SUMMARY

1. Rich in natural resources, Norway has been running a surplus in merchandise trade for more than 20 years. With sizeable exports of crude oil and natural gas, the surplus on the current account exceeded 10% every year during 2007-11. Norway saves a good portion of its oil and gas wealth in the Government Pension Fund – Global, invested entirely in assets abroad. At the end of March 2012, the Fund's assets were valued at NKr 3.5 trillion (€460 billion). The central government budget has been in surplus every year since 1995.

2. Norway has fared better than most developed economies through the recent global financial turmoil. Unlike many other countries, the Norwegian Government was able to counter the external shock in autumn 2008 with measures to stimulate the domestic economy and ensure financial stability with no serious risk to its financial position. Interest rates, which had been geared towards containing inflationary pressures, were cut sharply. The 2009 Fiscal Budget was the most expansionary budget in more than 30 years. As the economy rebounded in 2010, the Government began to reign in the fiscal stimulus. Mainland GDP grew by 2.4% in 2011, just below the historical trend, and the unemployment rate is declining steadily towards 3%. Interest rates remain low.

3. Norway's most important trading partners are within its region. The EU still accounts for more than 80% of Norway's merchandise exports and around two thirds of Norway's imports. However, the trend towards increasing trade with other parts of the world, in particular Asia, has continued over the last four years. Norway has been benefitting from improved terms of trade as prices for its exports of energy, energy-intensive products, and fish have been generally favourable, while imports of consumer goods have been sourced more cheaply, particularly from Asian suppliers.

4. No significant changes have occurred in Norway's general framework for trade policy formulation and implementation over the last four years. Norway supports a strong multilateral trading system with effective dispute settlement. It participated actively in the negotiations to revise the plurilateral Agreement on Government Agreement, and will be expanding considerably its obligations towards the other signatories.

5. The Agreement on the European Economic Area (EEA) is a central element in Norway's close relationship with the EU. Through the EEA Agreement, the EU's internal market is extended to Norway in all areas except those specifically excluded. The EEA Agreement is not a customs union, does not provide for a common agricultural policy, and does not extend to internal taxation. Vis-à-vis third countries, Norway and its partners in the European Free Trade Association (EFTA), i.e. Switzerland, Iceland, and Liechtenstein, have opted for an extensive framework of free-trade agreements, covering 33 countries at present. Further FTA negotiations are ongoing. In addition, the EFTA states have signed joint declarations on cooperation with MERCOSUR, Malaysia, Mauritius, and Mongolia.

6. Norway introduced a GSP scheme for imports from developing countries in 1971. While still important for certain goods, the scheme has gradually become less relevant for many of Norway's developing country trading partners. For some, relations are now governed by an EFTA FTA, and Norway's unilateral elimination of MFN customs duties on most manufactured goods has removed the preferential margin previously offered under the scheme. Norway's GSP scheme was revised in 2007, and currently provides duty- and quota-free access to the Norwegian market for all LDCs and for 14 low-income developing countries. Although the utilization rate of the GSP scheme is high, the GSP reform does not appear to have led to any major increase in imports from LDCs and low-income countries since 2008.

7. Norway bound its entire tariff schedule through the Uruguay Round, but at high rates for many agricultural products. Peak bound rates for manufactured goods range from 11% to 14%, and the applied regime is more liberal. Most industrial products enter free of duty, irrespective of origin. At present, MFN tariffs are only applicable to clothing, certain textiles (33 items), and some fish and fish products used for animal feed (9 items). Import and export restrictions largely stem from Norway's implementation of international conventions or treaties, or the implementation of Chapter VII decisions of the UN Security Council.

8. As the EEA Agreement is designed to provide for the free movement of goods, services, labour, and capital under equal conditions of competition provided by the evolving EU *acquis communautaire*, many of Norway's trade regulations are either identical to, or aligned with, the trade rules applied by EU member states. The alignment is notable in customs rules and regulations, TBT, SPS, TRIPS, and in services regulations. Norway has also adapted to common disciplines on state aid (i.e. non-agricultural subsidies), competition policy, and government procurement. Anti-dumping and countervailing measures may not be used in mutual trade between Norway and the EU in areas covered by the EEA Agreement and where the EU *acquis* has been fully incorporated. Norway has never invoked safeguard provisions under the EEA Agreement or under EFTA FTAs. An infrequent user of trade remedies in the GATT, Norway has never initiated anti-dumping, countervailing duty, or safeguard actions (pursuant to the WTO Agreement on Safeguards) since the inception of the WTO.

9. Among notable developments in the trade regime during the last four years, an advance electronic summary declaration became mandatory for all movement of goods between Norway and non-EEA countries on 1 January 2011. The certification of Authorized Economic Operators makes it possible to waive the summary declaration obligation in trade with the EU. The Norwegian Customs and Excise Service has adopted the EU/EMARS system, Safe Sea Net, for reporting shipping information to customs. A number of user fees and charges financing the control activities of the Norwegian Food Safety Authority were eliminated with effect from 1 January 2012. In the area of export finance, the provision of credit by Eksportfinans is being curtailed. As of 1 July 2012, the wholly state-owned Eksportkreditt Norge AS is now the provider of subsidized commercial interest reference rate (CIRR) loans and CIRR-qualified market loans. The company's provision of market loans will be notified to the EFTA Surveillance Authority. Export guarantees will continue to be issued by the Norwegian Guarantee Institute for Export Credits (GIEK).

10. The extent of state ownership is considerable in Norway and has generally remained stable over the last four years. The Norwegian Government is of the view that the State can make a positive contribution to industrial development through ownership in industrial enterprises in Norway. The Government has no need to raise cash, and has set no specific privatization targets; there has been a marked slowdown in privatizations in Norway compared with the years prior to 2005. However, individual stakes may be divested when considered beneficial for the profitability and growth of an enterprise.

11. In connection with its implementation of the EU Services Directive, Norway notified 78 authorization schemes and regulatory requirements that may affect commercial presence or cross-border supply of services. The Directive does not require Norway to harmonize its legislation with the EU, but has involved the screening of national authorization schemes on the grounds of non-discrimination, public interest, and proportionality.

12. The Norwegian financial sector has largely escaped the dramatic effects of the global financial turmoil since 2008. The Norwegian authorities stepped in quickly to provide liquidity to the banking system and access to longer-term funding from a State Finance Fund. A Government Bond

Fund was also established to facilitate enterprise financing on normal terms. Both Funds operated well within the established credit limits, and many banks have subsequently opted to replace allotted capital contributions with equity and other types of market-based financing. Norway did not have to issue state guarantees for the insurance of deposits during the crisis, as the Norwegian Banks' Guarantee Fund was considered sufficiently robust to handle prevailing difficulties. A matter of on-going debate is whether the return of general optimism to the domestic economy, an unprecedented long period of low nominal interest rates, and locally brisk demand for dwellings have created an asset bubble in the Norwegian housing market.

13. Being part of a small and generally open economy, many Norwegian enterprises are used to operating in a global environment with little scope for protection in the home market. This is particularly noteworthy for Norway's petroleum-related engineering and services enterprises, the maritime cluster, the telecommunications sector, the metal industry, and Norway's outward-oriented fish and fish processing industry. The one exception to the openness rule is land-based farming, where non-trade concerns continue to dominate the agenda. The protection of primary agricultural production also has spill-over effects on competition in the food processing industry and the grocery sector.

14. The agriculture sector is closely regulated, and complex domestic market regulation often goes hand in with high border protection for livestock and crops grown in Norway. Milk and dairy, which is the heart of Norwegian agriculture, is particularly heavily regulated with instruments such as target pricing, producer levies, production controls, product-price equalization, transport support, product storage, internal price rebates, export subsidies, structural income support, and regional deficiency payments. A switch from specific to *ad valorem* import duty on liquid milk and cream in 2010 was a conscious move to increase the applied border protection for sector.

15. Despite the considerable assistance provided to the agriculture sector for decades, the number of farmers is constantly declining. Support would thus seem to have been slowing structural change but not preventing it. A new multilateral agreement in the WTO on further reductions in agricultural subsidies could have major implications for Norway. Reduced "amber box" subsidies, disciplines on "blue box" and *de minimis* support, tariff reductions, and expanded TRQs in combination with zero in-quota import duties would cut into the "policy space" that Norway is utilizing at present. However, despite the leeway for unilateral action in anticipation of future multilaterally agreed parameters, there are no signs yet that Norway has taken determined steps to prepare for a negotiated outcome in the WTO.