SUMMARY

1. Norway has an advanced economy with a per capita GDP among the highest in the world at NKr 621,400 (US$ 75,200) in 2017. Trade is important to the economy, with imports and exports of goods and services equivalent to 63% of GDP in 2017. Although the value of exports declined in U.S. dollar terms from US$ 161 billion (in 2012) to US$ 102 billion (in 2017), this reflected the fall in oil and gas prices rather than a change in volume exported. The fall in petroleum prices also led to a decline in that sector's contribution to GDP, from nearly a quarter of GDP in 2012 to less than 16% in 2017, while the contribution from services increased from 58% to 64%.

2. Over the years, Norway has accumulated substantial amounts of petroleum revenue in a sovereign wealth fund (the Government Pension Fund – Global). The Fund, which is invested entirely outside of Norway, held assets valued at more than US$ 1 trillion at the end of 2017. The size of the Fund provides the authorities with some leeway to mitigate economic downturns and counter external shocks. The effects of the global financial crisis of 2008-09 were thus short-lived in Norway, and the economy returned quickly to its historical growth path, reaching 2.7% growth in GDP in 2012. However, the significant decline in the prices of oil and gas since mid-2014 posed a much more serious challenge than the earlier global downturn. The contraction in offshore-related industries and supply services affected local communities in the form of rising unemployment and declining incomes. However, a combination of expansionary fiscal and monetary policies contained the effect on the national economy as growth in GDP continued but at a modest 1% in 2016. In addition, a marked depreciation of the Norwegian krone helped to restore the competitiveness of Norwegian businesses – a competiveness regularly eroded in times of high oil prices. Signs of economic recovery grew stronger during 2017 when real growth in GDP was 1.8%, and the current outlook for the Norwegian economy is positive.

3. Despite the recent challenges, Norway has remained an open economy and there have been no fundamental changes in its trade policies since the last Trade Policy Review in 2012. The policies are firmly anchored in the European Economic Area (EEA) Agreement *vis-à-vis* the European Union; Norway's membership in the European Free Trade Association (EFTA), providing an extensive network of free trade agreements with partners around the world; and Norway's active participation in the WTO.

4. Since 2012, Norway has accepted the Trade Facilitation Agreement, implemented the revised ITA and pharmaceutical product coverage, completed procedures for adopting the revised GPA, and committed to phasing out all remaining agricultural export subsidies. It has an exemplary record in terms of meeting its notification obligations. It has been a third party in 82 dispute settlement cases, has never been a respondent, and was a complainant four times, most recently in the EC – Seal Products case (DS401) with the report of the Appellate Body circulated in May 2014.

5. As a member of the EEA, along with Iceland, Liechtenstein and the EU member States, Norway is (with the exception of agriculture and fisheries) part of a single market with free movement of goods, services, persons, and capital, as well as non-discrimination and equal rules of competition along with cooperation in many other areas. Relevant EU legal acts are incorporated into the EEA Agreement through consensus decisions of the EEA Joint Committee which is made up of representatives of the EEA EFTA states and the European Union. The transposition into national legislation and application of these amendments to the EEA Agreement are subject to the oversight of the EFTA Surveillance Authority and the EFTA Court.

6. With few exceptions, Norway does not have any legislation restricting investment from outside the EEA, while investment from within the EEA is part of the free movement of capital. There are provisions in various sectoral laws that have an impact on foreign direct investment and a relatively small number of bilateral investment agreements that have been in place for many years. A new investment promotion entity, Invest in Norway, was established in 2013 to coordinate the Government's efforts to attract foreign investment.

7. Although Norway's investment regime is generally open and liberal, state ownership remains substantial with about 11% of the total workforce (281,000 employees) in enterprises wholly or partly owned by the State in 2016. At the same time, the market value of the State's holdings in listed companies totalled NKr 715 billion. The State is also a major owner of unlisted enterprises.

In recent years, the Government has been reluctant to extend state ownership through acquisitions, and signalled a willingness to reduce the degree of state ownership with time. Parliament has approved the divestment of some enterprises in principle, but these authorizations will only be carried out when commercially opportune. Nevertheless, new state owned enterprises have been created to speed up the construction of motorways and major highways and as part of ongoing reforms in the railway sector.

8. The vast majority of tariffs (85% of tariff lines) are duty free but those that remain can be high, with tariffs of over 100% not unusual in many agriculture sub-sectors. Non-*ad valorem* rates of duty are also prevalent, accounting for about 50% of agricultural tariff lines. The simple average tariff rate (including AVEs of non-*ad valorem* tariffs) decreased slightly from 7.5% to 6.9% during the review period (compared to an average bound rate of 30.4%), mainly due to the autonomous liberalization of 114 agricultural tariff lines. Under Norway's preferential schemes, least developed countries are granted duty and quota free access for all goods, while other arrangements maintain significant tariffs on some agricultural goods.

9. Consumption taxes in Norway are quite high. The standard rate of VAT is 25%, although reduced rates apply to some products and services, such as food (15%) and transport (12%), while exports are zero rated and some services are exempt. Excise taxes are applied as specific duties on some products including beverages, tobacco, sugar and some products containing sugar, electrical power, fuel for road vehicles, cars, and air passengers. These excise duties are regularly revised to account for inflation. Exceptionally, the duty on chocolate and sugar products was increased by 83% in January 2018. Consumption and excise taxes are applied equally to imported and domestically produced goods.

10. Norway's import prohibitions, restrictions, and licensing have remained largely unchanged during the review period, although new measures have been put in place through new regulations on preventing the introduction and spread of foreign organisms, and new CITES regulations are being developed to broaden the scope and extend certain provisions beyond CITES.

11. Norway has not resorted to any contingency measures since the creation of the WTO. Furthermore, while the Customs Act contains provisions for anti-dumping, countervailing, and safeguard measures, there are no detailed regulations giving effect to these provisions, or designated institutions to apply them.

12. A number of government entities are involved in the provision of export finance, guarantees, and credits. A new export credit facility, Export Credit Norway (Eksportkreditt Norge), was established in July 2012 for all new officially-supported export loans. As a result, the traditional export financing agency, Eksportfinans ASA, is being phased out. Norway's Export Credit Guarantee Agency (GIEK) continues to issue guarantees on behalf of the Government and has developed in recent years a number of new products such as a new buyer credit guarantee for export-related investments and a new ship guarantee scheme.

13. Technical requirements and SPS measures are, to a large extent, within the EEA, and Norway's measures are, in most cases, identical to those that apply throughout the single market. The principal changes implemented since 2012 related to national alignment with EU legislation, including implementation of EU regulations relating to novel foods, pesticide residues, and the official control of some pollutants in foodstuffs.

14. Much of the EU *acquis* on intellectual property is considered to be of EEA relevance and has been included in the EEA Agreement and incorporated into national legislation in Norway, including the European Union's Trade Marks Directive, the European Designs Directive, the Patents Directive (Directive on the legal protection of biotechnological inventions), as well as the EU Regulations on supplementary protection certificates for pharmaceuticals and plant protection products. Norway is a party to the European Patent Convention and thus a member of the European Patent Organization. Although the EEA countries are not covered by the trade mark and community design schemes of the European Union, Norway adopted a new Trademarks Act in 2010, *inter alia*, to codify the principle of EEA regional exhaustion. EEA regional exhaustion is applicable to copyright, trademarks, patents, industrial designs, layout designs (topographies) of integrated circuits, and plant breeder's rights. On 1 July 2013, the amended law on industrial property rights

entered into force which includes new provisions on damages, corrective measures, and enhanced criminal sanctions.

15. There have been no major changes in levels and means of support to the agricultural sector in the period under review. However, measures regulating the production of milk and poultry have become somewhat more flexible. The import regime for agricultural products is closely linked to the domestic market regulation for key commodities produced in Norway. High applied tariffs, frequently over 100% for live animals, meat, dairy products, and cereals, leave market access to be regulated through tariff quotas and administrative tariff reductions for many items. Border protection was increased by switching from specific to *ad valorem* import duties for liquid milk and cream in 2010 and, again, for certain hard cheeses, beef (steaks and fillets), and lamb meat in 2013. The current Government has stated that it has no plans to make further changes in the specific/*ad valorem* tariff structure, taking due account of the interests of Norwegian consumers and Norway's trading partners. Consistent with the Nairobi Package adopted at the WTO Ministerial Conference in December 2015, Norway has legislated for the elimination of agricultural export subsidies by the end of 2020. Although volumes have been declining, cheese exports still absorb about 8% of the raw milk produced in Norway.

16. The fisheries sector accounted for 12% of exports in 2016. During the review period, aquaculture growth was stronger than that of wild catch, in particular for salmon production, which accounted for 78% of production and 68% of exports in 2016. The increase in the value of production of salmon was principally due to higher prices rather than increased volumes. Government policy has focused on the aquaculture sector, particularly management, to regulate growth and incorporate environmental issues when issuing new production licenses. Norway has been actively engaged in the WTO negotiations to prohibit fisheries subsidies, and also had a key role in the conclusion of the Agreement on Port State Measures to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing under the Food and Agriculture Organization.

17. The forestry sector continues to contribute to the economy, employment and trade, with increasing output in recent years. A number of policies have improved the sustainable harvesting of Norway's forests, including climate policy measures that have provided incentives for increasing carbon stocks and forest densification. Even though there has been a general growth in the sector, a number of structural changes occurred during the period, which have meant a shift from Norway being a net exporter of logs to being a net importer as a result of the decline in the downstream industry, mainly the pulp and paper sector.

18. In the area of services, which represents over two thirds of GDP, public administration and other services provided exclusively or predominantly by the public sector, account for over half of the value added from services. Real estate activities, financial and insurance activities, and wholesale and retail trade, account for most of the remainder.

19. Norway's legal framework for financial institutions was updated and consolidated with the passage of the Financial Institutions Act (2015) and a consolidated regulation to accompany it in 2016. The new legislation does not fundamentally alter the conditions under which financial institutions operate in Norway. It maintained the stricter capital adequacy requirements for banks and credit institutions adopted in 2013, and introduced new capital adequacy requirements for insurance companies consistent with the EU Solvency II Directive. Since 2016, Norway's financial supervisory authorities have been participating in the European Banking Authority, the European Securities and Markets Authority, and the European Insurance and Occupational Pensions Authority in the same manner as the authorities of EU member States, but without voting rights. Work is proceeding to incorporate a backlog of some 300 EU directives and regulations in the financial markets area into the EEA Agreement. However, in most cases, Norway has not waited for the formal decision of the EEA Committee, but has adopted national legislation that mirrors the substance of new EU requirements.

20. Norway is the world's third largest exporter of natural gas and continues to be a major producer and exporter of crude oil. Although offshore discoveries generally require significant investments up-front, and profitability is therefore sensitive to future changes in petroleum prices, cost reductions since 2014 have lowered the break-even levels significantly for key ongoing projects. Norway's domestic energy market is characterized by a high share of renewable energy delivered to power-intensive industries, households, and other users in the form of hydro based electricity. A ban on the use of mineral oils in the heating of buildings, including residential homes,

will come into effect on 1 January 2020. Policies encourage the use of electric motor vehicles, and pilot projects focus on the use of electricity in public transport, including coastal traffic. A state enterprise (Enova), financed by budget transfers and a tax on electricity, provides investment support and advisory services for energy efficiency and energy transition activities. Norway has adopted the same 2030 targets as EU countries for increased energy efficiency and reductions in greenhouse gas emissions. However, Norway's 2020 target for renewables is much higher (67.5%), a reflection of Norway's differing point of departure. The target was exceeded in 2014.

21. Due to the large sovereign wealth fund and conservative prudential regulation of the financial sector, Norway weathered the global financial crisis that started in 2008 and, for Norway, the greater challenge of the decline in oil and gas prices in 2014. The growing recovery in 2017 was also helped by the decline in the Norwegian krone relative to Norway's major trading partners. In addition, membership of the EEA has been a stabilizing factor in a challenging environment, while the single market for goods and services, with uniform regulatory requirements, gives Norway access to the EU market. Furthermore, with the notable exception of agriculture, Norway gives duty free access to imports of practically all goods from all trading partners, and similar liberal treatment extends to services and investment.