21 reference products is used when the prices are set in the Agricultural Agreement. The price matrix is the basis for the internal fees and refunds fixed within the price pooling system. Target prices are set for 10 of the 21 products. The price pooling system replaced the prior equalization system under the Marketing Act.

35. Producers of cow's and goat's milk receive various forms of government support through the Agricultural Agreement. Milk producers receive production subsidies consisting of a base deficiency payment, for a maximum 1,600 million litres of cow's milk and 21 million litres of goat's milk, and a regionally differentiated price supplement for most regions. The deficiency payment to milk producers is paid for each litre of milk delivered to the dairy; the amount varies according to region, with the northernmost districts receiving the highest support. No changes with respect to the nature and scope of the deficiency payments system has taken place since the last Review of Norway. Payment rates are determined each year according to market conditions: rates for cow's milk were reduced slightly in 1998/99 from 1997/98 levels, while rates for goat's milk were substantially increased.

36. In addition to base deficiency payments, a regional deficiency payment is granted to rural regions. As an income equalization measure between larger and smaller holdings, a structural income support is provided to each farm; this is paid as a lump sum. For production lower than 30,000 litres of cow's milk, and 15,000 litres of goat's milk, payments are reduced. A VAT compensation scheme for liquid milk and cheese was abolished in 1996. Headage payments are granted for dairy cows, suckling cows and goats; the amount per animal varies with the size of the herd.

37. Supply control measures on the production of milk include a quota system in place since 1983. The system is aimed at maintaining the structure and geographical distribution of production by regulating the extension and establishment of milk production enterprises. A portion of the quotas is purchased by the Norwegian Agricultural Marketing Board for further sale. In principle, there is no possibility of establishing new milk holdings under the quota system, and it is difficult to extend the existing enterprises. The total quota for 1999 was fixed at 1.6 billion litres; several

measures were used to curtail production by some 100,000 litres with respect to 1998. In general terms, the quota system has shown scarce flexibility and, as a consequence, the capacity in milk production has not been fully utilized. In an attempt to introduce some flexibility, a system for the purchase and sale of quotas among producers was put into force in 1997, to give producers an opportunity to utilize their capacity and increase their incomes. New technology has been introduced, but large-scale operation advantages may not have been fully exploited. To maintain the regional distribution of milk production, the purchase and sale of milk quotas is only allowed within the nine targeted regions.

38. After the changes implemented in 1997, only a few modifications in the milk marketing system were introduced in the Agricultural Agreement in 1998 and 1999. Changes were introduced in the regional divisions of the quota programme; the trading of quotas is to take place first and foremost within each municipality, and only in the case of a surplus supply within a municipality, may quotas be sold within the present regional boundaries.

39. Imports of butter are subject to minimum access commitments under the WTO Agreement on Agriculture; quotas remained largely unfilled (at around 13%) in 1997 and 1998.

(b) Meat and eggs

40. The meat market is regulated by the Norwegian Farmers' Meat Marketing Organization (Norsk Kjøtt); regulation activities are guided by the target wholesale prices established in the Agricultural Agreement, and include mostly quantity and price stabilization measures.

41. Producers of meat and eggs receive various forms of support. Producers of bovine animals, and sheep receive a base deficiency payment for all their output, differentiated by region and type of meat, with the northern regions receiving the highest payments. Additionally, regional deficiency payments are granted to producers of meat in regions classified as less favoured. Transport support is granted to equalize differences in farm-gate returns caused by the distance of farms from slaughterhouses, processing plants, and the major consumer markets. A deficiency payment for wool is provided to secure producer prices for wool. As in the case of milk, compensation for the VAT charged on meat sales has been abolished. For the production of eggs, the Agriculture Agreements for 1998 and 1999 introduced a regional deficiency payment for eggs for rural areas (western parts of Norway, the counties of Trøndelag and northern parts of Norway). Transport support is also granted.

42. Imports of meat into Norway are very limited (US\$28.2 million in 1998), accounting for some 1% of total consumption; this reflects the high protection level, with an average applied tariff of 180.2% in 1999 and a bound tariff of 372.2% in 2000. Minimum access quotas granted under the WTO Agreement on Agriculture for meat and eggs were not completely filled in 1997 or in 1998. The filling rates were particularly low in 1997 (Table AIV.1); there were no imports of turkey and practically no imports of chicken in 1997 and 1998. The authorities noted that in the latter case quotas were bought by importers but not used due to the market situation.

(c) Grains

43. Although the former state monopoly on imports of grains was eliminated in 1995, the Government purchases wheat, rye, oats and barley at guaranteed farm-gate prices; these are the only products for which price guarantees are used in Norway. Guaranteed prices are set in the yearly agreement between the Government and the two farmers' organizations.

44. Applied tariffs for cereals are specific and high, with an average AVE tariff of 44.9% in 1999. Imports are relatively small (US\$63 million in 1998), most of it wheat for human consumption,

reflecting the high protection in the sector. Tariffs on grains fluctuate throughout the year, corresponding to changes in international markets and storage costs, which may trigger changes in guaranteed producer prices for Norwegian grain: tariffs are determined as the difference between world prices and administered prices plus a margin of preference of Nkr 50 per tonne on coarse grain and Nkr 100 on grains for human consumption. This arrangement is meant to make up for the non-use of quantitative restrictions or indicative ceilings, and forms the basis of the Grain Price Support programme. This programme is aimed at securing the current level of production for food security reasons; although tariff quotas have been determined for a range of grains in the WTO Agreement on Agriculture, all imports take place at MFN rates. The Norwegian Tariff reflects maximum rates established for a whole year; however, applied rates may be changed administratively during the year. Tariff rates were set in such a way that domestic grain was attractively priced for traders, while supplementary imports could be effected without resorting to quotas or indicative ceilings. Average bound rates for HS chapters 10 and 11 were 221.1% and 305.9% in 2000.

(d) Vegetables and fruit

45. Imports of vegetables, which totalled US\$119.3 million in 1998, were subject to an average AVE applied MFN tariff rate of 40.5% in 1999. Imports are in many cases subject to preferential treatment through the EEA Agreement, EFTA bilateral trade agreements, and the GSP.

46. Market regulation programmes are applied for apples, pears, potatoes and strawberries. Production of potatoes, fruit and berries receive acreage support; since 1998 this support, in the case of potatoes, is no longer linked to product quality. Potato growers also receive deficiency payments, while producers of fruit, berries and vegetables benefit from regional deficiency payments. Transport support and storage support is also provided.

(3) FORESTRY, WOOD AND PAPER PRODUCTS

47. Forestry and logging represented just 0.2% of GDP in 1998, but the industry is linked to Norway's regional policy and hence receives support that goes well beyond its economic importance. The wood and wood products and paper industries combined accounted for nearly 1% of GDP in the same year, and for over 3% of total exports. Norway is a net importer of wood and wood products; imports worth Nkr 5.26 billion (some US\$700 million) entered the country duty free in 1999, compared with rates of up to 5% in 1995. Norway is a net exporter of pulp, paper and paperboard products, exports totalled Nkr 12.1 billion in 1998, while imports were Nkr 6.7 billion. Imports of pulp and paper, also enter Norway duty free, compared with rates of up to 15% in 1995.

48. The main products of the wood processing industry are timber, chipboard and building materials, and around half of production is exported. The pulp and paper industry is also mainly export-oriented. Most exports go to the EEA area, and a small quantity to the United States and other countries. The most important product is newsprint. In addition, there is production of wood-containing printing and writing paper, wood-free printing and writing paper, wrapping paper, corrugated board, sanitary paper, greaseproof paper, board, and carton; a few large companies account for most of the production.

49. The forestry sector is assisted through several schemes administered by the Ministry of Agriculture through the National Forest Service (Table IV.9). Total outlays under the different programmes were Nkr 300.9 million in 1998, and Nkr 298.7 million in 1999, some 15% of the forestry and logging industry's GDP. Since its last Review in 1996, Norway has made a new

notification concerning subsidies, including those for forestry.⁷ Although the number of subsidy programmes has remained unchanged, the amount of support granted to the sector has fallen substantially: in 1998 it was less than two thirds of the support granted in 1994. Several of the support programmes are driven by resource management and cost equalization (among regions) considerations. The final stated aim is to prevent overexploitation of certain areas by extending forestry activities to more remote areas. The difference in exploitation and transportation costs among areas is generally taken into account when determining the percentage of subsidization.

Table IV.9
Assistance to the forestry sector, 1997-98
(Nkr million)

Year	Assistance programme	Type of measure	Support 1997	Support 1998
1965	Tax concessions in forestry, the Forest Trust Fund, and the Five-Year Average Tax Assessment	tax concessions	77.0	76.0
1971	Subsidies for forest management planning	grants	36.1	35.7
1931	Subsidies for afforestation and silviculture	grants	93.5	106.0
1961	Subsidies for construction of forest roads	grants	54.7	66.2
1976	Subsidy for harvesting of roundwood in difficult terrain	grants	7.7	9.6
1976	Subsidies for roundwood sale and transport	grants	1.6	7.4
Total			270.6	300.9

Source: WTO documents G/SCM/N/38/NOR, 25 August 1998, G/SCM/N/38/NOR/Suppl.1, 19 October 1999, and G/SCM/N/48/NOR, 19 October 1999.

50. The Forest Trust Fund is a mandatory forest investment scheme to encourage long-range private investments in forestry based on sustainable use of forest resources. The Forestry Act requires all forest owners to place into the Fund from 5 to 25% of their gross sales of roundwood. At the time of sale, the buyer automatically deducts a pre-decided percentage from the sales receipt, which is deposited in the forest owner's trust fund account at his local bank and may be used for specified forestry investments. Long-range forest investments may be fully written off and deducted on the income tax return the year the investment is made; percentages vary from 65% for investments up to Nkr 50,000, to 95% for investments exceeding Nkr 500,000. Forest owners do not receive the interest on the Forestry Trust Fund; this interest is used for the benefit of forestry at municipal, county or national levels. In 1998, the amount disbursed by the Forest Trust Fund Accounts to investment eligible for tax advantages totalled Nkr 176 million, while the non-taxable amount (subsidy element involved) totalled Nkr 56 million.

51. Under the Five-Year Average Tax Assessment Programme, Norwegian forest owners may benefit from an average tax assessment, whereby income tax is based on average income over the last five years, entailing a reduced marginal tax percentage compared with other income groups. The method implies that the forest owner receives a two-year tax credit. Revenue forgone for 1997 and 1998 was estimated at between Nkr 15-20 million.

52. The Subsidies for Forest Management Planning programme makes grants available to all types of forest land and owners to stimulate forest management planning and promote sustainable forestry. Grants cover resource registration surveys of larger designated areas and preparation of individual forest management plans on the individual properties, as well as training. Subsidy rates are decided by the County Governor based on the total resource registration and plan preparation cost. Area registrations may under certain circumstances be 100% subsidized; subsidy rates for preparing individual forest management plan vary between regions, averaging 60-70%. The Subsidies for

⁷ WTO documents G/SCM/N/38/NOR, 25 August 1998, and G/SCM/N/38/NOR/Suppl.1, 19 October 1999.

Afforestation and Silviculture programme aims at stimulating the establishment and composition of quality forests and securing district employment. Grants are available throughout the country, although priority is given to northern and western Norway and mountainous regions. The grant is given either as a percentage of the total verified costs or as a per hectare subsidy. Subsidy rates differ according to the region and type of work.

53. The aim of the Subsidies for Construction of Forest Roads programme is to encourage construction and reconstruction of forest roads for transport of roundwood from the forest. New rules for this programme, introduced since the last Review, are contained in Regulations on Planning and Approval of Roads for Agricultural Purposes of 20 December 1996. All forest owners are eligible for grants for construction of new roads and for reconstruction of existing ones on land where forestry may be economically operated; however, priority is given to the northern, western and mountainous regions. Support is calculated as a percentage of total costs; maximum grant rates vary: 75% for northern Norway; 60% for western Norway and mountainous districts; and 40% for other forestry regions. The Subsidy for Harvesting of Round Wood in difficult Terrain programme consists of grants for the sustainable utilization of forest resources in steep terrain. Subsidies are allocated per hectare harvested based on the steepness of the terrain and length of the hillside. The Subsidies for Roundwood Sale and Transport in Forestry programme of grants aims at supporting wood transportation in northern Norway. The grants for transport must cover only part of the costs exceeding the normal national average, in order to cover a negative externality and not distort competition or prevent the eventual establishment of a local industry.

(4) FISHING AND FISH FARMING

(i) Features

54. Fishing is one of the traditional sectors of the Norwegian economy, although it currently accounts for just 0.7% of GDP (1.3% if fish processing is included). Total catch in 1999 reached 2.62 million tonnes, a slight decrease from 1997. The main species by volume are herring, blue whiting, cod, sand eel, and mackerel (Table IV.10).

55. The first-hand value of fishing reached Nkr 9.9 billion (US\$1.2 billion) in 1999, down from Nkr 10.5 billion in 1998; the first-hand value of landings from foreign vessels in Norway reached Nkr 2.7 billion, up from Nkr 2.3 billion in 1998. In terms of value, the most important species are cod (about a third of total value), herring, prawns, and mackerel. Aquaculture production reached 460,000 tonnes in 1999 with an export value of Nkr 12 billion (US\$1.4 billion), up from Nkr 9.7 billion in 1998. Half of the catch is used directly for human consumption, of which half is sold fresh or chilled, and half frozen, while the rest is used for the production of meal and oil. Approximately 95% of farmed fish are exported.

Table IV.10
Quantity of catch by fish species, 1995-99
(000' tonnes)

Year	Total	Herring	Blue whiting	Cod	Sand eel	Mackerel	Capelin	Deep water prawn	Haddock	Norway pout	Tusk	Sprat	Other fish species
1995	2,524	687	261	365	263	202	28	39	80	118	19	41	232
1996	2,647	763	356	358	161	137	208	42	97	103	20	59	344
1997	2,862	923	348	402	351	137	158	42	106	47	14	7	327
1998	2,850	832	571	322	343	158	88	56	79	28	21	35	317
1999	2,618	827	534	257	188	161	87	64	53	51	23	22	351

Source: Directorate of Fisheries.

56. Exports of fish and fish products represented 8.7% of total Norwegian exports in 1999, totalling some Nkr 29.8 billion (US\$3.5 billion). After oil, fisheries are the second most important earner of foreign exchange for Norway. The main exported species in 1999 were: salmon and trout (40%); fresh, chilled and frozen groundfish (18%); cured groundfish (17%); and pelagic species (14%). The main markets for fish and fish products in 1999 were Japan, Denmark, the United Kingdom, France, Portugal, Germany and Sweden. Imports of fish and fish totalled Nkr 4.5 billion (US\$535.7 million) in 1999. Imports of fish and fish products enter Norway duty free. The main providers are Russia, Denmark, Iceland, the United Kingdom, the United States, Peru and Canada.

57. Norway had 21,274 commercial fishermen in 1999, of which 15,326 full time. Some 3,966 persons were employed in the aquaculture industry in 1998. In total, there are around 40,000 jobs directly linked to the fishing and fish-farming industry. There were 13,199 registered fishing vessels in 1999, of which some 65% (8,752 vessels) were actually engaged in fishing operations. Some 3,000 vessels operated year around. The number of fishing vessels has been declining in recent years.

(ii) Legal and institutional framework

(a) Legal Framework

58. The main legislation regulating fishing activities is Act No. 40 of 3 June 1983 on salt water fisheries. Aquaculture is regulated by Act No. 68 of 14 June 1985 relating to the breeding of fish, shellfish, etc., Act No. 47 of 15 May 1992 concerning salmon and inland fish, etc., and Act No. 54 of 13 June 1997 concerning fish disease. The trade regime is regulated by Act No. 3 of 14 December 1951 on the marketing of raw fish; Act No. 9 of 27 April 1990 relating to the regulation of exports of fish and fish products; and Act No. 34 of 24 June 1994 relating to the registration as first-hand buyers of raw fish, etc.

59. Through the EEA Agreement, Norway has adopted EU regulations on animal health issues, and the EU safety and quality regulations related to production and marketing of seafood. Quality control is regulated by Act No. 12 of 28 May 1959 relating to quality control of fish and fish products. Norway has an exemption from EEA rules for the importation and exportation of live salmon, roe and milt. Since 1999, Norway has also applied the EU border control regime for live fish, and fish and fishery products originating in countries outside the EEA. The Norwegian fish processing industry has implemented a programme of "own checks" based on the HACCP system in processing plants and factory vessels. The checking system covers both food safety and quality aspects. Commercial standards are developed and supervised by the seafood industry. Bilateral agreements concerning sanitary and veterinary issues have been reached with the quality control authorities in some important non-EEA markets, for example central and eastern Europe.

60. The management of marine fisheries resources and the regulation of the aquaculture industry is the responsibility of the Ministry of Fisheries. The Directorate of Fisheries is an advisory and executive body for the Ministry of Fisheries on administration issues. The Directorate's main tasks include regulation, guidance, inspection, monitoring of resources, and quality control. The Institute of Marine Research acts as an advisor organization to the Ministry of Fisheries; its main tasks include the investigation and monitoring of fish stocks, as well as work related to aquaculture. The Norwegian Institute of Fisheries and Aquaculture carries out research on biology, products, and markets on behalf of the Ministry of Fisheries. The Research Council of Norway participates in the sector's policy formulation through the management of research funds in accordance with guidelines by the Ministry of Fisheries (see below). The Norwegian Industrial and Regional Development Fund (SND) administers the use of public policy instruments in relation to the fishing industry, including the fishing fleet and aquaculture activities.

61. In accordance with Act No. 3 of 14 December 1951, the processing, selling or exportation of raw fish or related products may be prohibited by Royal Decree, unless the fish have been sold first-hand by the intermediary or with the consent of an approved fishermen's sales organization. There are six sales organizations with legal competence to regulate the first-hand sale of raw fish, normally by setting the minimum price for each species and controlling that the price decisions are respected. They also have a legal obligation to establish commercial rules that embody the organization's general terms of sale. The fishing organizations have the authority to stop fishing activities, or to restrict the activities whenever it is deemed necessary for market reasons. The authorities noted that this authority is seldom used. In accordance with Act No. 40 of 3 June 1983, the sales organizations have responsibility for the control of fish resources. Act No. 34 of 24 June 1994 replaced the former system of direct approval of first-hand buyers by sales organizations by a system of registration of first-hand buyers, which included both Norwegian and foreign companies.

62. The Norwegian Seafood Export Council (NSEC) is responsible for the generic marketing of seafood in and from Norway. It finances its activities by a levy on exports of fish and fish products. The Council's marketing budget was about Nkr 250 million in 1999, out of a total budget of Nkr 390 million. The NSEC operates under the Fish Export Act of 1990 (Act No. 9 of 27 April 1990) and the Fish Export Regulation of 1991. Additionally, the NSEC operated under a provisional Regulation, which entered into force on 1 December 1998 and contains price and quantitative measures and provides for the collection of an additional export levy on Norwegian salmon. The additional levy is used for the generic marketing of Atlantic salmon. There are no export restrictions to encourage local processing.

(b) Resource management and control instruments

63. Resources are managed and controlled through the establishment of total allowable catch (TAC) levels. TACs are established according to agreements between relevant coastal states and national quotas. Agreements at the bilateral level are negotiated yearly, and currently exist with the EU, the Faroe Islands, Greenland, Iceland, Poland, and Russia; with the exception of the arrangement with Poland, these include exchanges of quotas. At the plurilateral level, Norway participates in an agreement with the EU, Russia, the Faeroe Islands and Iceland, for the management of the Norwegian Spring Spawning Herring. Norway also participates in an agreement for the management of mackerel in the Northeast Atlantic, with the EU and the Faeroe Islands. Norway has ratified the Agreement of 4 December 1995 for the implementation of the provisions of the United Nations Convention on the Law of the Sea of 10 December 1982, relating to the conservation and management of straddling fish stocks and highly migratory fish stocks. Norway is a contracting party of the Northwest Atlantic Fisheries Organization (NAFO), the Northeast Atlantic Fisheries Organization (NEAFC), and the Convention for the Conservation of Antarctic Marine Living Resources (CCALMR); all manage fish stocks in their respective convention areas.

64. The TAC is set annually at a national level, by Ministry of Fisheries regulations, taking into account scientific advice provided by the International Council for the Exploration of the Sea (ICES). The total TAC is established in accordance with agreements with other coastal states and then divided between the states. When the TAC is allocated between the relevant states, the Norwegian quota of each regulated stock is shared between groups of vessels, as group quotas. Group quotas are then allocated to individual vessels either by individual fixed quotas for each participating vessel or by maximum quotas. The system of individual vessel quotas provides every participating vessel with a fixed and guaranteed portion of the quota group. Within the system of maximum quotas, an upper limit is set for the annual catch. As the sum of the allocated maximum quotas is higher than the group quota, the participating vessels are not guaranteed that they may take their quota share. In addition, time-period quotas, trip quotas and days at sea are used to regulate certain fisheries. The fishing of a

species is closed when the total group quota is exhausted. A system of "over-regulation" is applied on vessel groups consisting of a large variety of boats, with different activity level. This is to make sure that the group quota is taken without any formal redistribution within the vessel group.

65. The total TAC for 1999 was set at 4.362 million tonnes, distributed among species as shown in Table IV.11. Allocations are made both to Norwegian and foreign fishermen. In 1999, some 56% of the total TAC was allocated by Norway, just slightly above the allocation for 1998 which was 53% of that year's TAC.

Table IV.11
TAC allocations, 1998 and 1999
(Tonnes)

Species	1998			1999		
	TAC	Allocations to national fishermen	Allocations to foreign fishermen	TAC	Allocations to national fishermen	Allocations to foreign fishermen ^a
Herring	1,334,000	823,580	411,750	1,645,000	825,800	412,050
Capelin	1,265,000	159,150	0	1,280,000	160,000	0
Cod	834,000	327,760	32,990	671,400	248,930	24,640
Haddock	252,000	94,340	4,500	171,950	60,345	3,150
Saithe	242,000	182,900	11,500	255,000	189,700	11,300
Mackerel	111,350	157,160	15,970	173,805	157,160	15,970
Plaice	98,200	3,310	0	113,200	3,595	0
Whiting	75,200	6,280	0	52,000	4,545	0
Redfish	^b	^b	5,500	^b	^b	5,500
Greenland halibut	^b	^b	100	^b	^b	100
Total	4,211,750	1,754,480	482,310	4,362,355	1,650,075	472,710

a Third-country fishermen fishing in Norwegian waters, excluding Russian quotas on joint Russian-Norwegian stocks in the Barents Sea and EU-quotas on joint EU-Norwegian stocks in the North Sea. Includes bycatches.

b No TAC fixed for redfish or Greenland halibut in 1998 and 1999; a maximum intermixture of 25% allowed when fishing for species other than redfish.

Source: Ministry of Fisheries.

66. Fishing activities are also controlled through a stringent licencing system, to prevent over-fishing and the build-up of fleet over-capacity. Fishing vessels must be registered in the Register of Norwegian Fishing Vessels: the registration of new fishing vessels, as well as the acquisition of a fishing vessel already registered, requires a permit from the authorities. At the end of 1999, only 8,752 of the 13,199 registered fishing vessels were in operation. There is still overcapacity in the Norwegian fishing fleet, and to meet this challenge a number of input control systems have been established. Norway has implemented two basic models to regulate the number of vessels that can join the different fisheries: concessions, and annual permits. Fishing concessions and annual access permits are connected to both the owner of the vessel and to the fishing vessel itself and are specific to species, fishing areas, fishing gear, and fishing vessels of a specific size. In accordance with Act of 26 March 1999 relating to the regulation of the participation in fisheries with annual access permits (Participation in fisheries Act), a total of 794 fishing concessions to 454 vessels, as well as 3,431 annual access permits and 19 other permits had been granted at the end of 1999.

67. Norway has established a quota-transfer system – the unit quota system – with the purpose of reducing the number of vessels. The unit quota system gives a vessel owner the possibility of buying another vessel, taking that vessel out of Norwegian fisheries, and fishing both quotas with the remaining vessel for 13 years. The unit quota system has so far been implemented only for the offshore fishing fleet. Norway also uses decommissioning schemes to reduce the fishing fleet. The present scheme has two components: decommissioning (the concession or access permit is withdrawn, and the vessel is permanently taken out of fishing and physically destroyed); and

combined decommissioning (the vessel is taken permanently out of fishing, the concession or access permit is withdrawn, but a new concession or access permit may be granted on a replacement vessel).

68. Whaling and sealing are also regulated by the 1999 Participation in fisheries Act. In 1999, only three vessels participated in the hunting of seals, down from five in 1998; 34 vessels participated in the hunt for minke whales in both 1998 and 1999. All participating vessels are required to have inspectors on board to ensure that their hunting activities are performed in accordance with regulations.

69. The sales organizations are responsible for controlling catches on all vessels landing in their area, irrespective of membership in the organization or of nationality. Under Act of 24 June 1994 on the marketing of raw fish, a new system of registered fish buyers has been in force since 1 January 1998, replacing a system that granted fishermen's sales organisations the right to approve buyers in first-hand. The Directorate of Fisheries registers first-hand buyers. According to the authorities, the purpose of the new system is to improve the supervision of the first-hand sales of fish and fishery products, by allowing comprehensive monitoring of different groups of buyers.

70. Nationality restrictions exist with respect to activities and ownership in the fishing sector. The Fishing Limit Act No. 19 of 17 June 1966, prohibits foreigners from fishing inside the Norwegian fishing limit. A number of foreign vessels are, however, granted licences to fish in the Norwegian Economic Zone on the basis of bilateral agreements. Only Norwegian nationals or joint-stock companies having their registered office in Norway may obtain a concession to acquire registered Norwegian fishing vessels, or shares in a company that owns such vessels. Moreover, the majority of the members of the board of joint-stock fishing companies, including the chairman, must be Norwegian citizens residing in Norway; and at least 60% of the equity capital of these companies must be owned by Norwegian nationals. Also, the processing, packing or reloading of fish, crustaceans, and molluscs or parts and products of these, caught inside the fishing limits of the Norwegian Economic Zone, is restricted to Norwegian nationals (or companies as specified above). Foreign vessels licenced for fishing in the Norwegian Economic Zone, are exempted from this restriction.

71. Fishing activities are also subject to other management instruments, including minimum fish size, minimum mesh size, by-catch rules, discard bans, and limitations on the number of days at sea. A general policy goal is to increase the degree of processing. In this respect, the share of catch used for the production of fish-meal and oil has been increasing in the last few years, to some 54%; the rest of the catch is destined for direct human consumption.

72. Minimum import prices on certain fish products may be established if there is market disturbance resulting from imports of large quantities of any fish at prices below Norwegian minimum prices.

(c) Assistance to the fisheries sector

73. The Government supports fisheries through a number of programmes, although total financial transfers have been considerably reduced in recent years. As an estimate of the support received by the sector, in 1998, government financial transfers associated with Norway's marine fishery policies were Nkr 193 million (US\$24.7 million), this represents some 1.9% of production value (Table IV.12).⁸ Estimates for 1999 and 2000 are Nkr 155 million, and Nkr 160 million, including transfers to reduce fishing capacity. Most support payments were made in the form of cost-reducing

⁸ This is not a comprehensive figure; it does not include support to the aquaculture industry, or general services support.

transfers, particularly reduction of transport costs, and interest rate subsidies and investment support (see below). Support programmes notified to the WTO in 1998 for fisheries, which cover mainly cost-reducing transfers, totalled Nkr 132 million. Most support programmes are administered by the Ministry of Fisheries.

Table IV.12
Transfers associated with Norway's fishery policies, 1997 and 1998
(Nkr million)

Type of transfer and purpose	1997	1998
Marine fisheries	205.9	193.0
(Percentage of production value)	(2.3)	(1.9)
Direct Payments	20.9	49.0
Decommissioning	..	25.0
Income guarantee compensation	20	24.0
Price support (for crab and coastal sprat fisheries)	0.9	0.0
Cost-reducing transfers	185.0	144.0
Reduction of transport costs	35.5	38.0
Tax refunds and exemptions	..	..
Other cost-reducing support	47.5	28.0
Interest rate subsidies and investment support for vessel building	102.0	78.0

.. Not available.

Source: Information provided by the Norwegian authorities.

74. The Transport Support programme of grants, is aimed at facilitating the implementation of fisheries activities in specific regions. Aid is granted in accordance with the yearly agreement between the Government and the Norwegian Fishermen's Association; it is distributed by a group of sales associations to the fishing industry.⁹ The fish farming industry does not benefit from the scheme. The total amount of subsidies under this scheme in 1998 was Nkr 33 million. Also under the cost-reducing schemes, the programme of Support for Specific Fisheries, is aimed at helping specific fisheries to convert to more profitable operations. The subsidy is paid to the sales organisation; the amount available in 1998 was Nkr 775,000 for crab fisheries, and 164,000 for coastal sprat fisheries due to transfers from previous years. No new subsidies were granted in 1998.

75. The programme of Support to Fishing Vessels for Domestic Delivery: Contract Subsidies and Construction Loan Subsidies grants contract subsidies to ship owners calculated as a percentage of the contract price of a ship. The scheme aims at correcting the distortions caused by subsidies in competitor countries. In 1998, the subsidy rates were 7.5% for new ships and 3.75% for extensive conversions. The total amount of grants in 1998 was Nkr 75.4 million. Other cost-reducing support programmes include the programme of Support to Long-line Baiting Facilities, which provides grants to members of organized long-line baiting facilities. In 1998 the support was limited to Nkr 11 per 100 baited hooks, for a total of Nkr 13 million. Support to research in fisheries is granted through a programme of research grants, with a total budget in 1998 of Nkr 5 million. Under the Grant for Building or Purchase of Vessels to the County of Finnmark programme, grants of up to 15% of building or purchase costs are provided to buyers or builders of fishing vessels less than ten years old in Finnmark.¹⁰ Although some Nkr 10 million were available for the scheme in 1997 and 1998, no aid was paid during either year. Through the Interest Rate Subsidies for Fishing Vessels for Domestic Deliveries: Long Term Financing and Construction Loans, administered by the Ministry of Trade and Industry through SDN, and aimed at the modernizing the fishing fleet, ship owners benefited from an

⁹ The associations are: Norway's Raw Fish Organization; the Fish Sales Association for Western Norway; the Fish Sales Association for Rogaland County; the Fish Sales Organization for the Skagerak Coast; and Norway's Herring Sales Association.

¹⁰ Under a Regulation of 21 December 1996.

interest rate subsidy, and yards from a construction loan subsidy. Although the scheme expired in 1989, ship owners still benefit until 2001. The total amount of interest rate subsidies in 1998 was Nkr 5 million.

(iii) Aquaculture

76. In accordance with Act No. 68 of 14 June 1985 relating to the breeding of fish, shellfish, etc, and Act No. 47 of 15 May 1992 concerning salmon and inland fish, etc., all farming of fish and shellfish requires a licence. Sea farming of salmon and trout is also subject to a system of limited entry, which has resulted in a standstill in the number of nation-wide licences for salmon and trout since the mid 1980s.

77. Approximately 95% of the farmed fish is exported. The production of salmon is mainly geared to the EU market, of which Norway has a 63% market share. Exports are subject to an export levy. Some 460,000 tonnes (round weight) of salmon and sea trout were produced in 1999, with an export value of approximately Nkr 12 billion. The production of other species, like halibut, arctic char, cod, turbot and shell fish is much smaller, some 2,000 tonnes. Production licences are required for the aquaculture industry: in 1999, there were 843 sea-farm licences for the production of salmon and trout, 315 smolt licences and 390 licences for other species.

78. As a result of an anti-dumping and countervailing duty investigation, in 1997 an Agreement on Salmon with the EU was reached. The agreement runs for five years, until 30 June 2002, and involves an arrangement on indicative ceilings on exports of salmon to the EU. The agreement allowed an 11% increase in Norwegian export volume in 1997 (based on actual exports of 220,000 tonnes in 1996), and a 10% increase over the following four years. As part of the agreement, the export levy was increased from 0.75% to 3% for the funding of generic marketing of Atlantic salmon. The agreement also resulted in the establishment of minimum import prices for Norwegian salmon to the EU. The Ministry of Fisheries established a system of feed quotas in 1996 to restrict production growth in the salmon industry in Norway. The feed quotas on salmon are set in line with the salmon agreement and world-wide supply and demand of Atlantic salmon.

79. The Norwegian Seafood Export Council is responsible for the marketing of aquaculture products. As a result of the salmon agreement between Norway and EU, which increased the export levy, funds for salmon marketing have increased substantially and, according to the authorities, the Norwegian Seafood Export Council has increased marketing efforts correspondingly.

(5) MINING

80. The mining of metals has traditionally played an important role in Norway, particularly the production of copper, silver, and iron ore. Since the 1980s, this activity has been in decline because of a lack of economically viable deposits in Norway, which has led to the closing of several mines, while others have reduced their production. While the production of metallic minerals has been declining, the extraction of industrial non-metallic minerals, which are major inputs in other manufacturing industries (construction materials, paper, plastic, and chemicals), has been on the rise. Similarly, the production of natural stone has shown a steep increase in recent years; approximately 5 million tonnes of aggregate are exported each year, mainly to other European countries.

81. Exports of minerals reached some Nkr 3.5 billion in 1998, compared to imports totalling Nkr 2.3 billion. Imports of metal ore are duty free. Duties on other mining products are very low, ranging between zero and 0.7%, and average 0.1%.

82. Nationality restrictions exist for exploration rights: they apply to individuals and enterprises not resident in any of the EEA countries. Extraction of minerals requires a concession.

(6) HYDROCARBONS

(i) Features

83. The petroleum and natural gas sector is the single most important activity for the Norwegian economy. Petroleum production and pipeline transport accounted for 11.0% of GDP in 1998 (Table IV.13). Due to its capital intensity, and despite its large contribution to GDP, the direct employment effect of production and pipeline transport of crude oil and natural gas is relatively small, accounting for less than 1% of total employment in 1998, while the share of petroleum-related activities was roughly 4%.

Table IV.13
Petroleum operations, 1994-99

	1994	1995	1996	1997	1998	1999
	Nkr billion					
Value added	112	119	163	173	122	173
Export value	109	116	160	168	123	167
Investments accrued	54	48	48	62	79	67
Employment (thousands)	18	18	17	17	17	17
	Per cent					
Share of GDP	13	13	16	16	11	14
Share of export value	33	33	39	37	30	36
Share of total employment	1	1	1	1	1	1

Source: Statistics Norway.

84. Norway is the largest exporter of crude oil outside of OPEC, ranking second in the world after South Arabia. The market for Norwegian crude oil is concentrated on the North Atlantic basin, mainly due to strong demand there and lower transportation costs than to other parts of the world. Norway's gas exports totalled 43.6 billion scm in 1998, or 2% of world gas production; it supplies some 10% of western Europe's gas consumption. The Government expects Norwegian gas producers to deliver 70 billion scm of natural gas by 2005, some 50% more than in 1998.

85. Property rights to Norway's oil and gas resources are vested in the State. Exploration and production licences are issued under the terms stipulated in the Petroleum Act. Policy issues and management of the sector are mainly under the responsibility of the Ministry of Petroleum and Energy. Some changes have been introduced since Norway's last Review in 1996, with respect to the system of forming groups of licensees.

86. Petroleum activities on the Norwegian shelf are undertaken by commercial companies. The three main Norwegian companies are Statoil, which is wholly state owned, Norsk Hydro, in which the state maintains a large, non-majority stake, and Saga, recently purchased by Norsk Hydro. Although Statoil is 100% state owned, it operates as a commercial company and is treated accordingly. Statoil controls some 15% of production of hydrocarbons; the rest is largely accounted for by the State Direct Financial Interest (SDFI), Norsk Hydro, and by foreign firms. The share of foreign firms varies according to the field: in some cases it may reach 100%. Most of the major foreign petroleum companies are involved in oil exploration in Norway. Statoil participate in explorations in a large number of fields; its maximum participation in any specific field is 40%, while that of SDFI is 73%, and Norsk Hydro's is 50%.

87. The authorities noted that the management of gas resources is of utmost importance for the efficiency of the Norwegian oil and gas sector. The primary goal of petroleum policy is to optimize

the use of resources at the lowest possible cost, taking due account of environmental concerns. The fundamental elements to achieve this goal are an appropriate level of production; a high recovery rate of both oil and gas; the utilization of economies of scale; and achieving the highest environmental standards. The State is thus involved in contract allocation and sales of natural gas. Gas exports are marketed by the Gas Negotiations Committee (GFU), which is responsible for Norwegian gas sales since 1986. The members of GFU are Statoil (which holds the chair) and Norsk Hydro, which together hold production licences for some 65% of Norway's gas reserves. There are no production quotas for natural gas, imports may enter Norway free of duty.¹¹

88. At the end of 1999, petroleum reserves on the Norwegian continental shelf totalled 1.5 billion standard cubic meters of oil equivalent (scm oe), gas reserves were 1.2 billion scm oe, and reserves of natural gas liquid (NGL) reached 200 million scm oe.¹²

89. Norway accounted for some 3% of world oil production in 1998. Offshore petroleum production in 1998 totalled 222.5 million scm oe, including 168.9 million scm oe of oil (2.9 million barrels per day), 43.6 million scm oe of gas and 10 million scm oe of NGL/condensate. Oil production declined by 4% compared with 1997, while gas sales rose by 2%. In 1999, Norway decided to curtail production by 200,000 barrels per day, and in December 1999 decided to extend this reduction until the end of the first quarter of 2000. The authorities are projecting that total production will rise by about 12% in 2000 over 1999.

90. Investment in exploration, field development and pipeline transport totalled NKr 79 billion in 1998, up from NKr 63 billion in 1997, while the investment associated with the SDFI amounted to NKr 27.3 billion in 1998, compared with NKr 20.3 billion in 1997. Petroleum-related investment reached 26% of total investment in 1998. Investment declined in 1999, and is expected to continue declining, in 2000.¹³ Investment decisions were influenced by low oil prices in late 1997 and 1998; the current recovery in prices may induce a revision in investment.

91. The State Petroleum Fund (SPF), was established in 1990. The purpose of the SPF is to establish a buffer to allow for greater room for manoeuvre for economic policy. The SPF had assets for NKr 222 billion or about 19% of GDP in 1999. Apart from its contribution to the SPF, the petroleum sector contributes significantly to public finances (Chapter I(2)(v)).

(ii) Policy framework

92. The policy framework for petroleum operations is determined by Parliament, which has to approve all issues dealing with policy and law changes, as well as all major development. Parliament has delegated authority to the Government to approve smaller development projects. Overall administrative responsibility for petroleum operations on the Norwegian continental shelf rests with the Ministry of Petroleum and Energy (MPE), which must conduct these functions in accordance with the general policy framework determined by Parliament.

93. The petroleum industry has spillover effects in other industries, since it generates a strong demand for goods and services related to exploration, drilling, development, and petroleum production. An important policy element in the past was to build up a domestic off-shore supplies sector to accompany the development of the petroleum industry. This seems to have been achieved, since, according to the authorities, in recent years, Norwegian companies have accounted for well

¹¹ OECD (1999c).

¹² One standard cubic meter of oil equivalent (scm oe) is equal to 6.29 barrels of oil.

¹³ Ministry of Petroleum and Energy 2000; and information provided by the Norwegian authorities.

over half the overall deliveries to the country's operations in this sector. The next policy step is to enhance the international competitiveness of Norwegian suppliers of capital equipment. To this end, the MPE has established the Intsok foundation, which aims to achieve its competitiveness target through a network of voluntary collaboration between its members. There were 55 members in 1999, which included oil companies and suppliers.

94. A stated policy goal of the authorities is to encourage the discovery of additional oil resources in order to counter an anticipated decline in oil production. Exploration and development in the frontier regions are being encouraged through a policy of joint application for blocks in the Barents Sea in 1997 and North Sea in 1999, allowed by the 1996 Petroleum Act.

95. Policy in the sector also seems to be aimed at reducing the State's direct involvement, through the setting up of consortia for field development. Another sign in this direction is that, from the fifteenth licensing round in 1996, Statoil and the SDFI have no longer been awarded an automatic share of every licence, a departure from the previous policy, which resulted in allocations to the SDFI of some 50% of every consortium.

96. The Government is considering several options for the future of Statoil. In this respect, in August 1999 the executive board of Statoil submitted to the Ministry of Petroleum and Energy its views on the future ownership structure of Statoil and the SDFI. The report recommends the transfer of the majority of the SDFI's assets to Statoil, and that Statoil be partly privatized and listed on the Oslo stock exchange. Another option being considered would be to setup an entirely new, state-owned oil company, reporting directly to the Ministry of Petroleum and Energy, which would handle state interests in the North Sea.

(iii) Institutional and legal framework

97. The Ministry of Petroleum and Energy (MPE) has the overall responsibility for resource management for monitoring petroleum, and also provides the secretariat for the Petroleum Price Board, which sets the norm price for taxation purposes. The MPE is also responsible for handling the State's participation in the oil industry, namely for exercising the owner's role in relation to Statoil and for supervising the State's Direct Financial Interest (SDFI) in the petroleum sector.

98. The SDFI was established in 1985, when it was decided to split the cash flow from Statoil's licence interests into two components, one remaining with the company and another going directly to the state (the SDFI). The SDFI is managed by Statoil, which also sells all petroleum accruing to the SDFI on behalf of the state. Under the SDFI, a state interest was incorporated into most licences issued after 1985; as a result, the State pays a share of all exploration, development and operation costs in activities corresponding to its direct interest; consequently, it receives a corresponding share of production and other revenues on the same terms as other licensees. The SDFI accounted for roughly 40% of all capital spending on the continental shelf in 1998. The SDFI secured an interest in all new licences awarded from licensing rounds from 1985 (see below). As owner of the petroleum resources, the State is free to determine its level of direct participation through the SDFI in any licence. The average level of SDFI involvement has gradually been reduced over the recent years.

99. Since the last Review of Norway, the Petroleum Act No. 11 of 22 March 1985 has been repealed and replaced by Act No. 72 of 29 November 1996 (the Petroleum Act), in force since 1 July 1997. Regulations under the Act were issued by Royal Decree of 27 June 1997. The Act provides the overall legal basis for the licensing system that regulates petroleum operations in Norway. The legal authority to tax these operations is granted by Act No. 35 of 13 June 1975 relating to taxation of sub-sea petroleum deposits (the Petroleum Taxation Act).

100. The Norwegian authorities noted that the new Petroleum Act has retained the fundamental principles of the 1985 Act, and makes no amendments to the main features of the licensing system, although some administrative changes have resulted from it. The main changes include the possibility of extending the initial period of validity of production licences from six to ten years, with possible extensions to 30 or 50 years. The 1996 Act allows exploration and production licences to be granted to physical persons domiciled in EEA member states. The new Act liberalized the procurement obligations of licensees. The 1996 Petroleum Act reflects the requirements of the European Union Directive 94/22/EC on granting and using licences to explore for and produce hydrocarbons, which was incorporated in Appendix IV (Energy) to the EEA Agreement in 1995.

101. The Petroleum Act specifies that the proprietary right to sub-sea petroleum deposits on the Norwegian continental shelf is vested in the state. Currently, some 20 oil companies carry out operations on the Norwegian continental shelf. All commercial activities on the Shelf must be preceded by the formal opening of the area in question for reconnaissance, exploration, development and production. Such opening takes place after the authorities have ensured that the environmental, economic, and social impact of these activities have been properly assessed. Non-exclusive reconnaissance licences are required to make geological, petro-physical, geo-physical, geo-chemical and geo-technical surveys. Production licences are required for regular exploration, drilling, and production. Production licences give oil companies the exclusive right to explore for, develop, and produce petroleum found in the specified area. The licensees become the owners of any petroleum produced. Before development, licensees are required to carry out a thorough environmental impact assessment of the area.

102. Production licences are normally awarded through licensing rounds, during which the Government invites applications for a certain number of blocks. Although, according to the Petroleum Act, companies are generally required to apply individually, in some parts of the shelf companies are allowed to submit joint applications. In all rounds that took place between 1973 and 1993, state participation through the SDFI and Statoil was about 50%, but has declined subsequently. In the 16th licensing round, which took place in the spring of 2000, the average SDFI share was 15%.

103. Norwegian natural dry gas is almost exclusively sold under long-term contracts resulting from commercial negotiations. However, licensees are, free to reach sales agreements on their own, provided better prices are obtained, or to use the gas in their own facilities. The Government nevertheless remains responsible for the designation of contracts, the delivery of fields for all agreements, and the approval of all commercial deals. A Gas Supply Committee (FU), established in 1993, advises the Ministry of Petroleum and Energy on issues relating to the development and use of fields and transport systems. The EU's Gas Directive is not yet a part of the EEA; Norway and the EU are currently holding discussions in this respect.

104. Government support to the R&D activities related to the petroleum sector is provided through funds for research granted by the Research Council of Norway and the Ministry of Petroleum and Energy. In 1999, it was agreed to allocate Nkr 100 million to petroleum research, through the Offshore 2010 Research and Development Programme.¹⁴ The main goal of this programme is to give emphasis to innovation and commercialization of R&D in small and medium-sized companies.¹⁵

105. Petroleum operations are taxed at the ordinary corporation rate of 28%, both in-land and offshore. A net profit tax of 50% is also levied on petroleum activities. Companies may deduct investment and net financial costs from offshore operations. The most important taxes levied on petroleum operations are the royalty on oil production, the area fee, and the carbon dioxide tax.

¹⁴ OECD (1999a).

¹⁵ Ministry of Petroleum and Energy (2000).

Royalties are paid on oil production from fields approved for development before 1 January 1986; rates vary between 8% and 16% of gross production. Gas production is not subject to the payment of royalties. Due to the decline in earnings from oil activities, government revenues from taxes and royalties on petroleum operations and the SDFI accounted for 10% of total government revenues in 1998, compared with 18% in 1997.

(iv) Activities related to the petroleum sector

106. Norway has three refineries: Statoil's Mongstad, near Bergen, with an annual capacity of 8 million tonnes; Esso's refinery at Slagen, near Oslo, with a capacity of 4.5 million tonnes; and Shell's refinery at Sola (outside Stavanger), with a capacity of 2.5 million tonnes but to be closed in 2000.

107. A number of industries producing petroleum products have developed; the main products are heating fuels (industrial and household), petrochemicals, and motor fuels (Table IV.14).

Table IV.14
Production of petroleum products, 1994-98
(000' tonnes)

Product	1994	1995	1996	1997	1998
Petrol	3,170	2,872	3,216	3,418	3,233
Naphtha and other gasolines	978	791	694	586	778
Kerosene	1,170	1,059	1,253	1,127	877
Medium distillates	6,828	6,187	6,870	7,124	6,921
Heavy fuel oil	1,690	1,727	1,780	1,876	1,997
Total	13,836	12,636	13,813	14,131	13,806

Source: Statistics Norway.

108. The main market for Norwegian refined petroleum products is western Europe. The principal destinations in 1998 were Denmark, the Netherlands, Norway, the United States, Belgium, Germany, the United Kingdom, and Sweden. Statoil is the largest producer of petroleum products in Norway, with some 29.9% of total production in 1998; other important producers are Shell, 24%; Esso, 23.4%; Hydro/Texaco, 11.7%; and Fina, 6.9%.

(7) MANUFACTURING

(i) Features

109. Manufacturing activities represented 10.4% of GDP in 1999, a little less than petroleum activities. In contrast to agriculture, market access to imported industrial products is subject to relatively low tariffs. The average tariff rate for manufactures in 1999 was 2.6%, considerably lower than the average tariff at the time of the previous Review of Norway, which was 5.7%. The highest protection is in textiles. Tariff rates applied to plastics, soap, and toiletries are also above average. Imports of a wide range of products, in some cases entire HS chapters, are duty free; these include chemicals, pharmaceutical products, fertilizers, wood and wood products.¹⁶

(ii) Policy framework

110. The guidelines for industrial policy are contained in Report No. 41 to Parliament (1997-98) "Industrial policy into the 21st century". The main objective of industrial policy is to generate higher

¹⁶ Imports under HS chapters 25-31, 37, 41, 44-47, 49, 66, 68, 72, 75, 78, 86, 88, and 97, are entirely duty free.

value added in order to enhance welfare and employment. Current Norwegian industrial policy is mainly sector-generic; only in a few cases is it directed towards individual companies and industries. Support to the manufacturing industry constitutes approximately a quarter of total support to business and industry, and is directed towards small and medium-sized companies, regional objectives, and research. According to the authorities, support is intended to ease readjustment processes, and to assist companies in becoming competitive by stimulating innovation and development through partial compensation for extra costs and risks associated with such activities.

111. Industrial policy formulation falls mainly within the responsibilities of the Ministry of Trade and Industry, but other ministries are also involved, depending on the industrial sector. Industrial policy issues are discussed in the National Forum for Industrial Development, in which unions, employers' associations, financial institutions and research and educational institutions participate. Another element of industrial policy is the financing of research projects. The Norwegian Research Council is the most important official body in this area. The Research Council administers and finances research activities in business and industry, institutes and universities. An advisory system, consisting of five different advisory bodies, plays a major role in disseminating knowledge among users in business and industry (Chapter II(4)).

112. Another important element of Norway's industrial policy is the provision of credit to small and medium-sized enterprises, mainly through the Norwegian Industrial and Regional Development Fund, established in 1993 to strengthen the availability of capital to business and industry. The Norwegian authorities consider that this type of intervention is desirable because, in their view, it is easier for the State to take long-term factors into consideration than for an individual company.¹⁷

(iii) Main manufacturing activities

(a) Machinery and equipment

113. Machinery and equipment is the single most important area in manufacturing, accounting for some 3.2% of GDP. Imports of non-electrical machinery and equipment totalled US\$6.3 billion in 1998; imports of electrical machinery were US\$3.6 billion in the same year. The goods produced in Norway include: engines and turbines, motors for ships and boats, agricultural machines, and a number of electrical machines. The sector is closely linked to the petroleum industry and to shipbuilding, on which a large part of production depends. The production of communications equipment and systems has also been developing rapidly.

(b) Shipbuilding and repairs

114. Shipbuilding activities accounted for 1.2% of GDP in 1998 and 1999. There are some 60 building or repair yards, of which around half build ships larger than 100 gross tonnes. Approximately 50% of the output from Norwegian shipyards is exported. Despite exports exceeding US\$1 billion in 1998, Norway runs a large trade deficit in ships, mainly due to the need to import larger ships for the petroleum and maritime transport industries. The trade deficit in shipbuilding occurs despite important government support to the industry. In 1999, particularly as a consequence of increased output amidst poor export performance, support granted to shipyards increased substantially.

115. The shipbuilding industry consists of a few large and several medium-sized companies, which produce mainly small and medium-sized ships, such as product and chemical carriers, general cargo ships, ro-ro vessels, ferries, passenger ships, fishing vessels and seismic vessels. Norway is also an important producer of ships' equipment, particularly pumps.

¹⁷ Ministry of Trade and Industry (1996).

116. The authorities noted that shipbuilding has been covered by the EEA Agreement since 1 May 1995, and that subsidy schemes applied by Norway are in accordance with EC Council Regulation 1540/98 of 29 June 1998 establishing new rules on aid to shipbuilding. Under this scheme, contract-related operating aid is calculated as a percentage of the contract price of a ship, the subsidy rates are 9% for new ships with a contract value of more than ECU 10 million, and 4.5% for new ships of a value of less than ECU 10 million and for conversions. Assistance is through the Contract and Construction Loan Subsidies to the Shipbuilding Industry Scheme (Chapter III(4)(iv)(e)). Outlays under this scheme are estimated to have increased substantially in 1999, but the authorities expect support levels to be lower in 2000. Although the Interest Rate Subsidies for the Shipbuilding Industry: Long Term Financing and Construction Loans Programme was terminated in 1989, repayments under the scheme will continue until 2001, since loans were granted for up to 12 years. In 1998, interest rate subsidies under the scheme were estimated at Nkr 17.6 million.

(c) Metals and metal products

117. The main products are iron and steel, ferro-alloys and aluminium. Imports of these products are mostly duty free; the highest tariffs are applied to imports of aluminium products, which faced an average rate of 1.9% in 1999, and articles of metal, which faced an average tariff of 2.4%. Exports of metals account for 22% of total exports in the manufacturing industry. Imports of metals and metal products totalled some US\$4.4 billion in 1998.

118. Norway is the world's largest producer of ferro-silicon and silicon-containing alloys, and has 15 producers of ferro-alloys.¹⁸ Norway is the world's seventh largest producer of aluminium and exports between 80% and 90% of production. There are three producers of aluminium: Hydro Aluminium, Soral, and Elkem. Norway also produces semi-manufactures of aluminium, which are used as inputs in the manufacture of transport equipment in the building and packaging industries, and for the production of electricity cables.

(d) Textiles and clothing

119. The textile and clothing industry consists of a large number of small and medium-sized companies. Some 81% of employees in the sector work in companies with less than 100 workers. The most important products are furnishing fabrics, such as upholstery materials, carpets, duvets and bed linen, as well as technical textiles, fireproof materials, fishing tackle, and wool for knitting and weaving. There is also production of sanitary textiles, sleeping bags, tents and sails. Exports account for 38% of production. Imports of textiles and clothing totalled US\$2.14 billion in 1998; they faced an average MFN tariff of 8.7% in 1999 and a tariff range between zero and 19%. Apparel, knitted fabrics and carpets are subject to the highest rates, while imports of silk, cotton, and other fabrics, as well as footwear enter at lower tariff rates. Imports from EEA countries, and states with which EFTA has bilateral agreements, enter duty-free. Some 80% of imports are from other OECD countries (mainly EEA members).

120. The main products of the clothing industry are uniforms, working and leisure clothes; the primary purchaser in the domestic market is the public sector. The export share in the industry is 20%. The production of clothing is highly specialized and Norwegian companies normally subcontract part of their production. The increase in subcontracting practices has gone hand-in-hand with the reduction in restrictions on imports of textiles and clothing. In this respect, Norway has eliminated, in advance, quotas under the Agreement on Textiles and Clothing (ATC). Norway made a notification to the WTO on 19 September 1997 announcing the elimination of quotas on a number of

¹⁸ Ministry of Foreign Affairs (1999).

products: 32 quotas were eliminated from the end of 1997, five other quotas were eliminated in 1998. Currently, the only quantitative restriction in place affects the importation of fishing nets; all other quotas have been eliminated (Chapter III(2)(v)(b)).

(e) **Pharmaceuticals**

121. Imports of pharmaceuticals enter Norway duty free. The export and import of pharmaceutical products requires approval by the Norwegian Board of Health; the wholesale businesses must follow the EU rules, harmonized through the EEA Agreement. Parallel imports are in principle allowed since the entry into force of the EEA Agreement. According to the authorities, parallel imports are significant enough to have some impact on the pharmaceutical market in Norway.

122. Maximum prices of prescriptive pharmaceutical products are fixed by the Norwegian Medicines Control Authority at the time of registration of new preparations. A reference price system is used for generics, which stipulates that the least expensive preparation must be chosen for maximum reimbursement when equivalent options exist for prescription drugs. The number of preparations with similar properties may be limited as a result of a needs test. Imports of pharmaceutical products containing GHOs are forbidden.

(8) SERVICES

(i) Introduction

123. Services play a major role in the Norwegian economy. In 1998, services other than those provided by the Government accounted for 41% of GDP; including public-sector services this share increases to some 57% (Table IV.1).¹⁹ The services sector represented some 74.2% of civilian employment in 1998.²⁰ State participation, including social, health, and education services, is significant, as witnessed by the share of government services in total services output and employment (24.5% and 41%, respectively, in 1998).

124. The main service activities in terms of value added are wholesale and retail trade, transportation, business services, and financial services. In terms of employment, wholesale and retail trade is the most important area, accounting for about a third of total employment in services, and for some 15% of total employment, followed by business and other related services. Employment in post and telecommunications services remained roughly stable in the second half of the 1990s, while employment in financial services contracted.

(ii) GATS commitments

125. Sector-specific commitments under the General Agreement on Trade in Services (GATS), were taken in all the broad categories of services except for health-related and social services. A wide variety of subsectors are covered in business services, telecommunications, construction and related engineering services, financial services, tourism and related services, among others (Table AIV.2). In general, Norway's schedule of commitments places few market access or national treatment limitations on cross-border supply, consumption abroad and commercial presence. As regards the presence of natural persons, market access and national treatment remain unbound, in line with the prevailing scheduling practice of most WTO Members, except as provided in the horizontal commitments for mainly intracorporate transferees, and for a few specified service suppliers (see the Third Protocol to the GATS).

¹⁹ Statistics Norway, <http://www.ssb.no/en/knr/tab-1999-12-02-17-en.txt> [31 January 2000].

²⁰ Statistic Norway, <http://www.ssb.no/en/knr/tab-1999-12-02-42-en.txt>; and Statistics Norway (2000a).

126. Norway's horizontal limitations under the GATS relate to provisions on the establishment and general authorization procedures for acquisitions, such as: the requirement of a concession to acquire real estate, or to enter into certain lease contracts, for corporations where more than one third of the voting rights are controlled by non-nationals or foreign controlled companies, or where the chairman and the majority of the board members are not Norwegian. In the case of individuals, foreign citizens residing in Norway are allowed to purchase or lease real estate without a concession, provided the property is acquired for their own personal use.

127. National treatment is accorded only to subsidiaries of companies that are formed in accordance with the law of an EEA member state and have their registered office, central administration or principal place of business within an EEA member state; Norwegian commitments do not extend this treatment to branches or agencies established in an EEA member state by a third-country company. Moreover, treatment less favourable than that accorded to national enterprises may be given to subsidiaries of third-country companies formed in accordance with the law of an EEA member state but having only their registered office in the territory of an EEA Member State, unless they show that they possess an effective and continuous link with the economy of one of the EEA member states. Other limitations to establishment include the requirement that the managing director in a joint stock company, and at least half of the founders, members of the board of directors, corporate assembly and committee of representatives must be permanent residents of Norway and have resided there for the last two years. National treatment limitations also apply for the granting of subsidies, for which eligibility may be limited to juridical persons established in Norway, and to natural persons who are Norwegian citizens.

128. Norway's list of GATS Article II MFN exemptions covers road transport services, air transport services and audio-visual services (Table AIV.3). Some measures, aimed at promoting Nordic cooperation, cover all sectors.

(iii) Financial services

129. Value added financial services accounted for some 3.6% of GDP in 1999; the subsector employed some 2.3% of the occupied work force in the same year. There were some 609 financial institutions in Norway at the end of 1999; assets totalled some NKr 2.73 trillion (US\$340 billion), mostly held by banks, but increasingly by pension schemes, mutual funds, and insurance companies (Table IV.15). Norwegian financial markets are dominated by eight conglomerates, which account for about 75% of the market.²¹

130. Norwegian financial services have undergone a process of deregulation since the beginning of 1980s, which has been intensified since the last Trade Policy Review in 1996. This process has increased to a certain extent the sector's degree of openness to foreign investment (see below). Foreign participation has increased over the last few years, but remains limited, and government policy seems to be aimed at keeping Norwegian ownership in banking activities. Norway participated and presented an offer in the extended Negotiations on Financial Services under the GATS.²² Market access was granted to all activities covered by the Understanding on Commitments in Financial Services (for cross-border supply including reinsurance, and insurance risks related to maritime transport, commercial aviation and others).²³ The offer included market access for branches of

²¹ Kredittilsynet (1997).

²² Norway's commitments in the negotiations are contained in WTO document GATS/SC/66/Suppl.4, 26 February 1998.

²³ In the 1995 Schedule, intermediation through an authorized broker of non-life insurance to an insurer established in a non-EEA state and not authorized to operate in Norway as a company or a branch, was limited to marine and transport insurance, insurance related to offshore exploration activities and to insurance contracts regarding domestic companies with an activity of at least 10 man years or annual sales of at least NKr 50 million.

foreign financial institutions. Limitations to national treatment were lifted for nationality requirements for members of the committee of representatives in financial institutions (Table AIV.4).

Table IV.15
Structure of the financial sector, 1997-99

	Number of enterprises			Total assets (Nkr billion)			Loans to the public (Nkr billion)		
	1997	1998	1999	1997	1998	1999	1997	1998	1999
Total	648	644	609	2,149	2,383	2,733	1,048	1,118	1,224
Deposit money banks	166	166	165	1,368	1,516	1,765	726	790	851
Central Bank of Norway	1	1	1	319	365	504	1	1	1
Commercial banks incl. the Postal Bank ^a	32	32	35	687	748	772	422	453	458
Savings banks	133	133	131	362	403	489	303	376	393
State lending institutions	6	6	6	198	206	206	172	180	190
Mortgage companies	8	9	10	105	138	148	72	95	93
Finance companies	49	46	48	42	50	65	37	46	59
Insurance companies, etc.	408	406	366	438	473	549	41	37	31
Life insurance companies	10	10	9	284	310	361	32	29	25
Non-life insurance companies	123	123	109	78	81	97	4	3	1
Pension schemes	269	268	242	75	80	85	8	5	5
Unit-link	6	6	6	1	2	6	0	0	0
Financial holding companies	11	11	14	17	17	..	0	0	..

.. Not available.

a Includes foreign branches of Norwegian banks.

Source: Information provided by the Norwegian authorities.

131. The Banking, Insurance and Securities Commission (Kredittilsynet) is responsible for the supervision of banking, finance and insurance institutions, including compliance with capital adequacy and prudential requirements. The Commission is also responsible for the supervision of estate agencies and debt collection agencies, investment firms and management companies for collective investment funds, and of auditors and accountants.

(a) Banking

General features

132. There are currently 22 commercial banks operating in Norway (after the merger of the Postal Bank with Den Norske Bank), of which two are foreign-owned banks and seven are Norwegian branches of foreign banks. This represents an increase in the number of foreign banks operating in Norway since Norway's last Review, when three foreign banks were reported as operational. There are also 130 savings banks. Commercial and savings banks combined owned some two thirds of the assets of the financial system in 1999. Five traditional state lending institutions operated in Norway until late 1999; accounting for some 20% of total outstanding loans in 1998. From 2000, there are only three state-owned banks: the Housing Bank, the Educational Loan Fund, and the Industrial and Regional Development Fund. The Municipalities Bank, one of the largest state banks, was transformed into a joint-stock company in 1999. The Bank for Agriculture was incorporated into the Industrial and Regional Development Fund, which provides credits at concessional rates, as from 2000. The state banks are financed through loans from the State.

133. The key elements of the Government's ownership policy in the banking sector are to maintain long-term Norwegian ownership in the main financial institutions operating in Norway, and to ensure sufficient Norwegian ownership in the two largest Norwegian commercial banks by retaining a stake of one third of the shares. A related policy objective is to keep the headquarters and main strategic functions in Norway.

134. Through the Government Bank Investment Fund and the Government Bank Insurance Fund, the State retains a stake in Den norske Bank (DnB) and Christiania Bank og Kreditkasse (CBK), the major commercial banks. State participation in the banking sector increased at the beginning of the 1990s as the result of government intervention to rescue troubled banks after heavy losses required substantial injections of capital through the Government Bank Insurance Fund (GBIF). The Government thus became the major shareholder in CBK, DnB and Fokus Bank. In 1995, the Government Bank Insurance Fund sold 95.9% of the shares of Fokus Bank, which was acquired by Den Danske Bank in 1999. At the end of 1998, the Government Bank Investment Funds and the Government Bank Insurance Fund together held 51% of the shares of CBK and 52.2% of the shares of DnB. In 1999, the Government reduced its stake in CBK/Kreditkassen to 34.7% by a public offering. In October 1999, the merger between DnB and the Postal Bank, resulted in state ownership in DnB increasing to 60.6%. Other steps taken to reduce the state's involvement in the banking sector include the transformation of Kommunalbanken into a limited company, and the sale of the 20% of its shares to the pension fund of local government employees. The state ownership in DnB and CBK was discussed in a Government report to Parliament (Report No. 11 1999-2000). The authorities have noted that, in its comments on this report, the Parliament's Standing Committee on Financial and Economic Affairs recommends the Government to combine its interests as owner into one entity, and to maintain national ownership by owning at least one third of the shares of this entity.

135. In 1999, commercial banks' ordinary operating profit before taxes corresponded to 1.17% of average total assets, up from 0.67% in 1998. Profits in savings banks were 1.59% of average total assets in 1999, up from 1.24% in 1998. Banks' lending growth continued to be swift in 1999, but less so than in previous years, and capital adequacy ratios stabilized. Although lower than in 1995, and 1996, these ratios were well above the BIS minimum in 1999, at 11.8% for commercial banks, 11.5% for life insurance companies, and 13.2% for savings banks.

Institutional and legal framework

136. The Central Bank of Norway (Norges Bank) is a separate legal entity owned by the state; its activities are regulated by the Norges Bank Act, of 24 May 1985.²⁴ The Central Bank's Supervisory Council, comprising fifteen members appointed by Parliament, ensures that the rules governing the Bank's activities are observed. In addition to issuing regulations and monitoring activities regarding financial institutions and markets, the Central Bank is responsible for the Government Petroleum Fund and for monetary, credit, and foreign exchange policy (Chapter I).

137. The Ministry of Finance is in charge of granting licences to engage in banking activities, and issuing regulations pursuant to the main Acts dealing with financial services. The Banking, Insurance and Securities Commission (Kredittilsynet) is responsible for the supervision of banks, finance companies, mortgage companies, and insurance companies, as well as activities such as securities trading, real estate agencies, and accounting and auditing undertakings. The Commission also supervises two guarantee funds, one for commercial banks and the other for savings banks; banks pay premiums to the guarantee funds based on a combination of total deposits. Kredittilsynet reports administratively to the Ministry of Finance, is authorized to issue rules and regulations in a number of areas, and prepares draft statutes and regulations for the Ministry of Finance. Capital adequacy rules follow the Bank of International Settlements guidelines.

138. Under the EEA Agreement, Norway's banking system is a part of the single market for banking services. EEA banks and other providers of services may not be discriminated against on grounds of nationality. Establishment licences granted in any member state are valid in the others.

²⁴ Act No. 28 of 24 May 1985 relating to Norges Bank and the Monetary System.

As a result of its participation in the EEA, Norway has adopted the *acquis communautaire* in banking services regulations, with the exception of regulations dealing with relations with third countries.

139. Foreign, non-EEA-based service suppliers must obtain permission from the Norwegian Banking Insurance and Securities Commission to establish branches of banks, financing undertakings, securities brokerage firms, and management companies for collective investment funds, in accordance with the Norwegian legislation regulating financial institutions, as amended by Act No. 46 of 28 June 1996 on establishment of in Norway of providers of financial services suppliers situated outside the EEA. To obtain such permission the supplier must have permission to provide equivalent services in its home state and be subject to prudential supervision there.²⁵

140. The legislation applicable to the financial sector, including commercial banks, other financial institutions and the securities market, is contained in several Acts.²⁶ Since the last Review in 1996, several Acts and regulations regarding the financial sector have come into effect. In some cases, these have been put in place to meet EEA requirements. Among the main Acts passed since 1996, Act No. 75 of 6 December 1996 on Guarantee Schemes for Banks and Public Administration etc. of Financial Institutions, which came into force on 1 January 1997, protects all deposits from non-financial institutions with Norwegian banks up to Nkr 2 million per investor per bank. Branches of foreign banks may join the scheme voluntarily. Act No. 46 of 28 June 1996, which entered into force on 1 July 1996, allows for establishment in Norway of branches of banks, financing undertakings, securities brokerage firms, and management companies for collective investment funds. Such establishment is subject to prior authorization from the Norwegian Banking Insurance and Securities Commission. To obtain permission the financial services supplier must be permitted to provide equivalent services in its home state and be subject to prudential supervision there.

141. A 10% ownership limit in commercial banks and savings banks applies to individual investors; it does not apply, however, to the ownership of banks by a holding company of a financial group. Foreign banks are exempted from the 10% limit, allowing them to establish or acquire wholly or partially owned commercial bank subsidiaries in Norway. The other owners must be foreign or Norwegian banks. The previous rule, limiting foreign ownership to one third of the share capital in a financial institution, was repealed on 1 January 1995. Functional nationality restrictions apply to all banks; in the case of commercial banks, at least half of the board of directors, and the corporate assembly, must be nationals and permanent residents of an EEA member state.

142. The Financial Activities Act (Act No. 40 of 10 June 1988, relating to Financing Activities and Financial Institutions) was amended in 1999. This was in response to a proposal by the Government to Parliament to grant an exception from the general 10% ownership limitation in financial institutions for holdings of up to 25% in combination with strategic cooperation and alliances. The proposed amendments to the Financial Activities Act were passed by Parliament, and put into force on 17 December 1999. The amendment makes it possible for the Ministry of Finance and Customs to approve licences involving larger stakes of ownership, in cases of strategic cooperation, both between Norwegian financial institutions and between Norwegian and foreign institutions.

²⁵ WTO document S/C/N/64, 23 June 1997.

²⁶ Act No. 2 of 24 May 1961, relating to Commercial Banks, Act No. 1 of 24 May 1961, relating to Savings Banks; Act No. 40 of 10 June 1988, relating to Financing Activities and Financial Institutions, Act No. 59, or Companies Act of 4 June 1976; the Securities Trading Act No. 79 of 19 June 1997; Act No. 39 of 10 June 1988 relating to Insurance Activities; Act No. 1 of 7 December 1956 on Supervision of Credit Institutions, Insurance Companies, Securities Trading, etc.; and Act No. 46 of 28 June 1996, amending the provisions of Financial Legislation relating to the Establishment in Norway of Providers of Financial Services with Headquarters in States outside the EEA, etc.

143. The Government is considering amending ownership regulations, based on a recommendation by the Banking Law Commission presented on 18 August 1998. Based partly on the recommendation, a bill was passed through Parliament in 1999 to allow mergers between self-owned financial institutions (i.e. savings banks and mutual insurance companies). This made possible the merger of Sparbanken NOR with Gjensidige Insurance, to form Gjensidige NOR.

(b) Insurance

144. The insurance sector, including pension funds and schemes, comprised some 366 companies at end 1999, of which 67 were insurance companies. In the last few years, the Government has reduced its involvement in insurance activities, and a process of mergers and acquisitions has begun. The Norwegian insurance company Storebrand and the Swedish insurance company Skandia agreed in February 1999 to merge their non-life insurance divisions, with 44% and 56% of the capital share respectively. The Finnish insurance company Pohjola joined the merger in June 1999 creating the largest general insurance company in the Nordic countries with a market share of 40% in Norway. Norwegian life insurance companies have also been increasing their equity investments rapidly: some 23% of their total assets were invested in shares at the end of the third quarter of 1998, of which 50% in foreign shares.²⁷ There are around 250 private and municipal pension funds operating in Norway. Pension funds must be fully funded; they enjoy preferential tax treatment. Premiums for pension funds are determined in accordance with calculation bases approved by the Banking, Insurance and Securities Commission; other premiums are determined freely. Increases of capital must be approved by the Commission.

145. Insurance companies operating in Norway require a licence from the Banking and Insurance Commission; firms incorporated in Norway must be organized as joint-stock companies or mutual insurance companies, and insurance brokerage firms must be organized as joint stock companies. The manager, at least half the members of the board of directors and half the members of the corporate assembly of an insurance company or subsidiary, must be permanent residents of Norway. This requirement does not apply to EEA citizens residing in an EEA state. Norwegian and non-EEA insurance companies are subject to a separation requirement between life, non-life and credit-risk insurance.

146. The Norwegian insurance market is generally open for the commercial presence of foreign insurance services providers. Foreign EEA as well as non-EEA insurance companies may establish subsidiaries or branches in Norway without any limitation. A 10% individual ownership limitation applies, however, to Norwegian insurance companies. This limitation does not prevent foreign insurance companies, EEA and non-EEA, from establishing or acquiring partially or wholly owned subsidiaries in Norway, provided the other owners are foreign insurance companies or Norwegian financial institutions.

147. The cross-border supply of insurance services is limited for non-EEA insurance companies, as reflected in the WTO Understanding on Commitments in Financial Services; they may supply cross-border reinsurance. Cross-border direct insurance services by non-EEA insurance companies must be supplied through an insurance broker authorized in Norway. Such supply is limited to the following insurance services, in accordance with Regulation No. 923 of 24 November 1995 on insurance broker activity: marine and transport insurance; aviation insurance; insurance related to offshore exploration activities; credit insurance or security when the insured pursues business within trade or industry or a liberal profession, and the insurance contract covers the business; insurance contracts regarding domestic companies with an activity of at least 10 man years or annual sales of at

²⁷ Kredittilsynet (1998), p. 17.

least Nkr 50 million. Non-EEA insurance companies may not supply insurance required by Norwegian law, i.e. compulsory motor vehicle insurance. The cross-border supply of insurance services is unlimited for EEA insurance companies.

148. A number of amendments to the insurance legislation have been introduced since the last Review. The Regulations of 18 September 1995, on division of insurance into classes for licensing purposes, bring Norwegian practice in this area in line with EU Council Directive 79/267/EEC. The Regulations, implemented in 1997, require insurance companies to obtain different licences to operate in each of the defined "classes" of insurance. Other changes include the introduction in 1997 of new Regulations on insurance companies' asset management, and on premiums and legal reserves in life insurance.²⁸ The new asset management rules set a ceiling of 35% on insurance companies' technical provisions that can be invested in shares. The amended premium rules put in place the requirements imposed by EU life insurance directives as regards the fixing of premiums.

149. As stated above, Norway upgraded its commitments on insurance in the extended Negotiations on Financial Services (Table AIV.4). As a result, the scope of cross-border supply of insurance in the area of maritime and other means of transportation was widened. This seems to have been accompanied, however, by a narrowing of the segments in which Norway guarantees market access; for example, insurance related to offshore exploration activities was included in Norway's original GATS schedule of specific commitments, but does not appear in the 1998 revision. The Norwegian authorities have noted that the adjustments to the Norwegian Schedule were made to base it fully on the Understanding on Commitments in Financial Services. Noting that the Norwegian Schedule under the Second Protocol to the GATS contained certain limitations on market access in the cross-border modes of supply (which refer to Regulation No. 923 of 24 November 1995 on Insurance Broker Activities (see above)), the authorities expressed their view that these explicit limitations were (implicitly) covered by the Understanding.

150. Among the establishment limitations remaining, foreign non-insurance financial institutions are not permitted to own an insurance subsidiary in Norway, whereas their Norwegian counterparts do have that option. From 1 July 1996, non-EEA foreign insurance companies may establish a subsidiary for the establishment in Norway of branches of foreign insurance companies. As is the case for branches of banks, foreign, non-EEA-based insurance suppliers must obtain permission from the Norwegian Banking Insurance and Securities Commission for establishment in Norway and this permission is subject to the provision of equivalent services in the home country.²⁹ In accordance with Regulation of 24 November 1995 on insurance broker activity, foreign insurance brokers granted permission to provide services in Norway through a branch must lodge a guarantee with the Norwegian Banking Insurance and Securities Commission executed by a finance institution situated in an EEA state.³⁰

(c) Securities

151. New legislation dealing with securities was introduced in 1997.³¹ Regulations for the implementation of the Act were put in place by the Ministry of Finance and Customs on 7 November 1997. As a consequence, investment firms were given the opportunity to borrow and lend financial instruments, to sell short, and to engage in lending within certain limits. The 1997 Act incorporated all the changes implemented through transitional regulations put in place in 1996, and

²⁸ Regulation of 23 April 1997 on insurance companies' asset, and Regulation of 15 September 1997 on management premiums and legal reserves in life insurance.

²⁹ WTO document S/C/N/64, 23 June 1997.

³⁰ WTO document S/C/N/64, 23 June 1997.

³¹ The Securities Trading Act No. 79, of 19 June 1997, which entered into force on 1 December 1997.

introduced other changes (e.g. on insider trading, notification and disclosure duties, and derivatives trading and supervision). The implementation of the 1997 Act was accompanied by a number of new regulations; the scope of existing regulations on employees trading on their own account was extended to investment firms and management companies for securities funds.

(iv) Telecommunications and postal services

(a) Overview

152. Telecommunications and postal services account for some 1.8% of GDP but have economy-wide growth and efficiency effects that widely exceed this modest share. Since the last Review of Norway, the state monopoly rights of the telecom company Telenor has been abolished. Reflecting strong demand and a liberalized operating framework, the number of mobile telephone subscriptions has increased in recent years. The penetration rate for mobile telephony has now exceeded the penetration rate for fixed telephony (Table IV.16).

Table IV.16
Telecommunications basic indicators, 1995-99

	Operating receipts	Operating expenditure	Telephone traffic		Telephone connections	Mobile subscriptions	ISDN subscriptions
			Domestic	To foreign countries			
	NKr million		thousands of minutes				
1995	19,859	17,240	..	..	2,431,271	981,305	12,314
1996	22,170	19,505	..	..	2,440,185	1,261,445	43,988
1997	25,518	23,603	13,920,358	402,052	2,323,984	1,676,763	149,954
1998	28,380	24,533	16,610,000	..	2,167,000	2,106,414	309,937
1999	33,468	89,466					
Second quarter	8,104	7,103	4,642,000	..	2,044,000	2,444,896	412,500
First quarter	7,747	6,937	4,732,000	..	2,093,000	2,280,586	368,000

.. Not available.

Source: Statistics Norway.

(b) Telecommunications

General features

153. Norway participated in the extended WTO Negotiations on Basic Telecommunications and attached scheduled commitments under the Fourth Protocol, which supplements the initial commitments to the GATS. Norwegian commitments cover several basic and value-added telecommunication services, for which it agreed to impose no limitations either on market access or on national treatment for cross-border supply, consumption abroad, and commercial presence.³² As many other countries, Norway also adopted, as additional commitment, the Telecommunications Reference Paper with its transparency requirements, competition safeguards (including disciplines on anti-competitive cross-subsidization), interconnection guarantees, neutral universal service requirements, and obligation to set up an independent regulator.

154. Reflecting Norway's commitments in the WTO; the whole range of telecommunications services is open to competition, and 100% foreign ownership is allowed. On 1 January 1998, the monopoly on fixed telephony of the state-owned national operator, Telenor, ceased, bringing free competition to the Norwegian telecom market. By 14 February 2000, 33 providers of fixed telephony services were registered. Although Telenor remains the dominant provider of fixed telephony services, Telenor's competitors have greater market shares in other parts of the telecommunication

³² WTO document GATS/SC/66/Suppl.3, 11 April 1997.

market. In March 1999, a merger between Telenor and Telia was agreed between Norway, Sweden and the two companies, which would have given the Norwegian and Swedish states 40% and 60% of the merged company, to be gradually reduced to 33.4% each. The merger was approved by the European Commission in October 1999, but was called off in December 1999 by the states after a disagreement over the interpretation of the agreement.³³ Norway is currently assessing alternative strategies for Telenor, which may include its partial privatization.

Policy and regulatory framework

155. The main legislation regulating the telecommunications sector is the Telecommunications Act (No. 39) of 23 June 1995, in force as of 1 January 1996, as amended on 25 March 1999. The Telecommunications Act covers all telecommunications activities, including radio communications, and management of the electromagnetic frequency spectrum, but it does not apply to radio broadcasting and television programmes. The King in Council (i.e. the Government), the Ministry of Transport and Communications, the Norwegian Telecommunications Authority Complaints and Advisory Board, and the Norwegian Post and Telecommunications Authority (PTA) constitute the telecommunications authority under the Act.

156. In accordance with the Telecommunications Act, providers of public telephony services or providers that establish, possess or operate a public telecommunications network for the purpose of providing transmission capacity require a licence if the undertaking in question has significant market power, defined as a market share of 25% or more, including participation in joint ventures; other factors taken into account in the determination of market power include the provider's ability to influence market conditions and its control of the means of access to end-users. Conditions may be attached to a licence, for example, geographical coverage, interconnection of services, use of standards, or calculation of tariffs and accounting systems. The Act mandates open and non-discriminatory access to the telecommunications networks and services of any service provider with significant market power.

157. Public telecommunications networks, public telephony services and provision of transmission capacity that are not subject to licensing are subject to a registration requirement. The provision of mobile telephone and paging services is subject to licencing in all cases, and fees must be paid to the Post and Telecommunications Authority to cover administration costs. Two different licences are required in the case of mobile telephones: a frequency licence, and a service licence. In addition there is an annual frequency licence fee for the use of frequencies in the DCS 1800 band; in 1999 this frequency licence fee was Nkr 1 million per MHz. Licences for the provision of the mobile telephone systems GSM 900 and DCS 1800 are valid for 12 years. Under the Telecommunications Act, the PTA is granted standards enforcement power, and is entitled to impose a number of service requirements on providers. The use of the electromagnetic frequency spectrum requires an authorization. The use of radio equipment in general requires a licence, but several types of radio equipment are exempt from this requirement. Cable TV services are subject only to registration.

158. All telecommunications equipment intended for connection to public telecommunications networks needs approval. It is considered approved if it fulfils domestic approval procedures or requirements resulting from the EEA Agreement or other international agreement to which Norway has acceded. Placing in the market telecom equipment that has not received type approval is prohibited. Equipment dealers are subject to a registration requirement. They may import any kind of equipment, whether approved or not, but only place on the market approved and correctly marked equipment. The authorities noted that Norway was in the process of implementing EU telecom

³³ *Norway Daily*, No. 239/99, 10 December 1999, and No. 244, 17 December 1999, [online]. Available at: <http://odin.dep.no/daily/1999/12/239.html> and [244.html](http://odin.dep.no/daily/1999/12/244.html).

equipment regulations, which are to be incorporated in the EEA Agreement. This will replace the current type approval system with a general declaration by the manufacturer, and control and inspection by the Post and Telecommunications Authority.

159. Complaints regarding the violation of the requirements on open access to telecommunications networks and services can be lodged with the PTA for decision. Cases may also be brought to the EFTA Surveillance Authority. Some complaints regarding open access to networks have been lodged with the PTA in recent years.

160. The Ministry of Transport and Communications is in charge of policy-making in the post and telecommunications sector and of implementing the Telecommunications and Postal Services Acts, as well as decisions made by the Norwegian Parliament. The Norwegian Post and Telecommunications Authority (PTA) is a regulatory body reporting to the Ministry of Transport and Communications; the ministry, however, may not instruct PTA as to the outcome of individual cases. The activities of PTA are financed mainly through licence and spectrum fees. The PTA acts as an advisor to the Ministry of Transport and Communications on policy issues, and participates in international cooperation on telecommunications regulation and frequency management. The Authority may be asked to act as mediator in disputes between carriers.

161. The PTA is also in charge of telecom standardization in Norway. Its laboratory services section, Comlab, is the appointed Notified Body for telecommunications. Comlab tests and certifies radio and telecommunications equipment for EU and Norwegian technical approval, and contributes technical measures to the PTA's market surveillance activities. A number of technical regulations are in place for the telecommunications sector in Norway; the vast majority refer to type approval and hence fall under the responsibility of the PTA. Some of the main regulations issued since 1996 are shown in Table IV.17. The authorities have noted that many of these technical regulations are likely to be repealed in connection with Norway's ongoing revision of the legislation on radio and telecom terminal equipment taking into account the changes at European level.

162. Postal and telecommunication tariffs are not regulated in Norway, with the exception of fares of reserved services, as mentioned above. Tariffs are determined by the operator, and approval is not required. However, public voice telephony and leased lines provided by Telenor are subject to a price cap. Providers with significant market power are expected to offer access to public telecommunications networks, delivery of public telephony services, and transmission capacity at prices that reflect actual costs. Moreover, prices must be set in an objective and non-discriminatory manner. Operators must maintain separate accounts for reserved services, for which a common tariff among operators must apply. Carriers defined by the PTA as having significant market power, i.e. holding 25% or more of the market for a specific telecom service, must submit accounting data to support its pricing. In 1998, the PTA determined that Telenor AS, Telenor Mobil AS, and NetCom GSM AS had significant market power, and hence had reporting obligations. Cross-subsidization from exclusive or special rights activities to other telecommunication areas is prohibited.

163. A number of regulatory decisions were introduced by the PTA in 1998 and 1999 to enhance competition and reduce costs for the consumer. Pre-carrier selection was introduced as of 1 June 1999, resulting in the possibility to route calls to different providers for agreed services without dialling a routing prefix. Previously, only Telenor's customers had this possibility.

Table IV.17
Regulations in the telecommunications sector, 1996-99

Date	No.	Regulation
22.02.96	0214	Regulations relating to type approval of terminal equipment requirements for attachment to the public telex network (tlx)
08.03.96	0262	Regulations related to authorisation for installing and servicing internal telecommunications networks and telecommunications user equipment designed for connection to the public telecommunications network
08.03.96	0263	Regulations related to authorisation for installing, repairing and servicing radio equipment
08.03.96	0264	Regulations related to the marketing, distribution and control of telecommunications and radio equipment, and the registration of telecommunications equipment suppliers and radio equipment dealers
19.11.96	1067	Regulations relating to technical requirements for high capacity radio relay equipment for the transmission of digital signals in the frequency bands up to 15 Ghz
19.11.96	1068	Regulations relating to technical requirements for high capacity radio relay equipment for the transmission of digital signals in the 18 Ghz frequency band with channel spacing of 55 or 110 MHz
19.11.96	1069	Regulations relating to technical requirements for digital fixed point-to-point radio link equipment operating in the frequency range 24,25 to 29,50 Ghz
19.11.96	1070	Regulations relating to technical requirements for radio relay equipment for the transmission of digital signals and/or analogue video signals in the 23, 38, 55 or 58 Ghz frequency bands
02.06.97	0560	Regulations on allocation and use of numbers, number series, names and addresses for telecommunications networks and telecommunications services (no. 560) (numbering regulations)
05.12.97	1259	Regulations on public telecommunications networks and public telecommunications services
15.07.98	0730	Regulations relating to technical requirements for terminal equipment for connection to public MOBITEK networks
15.07.98	0731	Regulations relating to supplementary technical provisions for terminal equipment for connection to public 8 kbit/s MOBITEK network operated by Telenor Mobil
02.09.98	0857	Regulations on national approval of telecommunication equipment
18.09.98	0898	Regulations relating to technical requirements for T-DAB broadcasting transmitters
19.05.99	0650	Regulations relating to technical requirements for Nordic Mobile Telephone (NMT) telecommunications equipment

Source: Information provided by the Norwegian authorities.

(c) Postal services

164. The regulatory framework for the provision of postal services is contained in Act No. 73 of 29 November 1996 relating to the provision of universal postal services (the Postal Services Act), as amended by Act No. 5 of 9 January 1998 and Act No. 24 of 30 April 1999; Regulations of 1 July 1997 relating to the provision of Universal Postal Services; and Licence of 1 October 1997 on Reserved Services and Universal Service Obligations, granted to Norway Post. Norway Post's licence expires on 30 September 2001.

165. The Postal Services Act also provides that the regular provision of postal services in return for remuneration may only be carried out through a person who has been granted a licence by the Ministry of Transport and Communications. The licence may be subject to a time-limit, and to a number of conditions, including the duty to provide universal postal services and service and quality criteria. In general, the Ministry has been empowered to lay down regulations concerning further limitations of the licensing requirements and, according to the authorities, has done so. Only postal operators inside the area of the reserved services (i.e. delivery of registered mail) must apply for a licence.

166. In accordance with the Postal Services Act, Norway Post has been given the exclusive right to regularly distribute, in return for remuneration, closed, addressed, domestic letters weighing up to 350 grams, and to distribute in Norway comparable items from other countries, and to distribute comparable items from Norway to other countries under the conditions laid down in the licence. The distribution of books, catalogues, newspapers, and periodicals is not part of the reserved services. The exclusive right to distribute reserved services is restricted by a price limit: only items with a price not exceeding five times the basic rate for a domestic priority letter of 20 grams are included in the list of reserved services.

167. The price charged for the universal services provided by Norway Post are to be calculated in accordance with costs. For reserved services, there should be geographically uniform tariffs, which are subject to approval by the Ministry of Transport and Communications. The PTA is responsible for monitoring compliance with postal service rules and the fulfilment by Norway Post of its licence requirements. The PTA replaced the Norwegian Telecommunications Authority in 1997, and assumed responsibilities for monitoring postal services.

(v) Transportation and related services

168. Transportation accounted for some 6% of Norway's GDP in 1998; a quarter of this was generated by water transport and three quarters by air, rail, and road transport. Norway made commitments under the GATS for air, rail, road, and maritime transport services. In the cross-border mode of supply, market access and national treatment were left unbound, except for maritime services, and air transport services that fall within the scope of the GATS.

(a) Maritime transport

General features

169. The coastal topography (deep fjords, islands, and narrow straits) of Norway makes maritime transport an important component of the Norwegian transport system. Maritime services have also an important international dimension: Norway offers a wide range of services internationally, some 90% of the Norwegian fleet is engaged in international activities, and Norwegian companies control around 10% of the world's merchant fleet. Norway's fleet of offshore service vessels is the world's second largest, owing to the country's large oil and natural gas industry. Over two thirds of Norway's international trade takes place via maritime transport. Cabotage trades are open to foreign flag vessels. Norway has no bilateral cargo-sharing agreements or other restrictions on freight. The maritime transport industry forms a nucleus of a maritime cluster which includes ship equipment, ship broking, yards, insurance and banking, classification, research institutions, etc.

170. Maritime services accounted for some 1.3% of GDP and 1999. Shipping represents Norway's second largest source of export revenues, with gross earnings of US\$6.9 billion in 1998. At end 1998, there were 3,695 vessels with a total of 3.1 million GT registered in the Norwegian Ordinary Ship Register (NOR), and 748 vessels with a total of 19.7 million GT registered in the Norwegian International Ship Register (NIS) (Table IV.18). Norway's fleet is the third largest in the world in tonnage.

Table IV.18

Vessels registered in Norwegian ship registers^a 1992-1997

End of year	Norwegian Ordinary Ship Register (NOR)				Norwegian International Ship Register (NIS)			
	Total		Net increase		Total		Net increase	
	Vessels	Tonnage	Vessels	Tonnage	Vessels	Tonnage	Vessels	Tonnage
	thousand GT		thousand GT		thousand GT		thousand GT	
1992	3,736	2,039	-167	128	858	20,464	-38	-1,482
1993	3,654	2,137	-82	98	790	19,361	-68	-1,103
1994	3,616	2,288	-38	151	757	19,990	-33	629
1995	3,577	2,717	-39	429	700	18,668	-57	-1,322
1996	3,623	2,863	46	146	683	18,944	-17	276
1997	3,667	3,110	44	247	716	19,664	33	720
1998	3,695	3,323	28	213	748	19,655	32	-9

a Vessels of 25 GT and over, including fishing and catcher boats, and special types of vessel.

Source: Information provided by the Norwegian authorities.

171. Norway has ratified the Hague/Hague-Visby Rules for international maritime transport. The provisions of chapter 13 of the Norwegian Maritime Code reflect these rules and apply when the agreed port of loading is in a Hague/Hague-Visby state, as well as to the agreements for the transportation of goods between Norwegian ports and ports in the other Nordic countries.

172. Norway plays an active role in international negotiations and discussions on shipping policy issues; its main policy goal is to develop equal market access conditions and uniform rules on safety and environment at sea, thus enhancing market access for Norwegian shipping companies and benefitting their customers. Norway is a party to the UN Convention on a Code of Conduct for Liner Conferences, subject to the outsider declaration and Brussels package. The Competition Act of 11 June 1993 applies to national trades in the maritime sector. Price collaboration in conferences is illegal under the Competition Act, unless the Competition Authority grants an exemption. Three Norwegian shipping companies currently benefit from an exemption on price collaboration, until 2001. No new exemptions have been granted since Norway's last Trade Policy Review in 1996. International trades are governed by Regulation No. 964 of 4 December 1992, which implements EU Council Regulation 4056/86 on liner conferences, and European Commission Regulation 870/95 on consortia, both of which have been included in the EEA Agreement.

Institutional and regulatory framework

173. The Ministry of Trade and Industry and the subordinate Maritime Directorate and Shipregisters are responsible for maritime transport policy formulation and management. In addition, several other ministries (Defence, Environment, Fisheries, Foreign Affairs, Justice and Transportation) have shared responsibility for the sector.

174. The main legislation governing maritime transport is the Norwegian Maritime Code No. 39 of 24 June 1994, with later amendments up to Act No. 2 of 2 August 1996. Other important legislation includes Act No. 48 of 12 June 1987 relating to a Norwegian International Ship Register; Act No. 7 of 9 June 1903 relating to Public Control of the Seaworthiness of Ships, etc. (the Seaworthiness Act), as amended up to 1995; the Seaman's Act No. 18, of 30 May 1975; and Act No. 84 of 17 December 1982 relating to Safe Containers.

175. European Union legislation on maritime transport contained in the EEA Agreement applies in Norway. Since the last Review of Norway, a number of laws and regulations concerning the maritime services industry have been passed or amended. These relate mainly to the implementation of international instruments, in particular International Maritime Organization conventions and recommendations and EEA directives and regulations. Some of the main regulations introduced or amended include: Regulation No. 7/96 of 1 July 1996 concerning the Control of Foreign Ships, etc.; The Marine Equipment Regulations, amended on 29 December 1998 to implement Council Directive 96/98EC prescribing procedures for the manufacturing, marking, and approval of marine equipment manufactured after 1 January 1999³⁴; an amendment to Regulation No. 695 of 15 September 1992, concerning the construction of passenger ships, cargo ships and barges, to implement the new chapter XII of the Convention for the Safety of Life at Sea; and an amendment to Regulation No. 506 of 15 June 1987, concerning a survey for the issue of certificates to passengers ships, cargo ships and lighters and concerning other surveys, etc.³⁵

176. Under Norwegian law, ships may be registered in Norway or abroad. If a Norwegian register is chosen, all ships longer than 15 meters may be entered in the Norwegian Ordinary Register (NOR), or in the Norwegian International Ship Register (NIS). To be registered in the NOR ships must be

³⁴ Norwegian Maritime Directorate, *Navigare*, January 1999.

³⁵ Norwegian Maritime Directorate, *Navigare*, April 1999.

owned by an EEA national or by a Norwegian company where EEA nationals own at least 60% of the capital of the owning partnership or company; the definition of the 60% minimum ownership requirement varies according to the type of shipping company. Limited liability ship-owning companies must be headquartered in Norway, and the majority of board members must be EEA citizens resident in Norway. Non-EEA nationals may not register a ship in the NOR. Ships registered abroad that are bought by a Norwegian company must comply with the standards of Norwegian classification before they can be registered.³⁶

177. Foreign shipping companies may also register their vessels in the NIS, in accordance with the Norwegian International Ship Register Act. They must satisfy a nationality condition laid down in the Norwegian Maritime Code, be a limited company or partnership with its head office in Norway, or have appointed a representative who fulfils the nationality requirements. Ships with more than 40% foreign ownership must be operated by a Norwegian ship-owning company with its head office in Norway, or by a Norwegian management company.

178. Trading area restrictions apply for ships registered in the NIS, in accordance with Act No. 48 relating to the Norwegian International Ship Register (NIS) of 12 June 1998. Ships registered in the NIS are not allowed to carry passengers and cargo between Norwegian ports or to engage in regular scheduled passenger transport between Norwegian and foreign ports. Oil and gas installations on the Norwegian continental shelf are considered Norwegian ports in the context of the NIS Act, and hence, ships registered in the NIS are excluded from carrying cargo from them to the Norwegian mainland. The Ministry of Trade and Industry has issued regulations concerning special trading areas for NIS registered vessels and offshore mobile units engaged in the petroleum industry.

179. Nationality requirements may be waived in certain cases, with prior dispensation from the Norwegian Maritime Directorate. In 1999, the Norwegian Maritime Directorate granted 910 dispensations from the Norwegian nationality requirements for masters of ships registered in the NIS, up 154 from the preceding year. There are no restrictions for employment of non-Norwegian seafarers for vessels registered in the NIS. About 16,000 seafarers, many of whom were foreigners, worked on vessels registered in the NIS in 1999 compared with 15,937 in 1997.³⁷

180. Registration in the NIS is subject to the payment of a fee.

181. Special provisions apply to pay and working conditions on ships registered in the NIS, which are fixed in a special collective wage agreement subject to Norwegian law and Norwegian court of law.³⁸

182. A tonnage tax system was introduced in 1996. Shipping companies may choose to pay ordinary profit taxes at 28%, or a tonnage tax, which is calculated as a fixed amount on the tonnage of the vessel. The payment of dividends to shareholders in companies included in the tonnage tax system is subject to the 28% tax rate on profits. This arrangement is limited to companies formed as per the Norwegian Joint-Stock Company Act. Income from the operation of ships registered in the NIS but owned entirely by non-residents is not taxed in Norway. Dividends paid to foreign shareholders in shipping companies under the tonnage tax system is subject to a withholding tax of up to 25%. Reduced rates may apply to foreign shareholders if there is a tax treaty between Norway and their country of domicile.

³⁶ Act No. 7 of 9 June 1903 relating to Public Control of the Seaworthiness of Ships, etc. (the Seaworthiness Act), as amended up to 1995.

³⁷ Norwegian International Ship Register (NIS), 1998.

³⁸ Section 6 of Act No. 48 of 12 June 1987 relating to a Norwegian International Ship Register, as amended by Act No. 21 of 8 January 1993.

183. Commercial public ports are municipal. Some ports may be owned by private companies with production and or trade facilities in the area. The operation of ports is financed by fees on a cost-recovery, non-discriminatory basis.

(b) Air transport

184. Some 10 million passengers were transported on domestic services in 1999 (Table IV.19). There are 58 airports, of which 45 are owned by the Norwegian State. In recent years, substantial public investment has been channelled into developing and modernizing the larger airports, and in October 1998 a new international airport was opened at Gardermoen, 50 km north of Oslo. The Norwegian state holds 50% interest in SAS Norge ASA, one of the three parent companies that own the consortium and air carrier *Scandinavian Airlines System (SAS)*. The other 50% is owned by private individuals. The ownership structure of the Swedish and the Danish parent companies is the same. The interest of the Norwegian, Swedish and Danish parent companies in the consortium is 2/7, 3/7, and 2/7 respectively. In addition to SAS there are several private Norwegian carriers.

Table IV.19
Civil aviation statistics, 1994-99

	Passenger departures from Norwegian airports ^a				Freight and mail received and sent (tonnes)		Domestic scheduled air service
	Domestic		International		Domestic	International	Passengers ^b
	Scheduled	Charter	Scheduled	Charter			
1994	7,112,124	12,272	2,100,803	610,532	85,868	43,626	8,117,263
1995	7,927,558	11,907	2,134,346	673,411	89,423	41,700	8,515,512
1996	8,703,579	11,674	2,410,660	773,121	91,568	46,077	9,280,182
1997	9,048,757	15,784	2,746,857	844,178	92,030	51,516	9,822,081
1998	9,463,706	9,274	2,970,518	818,546	90,230	54,306	10,222,444
1999	9,298,160	8,402	2,919,010	874,456	81,808	57,413	9,665,710

a Excluding passengers in transit/transfer.

b Counting transfers. Passengers paying less than 25% of full price are not included.

Source: Civil Aviation Administration.

185. The Norwegian air carriage of goods and passengers is regulated by the Norwegian Aviation Act of 1993. Norway has ratified the Warsaw Convention of 1929, and amendments (the Hague Protocol of 1955 and the Montreal Protocols of 1975), the Guadalajara Convention of 1961, and the Chicago Convention of 1944. Norway implements EC regulations in the field of civil aviation as part of its participation in the EEA Agreement. Cabotage was reserved for national carriers until April 1997, when it was opened to airlines from other EEA partners. Bilateral civil aviation agreements exist with a number of countries. Norway's only truly open skies agreement is with the United States, and was signed in 1995. Several other arrangements close to open skies agreements are applied.

186. In accordance with the EEA Agreement, airlines operating in Norway are free to determine price levels, and the authorities may only interfere in the establishment of prices in special cases. The regulations contain rules for the approval of air transport companies and, in order to ensure fair and free competition, for the distribution of take-off and landing slots, and the design of the computerized reservation systems. The regulations also include rules concerning compensation for overbooking, mutual recognition of pilot's certificates and joint technical/operational requirements for pilots and airline companies. The Norwegian Civil Aviation Authority is responsible for granting licences and enforcing in Norway most of the EC regulations mentioned above. The assignment of landing/take-off slots is the responsibility of the Norwegian Air Traffic and Airport Management. The EEA

Agreement also includes rules concerning compensation for overbooking, mutual recognition of pilot's certificates and joint technical/operational requirements for pilots and airline companies.

187. Foreign ownership restrictions apply to non-EEA companies serving the domestic market; foreign ownership is limited to one third of the capital in the joint-stock company, the other two thirds must be in the hands of Norwegian natural or legal persons or Norwegian governmental bodies.

(vi) Tourism

188. Tourism is an increasingly important activity in Norway: in 1999, it accounted for some 4% of GDP, with hotel and restaurant services alone accounting for some 1.4% of GDP; and employed 6.7% of the total work force. There are large spillover effects on other activities, such as transportation. Tourism also enhances the use of local resources, and contributes to the Government's regional policy objective, by generating employment throughout the country.

189. Some 40% of hotel service expenditure is imputable to foreigners, 32% to Norwegian private consumers, and 27% to Norwegian businesses. Despite the large presence of foreign tourists (some 3 million tourists arrived in Norway in 1998), the tourism sector generates a deficit. The total number of nights spent in Norway by foreign tourists was over 5 million in 1999.

190. The Ministry of Trade and Industry is responsible for policies related to tourism activities. The Ministry is also in charge of issuing licences to tour operators, hotels, restaurants and other establishments. Applicants for a licence to run a restaurant service must furnish proof of their qualifications to provide the service. In many cases, Norwegian regulations affecting tourism are a result of general economic, political, and social concerns applying to other policy areas. Different ministries and local authorities are responsible for such regulations, due to the horizontal aspects of tourism (transport planning, environment, health, safety, building requirements, etc.).

191. In Norway's GATS Schedule, for tourism services, market access and national treatment are mainly regulated by horizontal commitments on establishment and movement of natural persons. Within the EEA, there is mutual recognition of licensing and certification requirements for some categories of service suppliers.

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