

Trade Policy Review Body
11 and 13 October 2004

TRADE POLICY REVIEW

NORWAY

Minutes of Meeting

Chairperson: H.E. Mrs. Puangrat Asavapisit (Thailand)

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Note: Advance written questions by WTO Members and the replies provided by Norway are reproduced in document WT/TPR/M/138/Add.1 and will be available online at http://www.wto.org/english/tratop_e/tp_r_e/tp_rep_e.htm.

I. INTRODUCTORY REMARKS BY THE CHAIRPERSON

1. The fourth Trade Policy Review of Norway was held on 11 and 13 October 2004. The Chairperson (H.E. Mrs. Puangrat Asavapisit) welcomed the delegation of Norway, headed by Mr. Harald Nepel, and the discussant Mr. Alexander Gross (Germany). As usual, the discussant would speak in his personal capacity and, in accordance with established procedures, had made available in advance a broad outline of the themes he intended to raise (document WT/TPR/D/113).

2. The Chairperson recalled the purpose of the Trade Policy Reviews and the main elements of the procedures of the meeting. The Report by the Government of Norway was contained in document WT/TPR/G/138 and that of the Secretariat in document WT/TPR/S/138. Copies of advance written questions, submitted by: Canada; Japan; Hong Kong, China; the United States; New Zealand; Switzerland; Australia; the European Communities; the Republic of Korea; Indonesia; Turkey; and Brazil had been transmitted to the delegation of Norway. These questions and the replies provided by the delegation of Norway are reproduced in WT/TPR/M/138/Add.1.

3. The Chairperson stated that the documentation prepared for the Review illustrated Norway's good macroeconomic performance since its last TPR. Both the Secretariat and the Government Report highlighted Norway's commitment to trade liberalization through multilateral, regional, bilateral, and unilateral initiatives. Norway had improved access to its already generally open market, with some 94% of non-agricultural tariff lines (84% of all lines) now carrying the zero rate. Nevertheless, tariffs on agricultural goods remained high, and were compounded by a complex system of domestic support and internal taxes on the products. These policies contrasted with Norway's generosity as an important donor for WTO technical assistance activities in favour of developing countries with key interest in agriculture.

II. OPENING STATEMENT BY THE REPRESENTATIVE OF NORWAY

4. The representative of Norway thanked the Chairperson, the Secretariat, the discussant, and the delegations that had raised advance written questions and comments. This TPR was a useful exercise and an excellent opportunity to understand Norway's trade related policies.

(i) Norway's trade and economy

5. The Norwegian economy was highly dependent on international trade, which accounted for over 75% of its GDP. Norway's trade and economic policies were designed to promote sustainable economic growth and to secure an equitable distribution of trade and economic growth benefits. Norway's economy was one of the most open in the world; with largely no tariffs for industrial products, and liberal access for foreign service providers this benefited Norway and its trading partners. Due to a limited domestic market, Norwegian companies needed to participate in international markets to benefit from comparative advantages and economies of scale. Norway's open economy exposed its producers to an increasingly globalized environment. Thus, a Government priority was to ensure that the business environment remained competitive and conducive to innovation, investment, and growth. Agricultural production was disadvantaged by geographic and climatic reasons; high levels of support and protection were therefore required to safeguard non-trade concerns, such as food security, agricultural landscapes, and viable rural communities.

6. Economic diversity came from and was dependent on natural resources. Norway was the world's third largest oil exporter and the petroleum sector (oil and gas) accounted for 45% of total export revenues. Fish and fish products accounted for around 5%; commodities, such as machinery, ships, metals, chemicals, pulp, and paper, for 25%, and the services sector another 25% (half from international shipping). Trade with the EC – Norway's main trading partner – had fallen since 2000. In 2003, 76% of total Norway's exports went to the EC-15, 13% to North America, and 6% to developing countries (mainly in Asia). Norway's imports came from the EC-15 (67%), North America (8%), and developing countries – mainly in Asia (13%). Norway's trade and foreign policies were closely linked, and Norway attached great importance to integrating developing countries into the world economy.

7. Growth rates had picked up since 2003, and mainland GDP was expected to increase by over 3% in 2004 and 2005. Growth was driven by private consumption, fuelled by low interest rates and high real wage growth. Inflation had been well below its 2.5% target, and unemployment had decreased moderately to 3.7% and was likely to further decline. Over the last few years, the general Government balance had shown a surplus of 8% to 10% of GDP due to the petroleum sector revenues. The Government's net assets were estimated to be Nkr 1,360 billion (81% of GDP) by the end of 2004.

8. Net revenues from the petroleum sector were transferred to the Petroleum Fund (PF), which was the Government's instrument for transferring wealth from oil and gas reserves to a broad-based portfolio of international securities. It was aimed at buffering fluctuating revenues from the sector, and helping to maintain a fair distribution of wealth across generations. The PF made the use of oil revenues more transparent, and might help to address the situation of an increasingly ageing population and decreasing petroleum revenues. Projected expenses to pensions would increase from 10% of mainland GDP in 2004 to 20% in 2050, and petroleum sector revenues were expected to fall from 17% to 1% during the same period.

9. To further improve the present high standard of living, reforms in the National Insurance scheme (proposals were being discussed) and continued productivity growth, through further liberalization efforts, remained essential.

(ii) Legal and institutional framework

10. In recent years, important structural reforms had been implemented to improve market efficiency through increased competition, and to enhance user-orientation and efficiency in the production of public services. Competition had been enhanced through market liberalization and modernization of the regulatory framework. Privatization had been pursued gradually. Cooperation within the European Economic Area (EEA) agreement had promoted reviews and reforms of a number of regulations. The new Competition Act, which entered into force on 1 May 2004 introduced, *inter alia*, tighter rules on abuse of dominant position and agreements that restricted or distorted competition, and a general obligation to report mergers and acquisitions.

11. Although the State still participated extensively in the business sector, significant privatization had taken place since 2000, particularly in telecommunications, energy, and manufacturing. The Government's policy was to privatize when there was no valid reason to maintain an enterprise in the public sector while maintaining share values and contributing to positive developments for the enterprises. Decisions to privatize were thus taken on a case-by-case basis. Since 2000, structural and legislative reforms had been undertaken to ensure a strict separation between the management of ownership interests and the Government's roles of policymaker, regulator, and enforcer. Rules on corporate governance had been declared to ensure that the State would not abuse dominant ownership. Equal treatment of all shareholders, transparency in state ownership, and decisions to be taken in the shareholders' general assembly were thus important. Government officials did not take seats on the board of directors; directors were independent and selected for their competence. The Government's efforts and practice had been well recognized by the international investment community.

12. In March 2004, a white paper on tax reform proposed to cut taxes by NKr 12 billion over the period 2005-07; the main objectives were to achieve a fairer taxation of labour income and to stimulate labour force participation. The proposals also included reducing tax on labour income and taxing dividends and capital gains exceeding a risk-free return on the personal shareholder's hand.

13. Norway was finalizing new customs legislation aimed at increasing transparency and availability to the economic operators as well as the general public, and creating a robust and better designed legal framework for jurisprudence and interpretation by national courts. This act would be the legal basis for measures taken under the Dispute Settlement Understanding regarding trade in goods, and would be notified to the WTO.

(iii) Main features of Norway's trade policy

14. An open economy, based on liberal trade policy, helped economic growth and adaptability in an increasingly globalized economy. However, Norway remained committed to a domestic and global policy of sustainable development to ensure that trade and environmental policies were mutually supportive. Norway pursued multilateral trade liberalization through the WTO; regional liberalization through the EEA with its EFTA/EEA partners and the EU; and bilateral free-trade agreements in cooperation with its EFTA partners. Norway had also unilaterally liberalized trade in goods and services to harvest the economic benefits of such measures. Norway's tariff system and administrative procedures for import had been computerized and simplified over the last few years.

(a) WTO

15. Norway was an original WTO Member and remained strongly committed to the multilateral trading system. A strong, rule-based system was the best guarantee against unilateralism and protectionism, and provided stability, security, transparency, and predictability for traders. Norway believed that a stronger multilateral trading system and improved market access for goods and services would benefit all Members. Economic growth and development in all nations – particularly

in developing countries – depended on a strong and fair multilateral trading system. Norway was therefore strongly committed to the Doha Development Agenda (DDA).

16. In the Doha negotiations, Norway was looking for substantial market access improvements for industrial goods (including fish and fish products) with the long-term goal of abolishing tariffs. Improving market access meant tightening rules for imposing anti-dumping measures, which were increasingly being abused to restrict trade. Members needed to ensure that only genuine anti-dumping cases were initiated, that they made a fair and correct assessment of dumping and injury, and the causal link between the two, and that anti-dumping measures were terminated when no longer justified. Norway believed that the liberalization of services directly related to trade and economic activity infrastructures (for instance, transport, telecommunication, computer and computer-related, financial, and energy services) was particularly important. Norway remained committed to substantial market access improvements in agriculture, taking into account non-trade concerns, such as environmental benefits, long-term food production to ensure food security, and viability of rural communities.

(b) Norwegian trade policy towards developing countries

17. Norway's trade policy towards developing countries played a central role in the formulation of its foreign and development cooperation policies. Norway would continue to promote improvements to the multilateral trading system and encourage greater integration of developing countries, especially LDCs, by improved market access, transitional arrangements, and technical and financial support. Norway had unilaterally promoted trade with developing countries by improving its GSP. To this end, it had abolished tariffs and quotas on all products from LDCs on 1 July 2002. Although a special safeguard mechanism remained for certain agricultural products, safeguard measures had never been invoked. The 2005 budget proposal included tariff reductions on certain textile products by including them in the GSP-system. From 1 January 2001, Norway had abolished its three remaining quantitative restrictions on textiles and clothing. Norway had been one of the biggest voluntary contributors (Sw F 8.7 million) to WTO technical assistance activities since 1995, and was a major sponsor of the Legal Advisory Centre on WTO Law.

(c) EEA

18. The EEA agreement extended the 25 EC members internal market to Norway, Iceland, and Liechtenstein. The agreement, which accounted for two thirds of Norway's foreign trade, covered free movement of goods, persons, capital, and services, including applicable rules in areas that affected the internal market. However, it did not include the EC common agricultural and fisheries policies, but contained provisions on various aspects of trade in agricultural and fish products, such as rules on sanitary and phytosanitary measures. As the EEA agreement was not a customs union, trade policy towards third countries was not included. Its common rules were continuously updated by adding new EC legislation; over 4,000 EC legal acts had been incorporated since 1994.

(d) Free-trade agreements

19. Norway participated in 13 free-trade agreements (FTAs) within the EFTA framework; several agreements were under negotiation. FTAs were initially aimed at regional economic integration, but had been extended to Asia, the Middle East, Africa, and Latin America. FTAs had traditionally covered trade of industrial (including fish and fish products) and processed agricultural products; each EFTA member had also concluded bilateral agricultural protocols with each of the third country partners. The FTAs had been expanded to incorporate trade in services, provisions on competition, state aid, protection of intellectual property, investments, and public procurement. Regional trade arrangements and FTAs complemented but could never replace the need for a strong, rules-based multilateral trade regime.

(iv) Sectoral and specific topics

(a) Agriculture

20. Arable land represented only 3% of Norway's total area; the arctic and sub-arctic conditions were characterised by a harsh climate, low temperatures, and a short growing season. Agricultural production covered a narrow range of products that was protected by tariffs, and a wide range of agricultural products was imported duty free. Maintaining a viable agriculture sector enjoyed a broad political support in the country. Norway's agricultural policy took into account non-trade concerns, such as long-term food security, viability of rural areas, cultural heritage, land conservation, and maintenance of agricultural landscapes and agri-biological diversity. Agriculture was highly protected because of its high costs and ambitious goals in respect of its multifunctional role.

21. Since the early 1990s, significant reforms had been made in the agricultural policy and in making agriculture more market-oriented. Budgetary subsidies to farmers had shifted from price support (down from 30% in 1990 to 16% in 2002) to support with less impact on production. From 1995 to 2003, the number of farms had decreased by 30% and the average farm size had increased by 40%. Further structural adjustment to save production costs had been encouraged, but, in terms of large-scale production, was limited by natural conditions; in addition, there was a balance between structural adjustment and the need to safeguard non-trade concerns.

22. The high tariff levels applied reflected agricultural domestic production cost and resulted from the Uruguay Round tariffication process. Tariffs applied to less sensitive products were zero duty or at a very low level. One of Norway's main priorities in the ongoing negotiations was continued tariff protection for its sensitive products. Referring the calculation in the Secretariat Report of an *ad valorem* equivalent of 2,356% on meat offal, the representative noted that the AVE calculations were based on the quantity and value of imports in a limited period of time, and this specific calculation was based on imports that entered at zero duty. The few kilos of imports subject to the applied tariff rate would constitute an AVE of about 100%. The representative also referred to the higher consumer prices in Norway which, according to the Secretariat Report, resulted from high border protection; he said that general cost level needed to be taken into account. In addition, high costs in agricultural production resulted from geographic, topographic, and climatic conditions, and political priorities. Some points raised by the Secretariat and some Members belonged to the ongoing negotiations. Members followed different, but equally legitimate, policies. Norway's measures were fully consistent with its WTO obligations, and it would fully implement the Doha Round outcome.

(b) Fish and aquaculture

23. Norway's natural conditions made the fishing industry important. Norway followed a strict policy that limited catches. It did not subsidize its fishing industry, except for certain decommissioning programmes to reduce capacity. The fjords offered excellent conditions for aquaculture, and technological development had increased the quality, quantity, and variety of seafood produced. Over 150 countries were importing Norwegian seafood, and the growth potential could be realized only through further trade liberalization in fish and fish products, WTO limitations on fisheries subsidies, and stricter disciplines for anti-dumping measures, which had hit this industry hard repeatedly and unjustifiably.

(v) Summary

24. Norway's economy was in a very sound shape. Due to its small domestic market, Norway depended highly on trade and internationalization. Access to international markets was of utmost importance to achieve employment and welfare goals. Norway had an open, market-based economy. Important recent structural reforms included: deregulating markets, increasing international competitiveness, and reducing support to business and industry. Norway's agriculture sector had also

undergone significant changes. However, maintaining agricultural production all over Norway remained a key concern, due to its multifunctional role. The Government attached great importance to domestic and global sustainable development. Norway believed that all Members stood to gain significantly from strengthening the multilateral trading system and improving market access for goods and services. Economic growth and development in all nations – in particular developing countries – depended on a strong and fair multilateral trading system. Norway was therefore strongly committed to the Doha negotiations.

III. STATEMENT BY THE DISCUSSANT

25. The discussant complimented the Secretariat for its comprehensive and detailed report, and Norway for its very positive economic performance, on an already very high level, over the last years.

26. Norway not only had one of the world's highest GDP levels per capita but had also achieved economic growth over the last years that exceeded the EC average. Extremely low unemployment was coupled with a very high labour participation rate. The trade and investment regime was very open, with the important exception of agriculture. Norway was clearly committed to multilateralism and participated actively and constructively in the WTO works. It was among the leading countries for direct aid. This positive background was important when discussing the more difficult aspects of Norway's economic and trade policies.

27. The discussant stated that discussions on Norway centred on three core issues. The first one was oil. Norway was the world's third largest oil exporter. Oil accounted for almost 20% of GDP, 60% of exports, but only slightly above 1% of employment. This low employment share showed that, already, and even more in the future when income from oil resources diminished, living standard in Norway would rely mainly on increased productivity and employment in the non-oil private sector. Second, the Government played a strong role in the economy especially through the high level of public ownership. The third issue was the obvious gap between a very liberal regime for industrial goods and a high degree of protection for the agriculture sector.

28. These three issues were strongly interrelated, and it would be difficult and misleading to discuss trade issues without regard to the general economic development. It was the "policy mix" with regard to all three core issues that determined productivity and competitiveness of the overall economy, and a high degree of competitiveness made it easier to maintain or pursue an open-trade policy.

(i) Macroeconomic development

29. Norway, like other European countries, showed modest performance in 2003. Growth reached 0.4% but was expected to be stronger (around 3%) in 2004. That could be explained because private investment had been declining over the last years, and private consumption, which seemed to be the major driving force, had not been driven by an increase in employment but seemed to have been fuelled by strong wage increases that led to a considerable rise in unit labour costs and a decline in competitiveness, especially in the internationally exposed non-oil business sector. Economic growth was then paid for by a loss in competitiveness. Wage moderation had already kicked in and started, and the situation was improving. The discussant asked whether it was possible for investment and trade to take over, and for growth and dynamics to be maintained at the level already reached.

30. Over the last years, there had been large swings in krone-euro exchange rate (around 20% up and down). Since almost 80% of Norway's exports went to the EU, this would probably have an impact on Norway's competitiveness and trade performance. However, since 2001, the monetary policy had been aimed at stabilizing the inflation rate at 2.5% and, consequently, had not stabilized the exchange rate, which seemed sensible for a small open economy, like Norway. If greater exchange rate stability was desirable to preserve competitiveness and price stability, and monetary policy was not an available tool, the discussant wondered whether stronger monetary integration in the European context would provide a solution. He was aware that this was a highly political question, nevertheless he was looking forward to Norway's remarks from an economic point of view.

31. In the mid-1990s, Norway decided to set aside fiscal income from oil in a State Petroleum Fund as a reserve for future expenditures and to guarantee inter-generational fairness. In 2001, new fiscal guidelines were introduced to use only the long-term income stream from oil-wealth (estimated at 4% of the Fund per year) to finance budgetary purposes. However, over the past two years

spending pressure had been high and it had been impossible to adhere to this rule. While the overall general budget showed a 12% surplus of GDP, the structural non-oil deficit rose to above 3% and was expected to further increase in 2004. Norway would face considerable additional spending pressure linked to demography and to the welfare state, and according to some estimates, oil income would not be sufficient to provide a sustainable solution in the long run. To prepare for the challenges ahead and to preserve fiscal sustainability and international competitiveness of the private sector, a more restrictive spending policy and enhanced structural reforms seemed to be sensible recommendations. Through various reform efforts, Norway was already aiming in this direction. The discussant was interested to hear whether Norway shared this analysis of fiscal sustainability and what additional measures might be necessary for the long run.

(ii) Structural policy

32. Norway was clearly committed to competitive and open markets. Nevertheless, the public sector still played a very strong role, and efficiency and productivity might be lifted through allowing more room for private initiatives, private investments, and market incentives. The public sector employed almost a third of Norway's labour force (the OECD's highest public employment share). Over 100 enterprises were fully or partly state-owned and played an important and, sometimes, dominant role in the economy. There had been considerable efforts and progress towards privatization and regulatory reform. Nevertheless, in 2002, a white paper proposing an ambitious general reduction in public ownership was not approved by the Norwegian Parliament, which preferred a more traditional case-by-case approach. The discussant was interested to know whether increased privatization efforts could be expected.

33. Norway maintained a very open trade regime for industrial goods; 94% of tariff lines were duty-free and the average MFN tariff of about 1% did not constitute a serious barrier to trade, apart from some tariff peaks for textiles and clothing. Likewise, the investment regime seemed to be very liberal. There were some restrictions in fishing and maritime transport and investment opportunities were limited to some extent by high public investment.

34. Protection in the agriculture sector – through tariffs, tariff quotas, an extensive system of internal support, and export subsidies and credits below market rates – was probably among the highest in the OECD. The system was maintained with the understandable view to secure the sector's non-trade functions; it was extremely costly for Norwegian consumers and taxpayers, and for potential trading partners, except for LDCs, which had duty- and quota-free access to the agricultural market since mid 2002. The real challenge seemed to be how to achieve a given political goal with less costs and less distortions both for the Norwegian economy and the international trade. One way would be to redirect protection from farm products to farmers income. According to the OECD, 80% of producer support to farmers was linked directly to output or the use of farm inputs, and price support measures still played a prominent role; there seemed to be scope for further reform. Over the last years, the Government had made progress in cutting subsidies and, to some degree, in "decoupling". The discussant was interested in Norway's judgement of the chances for even more fundamental reform along the same lines, especially within the ongoing Doha negotiations. More openness in agriculture would also fit much better with Norway's general policy toward developing countries. Norway had one of the highest ratios of development aid to national income (0.9%) amongst donor nations, and maintained one of the most wide-ranging GSP schemes among developed countries.

IV. STATEMENTS BY MEMBERS

35. The representative of Canada noted that the Trade Policy Review Mechanism celebrated its 10th anniversary and had proven its potential for enhancing transparency in Members' trade policies. Canada commended Norway's efforts towards trade policy liberalization reflected in its several proposals for advancing the DDA, and in its generous donations to WTO technical assistance activities. Trade liberalization at the regional level had been achieved through extending the EEA with EFTA/EEA partners and the enlarged EU.

36. Norway's economy continued to be strong, driven by global oil and gas demand. It was estimated that the Petroleum Fund would soon break the one trillion Nkr point. General government finances were sound with an expected surplus of 6.9% of GDP in 2004. Sustainable development remained a governing principle for both domestic and foreign policies, and mutually supportive trade and environmental policies would continue to be pursued.

37. There had been three actions of special interest during the review period. In May 2004, Norway and Canada were the first two Members to amend their patent legislation, in accordance with the General Council agreement, to facilitate greater access to pharmaceutical products for public health problems in countries in need. Norway had expanded its GSP and granted duty-free and quota-free market access for all products from LDCs from 1 July 2002. Norway had communicated that it saw no legal conflict between the TRIPS Agreement and the U.N. Biodiversity Convention on preservation of traditional knowledge. Canada was interested in learning more about the Competition Act and the white paper on tax reform for 2005-07; and what additional transparency would result from these new measures.

38. The representative of Japan said that his country and Norway enjoyed a long and amicable relationship. Maritime transport and fishery were important for both countries. Japan was the leading importer of Norway's fish and fish products exports. The two countries shared the common position in the negotiations on agriculture that non-trade concerns should be taken into account, as well as the same views in areas such as anti-dumping, trade facilitation, and services. Japan appreciated Norway's active participation and contribution to the WTO and hoped that it would continue.

39. Japan welcomed Norway's economic recovery after its recent years' slowdown. It hoped that Norway continued to promote trade and investment liberalization towards further development. Norway depended highly on petroleum and natural gas exports, and could exploit resources in the North Sea thanks to its advanced technology. Japan supported Norway's efforts to diversify its exports to further strengthen its trade and economic structure. State-owned enterprises were playing key roles in areas such as energy and telecommunications, and Japan welcomed Norway's efforts to enhance their competitiveness and productivity.

40. Norway was a non-EC country but had adopted over 4,000 EC rules within its EEA membership. EC common agricultural and fishery policies were excluded from EEA, and Japan was interested in Norway's policy coordination with the EC common rules and policies.

41. The representative of Hong Kong, China said that his country enjoyed harmonious trade relations with Norway. In 2003, total trade with Norway amounted to US\$0.5 billion and could probably be expanded.

42. Hong Kong, China appreciated Norway's strong commitment to the WTO multilateral trading framework and active participation in the multilateral negotiations. Norway had fully implemented the ATC liberalization of textiles and clothing. The two countries had been working closely and cooperatively to help move the DDA negotiations forward. Norway maintained generally low tariffs for non-agricultural products. Hong Kong, China encouraged Norway to consider liberalizing its agricultural tariffs in the DDA context to help to move the negotiations forward. The two countries

shared concern on the increasing use of anti-dumping (AD) and other trade remedy actions. Norway had not applied nor initiated any AD actions in the past decade and had dissolved its Advisory AD Committee in 2001. Others could learn from this excellent example.

43. Hong Kong, China noted that Norway was integrated into the EC single market, through the EEA, and must apply EC legislation including technical regulations. Nevertheless, Norway maintained stricter provisions for several substances (for example, mercury and cadmium content in batteries), as well as classification and labelling of dangerous substances. Hong Kong, China urged Norway to harmonize these regulations that were more than merely a nuisance for traders. A new Food Production and Food Safety Act had entered into force on 1 January 2004 to replace and simplify legislation on meat, fish and fishery products, animal diseases, and feedstuffs. Norway was encouraged to file a relevant SPS notification as soon as possible.

44. The representative of New Zealand noted that, despite a slowdown that coincided with a more global economic downturn, Norway's macroeconomic performance had been good since 2000 and growth had improved through 2003.

45. Petroleum resources and resultant wealth had insulated Norway from some of the economic challenges faced by other developed economies. Norway had recognized that wealth in one sector could not guarantee prosperity for all, and New Zealand commended its efforts to liberalize its domestic economy to gain from market efficiencies in formerly closed and state-controlled sectors.

46. Norway had one of the most open market for industrial goods, with average MFN tariffs of 0.9%. Its GSP scheme was ambitious, offering duty- and quota-free access for LDCs since July 2002. New Zealand was concerned about Norway's production subsidies for agriculture, the second-highest in the OECD; 70% of budgeted state support – some Nkr 10 billion – were spent on agriculture, which accounted for only 0.9% of its GDP, and 3% of employment. Meat products faced an average tariff of 136.6% and dairy products of 52.9%. Some quotas granted under minimum market access commitments existed but were often so small as to be uneconomic to exploit, and usually maintained high in-quota tariff rates. These barriers to effective utilization were reflected in the high rate of underfill on almost all dairy and meat quotas. Norway was gradually moving to reduce domestic support on agricultural products, and shifting support towards non-trade-distorting mechanisms. It had reduced its export subsidies at a faster rate than set out in its Uruguay Round commitments; New Zealand hoped that these processes would continue.

47. The representative of Switzerland said that Norway was an important trading partner although trade volume had not evolved dramatically over the past years. Swiss FDI in Norway amounted to Sw F 3 billion in 2002. Bilateral trade relations, traditionally very good, were mainly based on WTO commitments and the EFTA framework. Switzerland appreciated the close and constructive cooperation with Norway under the EFTA framework.

48. Norway's macroeconomic performance had been good since 2000; its real GDP had recovered from a slowdown between 2000 and 2003. Its trade policy regime was generally very open: the average applied MFN tariff had fallen from 8.1% in 2000 to 7.2% in 2004; the average MFN tariff on non-agricultural products was 0.9%; and tariffs on some non-agricultural products had been reduced to zero in 2002. Some 94% of non-agricultural tariff lines were now duty free.

49. Norway was an original WTO Member and had been strongly committed to the multilateral trading system. A well-functioning multilateral framework was important for non-EU Members. Norway played an active role in the Doha negotiations and sought to bring them to a successful conclusion, sharing interests and positions with Switzerland. The two countries were G10 members and were concerned about a radical and too quick liberalization of the agriculture sector; non-trade concerns would need to be adequately safeguarded.

50. The representative of Australia said that his country enjoyed a sound and stable trading relationship with Norway; total trade exceeded US\$600 million in 2003. Services trade, particularly in education and tourism, had shown a steady growth over the last five years. Australian companies had bought US\$124 million worth of Norwegian services in 2003.

51. Australia appreciated and encouraged Norway's efforts to open and reform various sectors. However, protection in agriculture was high: the average bound tariff was 150%, compared with 3.6% for non-agricultural products. Norway had the largest number of TRQs; the fill rates had historically been low and it was curious that Norway always claimed that the administrative system had nothing to do with the result. Australia welcomed the 45% reduction in Norway's export subsidies between 1998 and 2003, but remained concerned at their overall levels for specific products, including dairy. Australia was disappointed that Norway's use of trade distorting domestic support remained high (AMS accounted for 70% of agriculture GDP in 2001) which, together with border protection, continued to undermine viable agriculture in other countries. Australia recognized that Norway had non-trade concerns, but trade and production distorting measures were not a legitimate mean to address them.

52. Australia appreciated Norway's active and constructive contribution in the Doha Round, and their close cooperation. However, in agriculture, international trade reform would provide developing countries with greater gains. Norway's position on agriculture contrasted with its always generous donation to development assistance. Norway's commitment to the Doha Round would be reinforced when its Parliament had ratified the July Framework Package in October 2004.

53. The representative of the European Communities (EC) said that the EC and Norway had a long-standing close relationship. Norway had built a strong economic relationship with its European neighbours, through its EFTA membership and its association with the EC in the EEA framework. Norway was a close and strong EC trading partner. The representative regretted that Norway was not yet an EC member.

54. Norway's economy was highly liberalized through multilateral, regional, plurilateral, and bilateral arrangements. Norway had worked to ensure strong synergies between these tracks and had prepared almost all its economic sectors for this strong competitive pressure.

55. Norway had played a very important role in launching and promoting the DDA; it had pushed for greater market-opening for non-agricultural products and services and sought to strengthen rules. A strong multilateral trading system remained the best way to ensure increased trade, growth and prosperity in medium-size and small economies: Norway recognized that it was in the interest of all Members to seek global coverage of the system, and to address the challenges faced by developing countries; developing countries were assisted in their efforts by extensive GSP regimes and targeted assistance. Even though Norway was a relatively small country in terms of population, it had played an important role in helping to build the multilateral trading system and bridging differing approaches and opinions.

56. Trade and ongoing domestic reforms, including the 2002-05 Long-Term Programme, improvement of public procurement legislation, and new telecommunications and services legislation, aimed at ensuring a continuing adaptation to the markets and economic changes, had played an important role in Norway's growth. Norway's efforts to diversify its exports and production remained important to guarantee less dependence on natural resources and to strengthen its economy. The State Petroleum Fund showed how, by investing oil income in financial markets, Norway was ensuring strong investments in the resource base and laying foundations to strengthen other sectors.

57. The representative of the Republic of Korea said that economic and trade relations with Norway had been very positive since 2000. Bilateral trade had contracted in 2001, but had been recovering since 2002 and currently amounted to around US\$1 billion. Between 1983 and 2003,

Norway's FDI in Korea reached US\$162 million. The two countries shared views in many areas of the DDA negotiations, in particular that the non-trade concerns of agriculture should be taken into account. Korea hoped and believed that their active relationship would continue to improve.

58. Korea commended Norway for its continued efforts at structural reforms. Norway had an open trade policy regime and had long been committed to the multilateral trading system. Its real GDP growth had slowed in 2003, but was recovering. Since 2000, Norway's performance in other macroeconomic indicators had been good, due largely to its commitment to the multilateral trading system and its efforts to put this into practice. Korea commended Norway for its trade regime and its commitment to the multilateral trading system.

59. The representative of the United States stressed Norway's high level of international cooperation. As an founding member of the U.N. and NATO, Norway had always been a leader for peace. It was a WTO original Member and had played an active role in the development of the GATT and WTO to ensure the necessary stability, security, transparency, and predictability for an open, export-oriented global trading system. Norway had promoted trade-related technical assistance and cooperation by contributing to the global trust fund, as well as to a greater dialogue with NGOs.

60. Norway had reduced its average non-agricultural tariffs from 2.3% to 0.9% since 2000; over 90% of all non-agricultural tariff lines were now duty free. Market-opening changes had been made in government procurement, gas transport, financial services, mergers and acquisitions, competition, and telecommunications; the investment environment had been improved by eliminating some reporting requirements, abolishing a tax on purchases of business assets, and by fully or partially privatizing some state-owned entities. The United States was concerned by Norway's high level of protection for agriculture. Average tariff rates were 38% for agriculture compared with less than 1% for non-agricultural products, although agriculture accounted for less than 1% of GDP. Due to tariff peaks, escalation, dispersion, and seasonal tariffs, food was more expensive in Norway, and competitive agricultural exporters had trouble exporting to Norway's market. The United States understood and shared many of the objectives of these high levels of support and protection – promoting food security, protecting the environment, and preserving a rich farming heritage – but action for non-trade concerns should not be taken in a manner that distorted trade. The representative referred to U.S. advance written questions to Norway, regarding the variable tax on wheat imports; double health control fees on U.S. wheat imports; and difficulties with the auctioning of tariff rate quotas and apparent lack of reallocating unused import quotas. Policies that banned or effectively banned imports of certain meat, poultry, grapes, and products of modern biotechnology should be a concern to all agricultural exporters.

61. The United States was concerned that the State controlled over 40% of the Oslo Stock Exchange assets, and the example this set to other nations, particularly those struggling to cope with unprofitable state enterprises. Nevertheless, Norway was making progress in reforming its state sector by privatizing some state-owned enterprises and by trying to put more distance between state managers and regulators. The United States looked forward to seeing how these changes improved transparency and operations of Norway's state-owned enterprises, as well as attractiveness of FDI.

62. The two countries supported the WTO system and, in particular the desire to integrate developing countries into the international system to see them benefit from trade liberalization. The United States welcomed Norway's open market for industrial products, and hoped that improvements in agriculture could be achieved in the DDA negotiations.

63. The representative of Turkey said that, since 2000, Norway had maintained a strong macroeconomic policy and performance, with, *inter alia*, low inflation and unemployment, and falling interest rates albeit with a slower economic growth. It had reduced inflation to 2.5%, and had adopted a long-term programme and structural reforms aimed at higher GDP growth. Norway had one of the world's best managed oil funds, which served as an important monetary, income, fiscal, and

international economic policy instrument. By successfully investing oil and gas revenues directly in international assets abroad, Norway had not only used its natural resource income prudently for the present and future generations, but had also avoided negative effects of possible Dutch disease on the non-oil sectors. Norway had further reformed its economic legislation in several areas including public procurement, competition, telecommunications, financial services, and IPRs, and had taken important measures to improve and liberalize the investment framework. Norway was strongly committed to the multilateral trading system and had actively contributed to the DDA. Turkey appreciated Norway's substantial direct aid to developing countries, to the WTO technical assistance programmes, and its GSP treatment to LDCs.

64. Norway avoided using trade defence measures, and its trade regime, with a 7.2% average applied tariff, was generally open. However, the agriculture sector, which had a minor role in the economy, remained the most protected sector with high tariffs and a complex domestic support system; further tariff reductions and a move to *ad valorem* tariffs might further stabilize it. An important tax reform had been made, and limited privatizations had reduced the public sector share, although it still played an important role in the economy.

65. Turkey had very good relations with Norway based on a 1991 FTA within the EFTA framework. Turkey imported oil, vessels, aluminium, propylene, and fish products from Norway and exported vessels, textile, clothing, and automobile and electronic products. Turkey believed that a reduced State role in the economy and liberalization of the agriculture sector would increase competitiveness of Norway's economy. Turkey hoped to further enhance its trading relations with Norway, especially in FDI areas.

66. The representative of Thailand, on behalf of the ASEAN, noted Norway's economic recovery due to accelerating world demand and adoption of the Long-Term Programme for 2002-2005, aimed at sustainable economic stability, and efficient use of resources, as well as structural reforms. GDP growth was expected to be 3% in 2004, up from 0.4 % in 2003; inflation and unemployment remained low, and interest rates had fallen. ASEAN appreciated the very sound government finances. The uptrend in oil prices in 2004 could boost Norway's economy.

67. Norway's average applied MFN tariff had fallen from 8.1% in 2000 to 7.2% in 2004; the average MFN tariff on non-agricultural products was 0.9%. Reductions to zero on some non-agricultural products meant that 94% of non-agricultural tariff lines were duty free. Despite its low GDP contribution, agriculture remained the most protected sector with an average tariff of 38.2% in 2004. High border protection was compounded by a complex and extensive system of domestic support, and sensitive products were protected by tariff quotas. This resulted in high consumer prices for agricultural products. Export subsidies for some agricultural products remained, even though outlays had declined by over 45% between 1998 and 2003. Norway maintained a high level of food safety standards.

68. ASEAN commended Norway's commitment to encourage greater integration of developing countries, especially LDCs, into the multilateral trading system. Norway had abolished tariffs and quotas on all products from LDCs on 1 July 2002, and had implemented its ATC commitment on 1 January 2001. In addition, in 2000, Norway had extended the product coverage of its GSP scheme, and simplified rules of origin requirements. ASEAN commended Norway for not having carried out any antidumping or countervailing investigations since 2000, or having taken, maintained or initiated any safeguard measures. New legislation on telecommunications had entered into force, and ownership restrictions in financial services had been relaxed. However, state ownership in the two sectors remained substantial.

69. ASEAN noted Norway's long-standing commitment to the multilateral trading system, and active and constructive participation in the DDA negotiations; it welcomed Norway's important donor contribution to WTO technical assistance activities. Norway participated actively in regional

and bilateral fora, through its EFTA membership. Along with its EFTA partners, Norway had established an extensive network of FTAs in Europe, the Mediterranean, Latin America, and Asia.

70. Norway's trade policy regime remained generally open, except in agriculture. ASEAN commended Norway for its continued efforts towards structural reforms and restraint from resort to trade remedial actions. ASEAN also appreciated Norway's active and constructive role in the WTO.

71. The representative of Brazil commended Norway's good economic performance, including low inflation and unemployment, falling interest rates, and current account surpluses, and its high UNDP human development index. Norway was the world's third largest exporter of oil; external trade accounted for over 75% of its GDP.

72. Its investment regime was liberal and its trade policy regime was generally open, except in agriculture. Very low or no manufacturing protection contrasted with high levels of protection in agriculture. The average MFN tariff on non-agricultural products was 0.9%, while the average on agricultural products was 38.2%. Agriculture continued to be granted substantial export subsidies, which affected Norway's trading partners, undermined Norway's economic efficiency, and penalized Norwegian consumers and exporters. In this connection, Brazil encouraged Norway to continue its structural reforms and further reduce tariffs to better allocate resources; and to move to *ad valorem* tariffs to stabilize the level of tariff protection. The complex internal tax system on agricultural products would gain from reforms.

73. The representative of China said that trade with Norway had developed strongly in recent years. In 2003, total trade volume increased by 21.7% to US\$1.76 billion; from January to August 2004, it climbed to US\$1.54 billion, a 27.7% increase on 2003. Imports from Norway rose by 51.9% to US\$880 million in 2004. China had become Norway's largest trading partner in Asia since 2002. Furthermore, cooperation between the two countries progressed smoothly in other areas, for instance technology, finance, and quality inspection.

74. China closely followed Norway's trade policy and economic development, appreciating the openness of its trade regime, and highly commended Norway for its dedication and contribution to the multilateral trading system. However, China was deeply concerned with Norway's trade policy on NTBs, particularly in agriculture. An example was Norway's ban on importation of products of animal origin from China; China hoped that Norway would implement its August 2004 commitments to lift this ban as soon as possible.

75. The representative of Colombia highlighted that the trade flows between Colombia and Norway were very small, but that the Norwegian market held a great potential for Colombia's exports, particularly in industries where it had competitive advantages and high value added. Colombia's development policy was aimed at strengthening its exports and finding new markets for high value-added products, which provided greater stability than raw material exports, on which prices were volatile. Colombia's exports to Norway had decreased slightly over the 1990s due to lower coffee prices on the international market – coffee accounted for 95% of Colombia's exports to Norway; nevertheless, they had increased slightly over the past four years to reach US\$11 million in 2003. It also exported flowers, extracts, essences and coffee concentrates, crafts, and clothing. Imports from Norway, 53% of which were machinery and equipments, accounted for roughly US\$5 million.

76. Norway's trade policy was open, except for agriculture, which made it possible for Norway to fulfil its WTO obligations. Colombia commended Norway for its successful structural reforms aimed at maintaining competitiveness and increasing economic efficiency for key industries, through further liberalizing markets, introducing greater market competitiveness, and modernizing gradually its regulatory framework. Norway had contributed greatly to the WTO technical assistance programme, to strengthen the negotiation capacity of developing countries and LDCs, and allow them to prepare well for the DDA negotiations. Colombia considered that non-trade concerns in agriculture were

legitimate but must be carried out with minimum distortions for farm production and worldwide agricultural trade. Norway was committed, in the agriculture negotiations, to substantially improve market access, and had already expressed its will to reduce its tariffs.

77. The representative of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu noted Norway's long-standing commitment to the multilateral trading system as an original WTO Member. It congratulated Norway for the success of its macroeconomic policy directed towards its recent economic recovery. Since 2000, Norway had maintained low inflation and unemployment rates, and measures had been taken to improve the investment environment. Its average applied MFN tariff had fallen and 94% of non-agricultural tariff lines were duty free. Norway's updated legislation on government procurement and its new Competition Act were aimed at fully complying with its international obligations.

78. Norway was a potential European trading partner for the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu. Bilateral trade relations would be further enhanced, taking into account Norway's commitment to the multilateral trading system. In the context of DDA, the two delegations shared views on market access for industrial goods, stronger disciplines on anti-dumping measures, further liberalization of the services sectors, and non-trade concerns in agriculture liberalization; and both belonged to the G10 through which they had close working relations.

79. The representative of Benin referred to Norway's vision of the international economy and multilateral trade, and its efforts to favour its partners, in particular developing countries and LDCs. Norway had carried out successful economic reforms that helped it to fully participate in international trade. It had improved its macroeconomic, legal, and institutional frameworks, and, attached to the principle of production and trade liberalization, Norway promoted competitiveness based on sustainable development. The results reflected Norway's commitment to reach its objectives: 3% GDP growth in 2004; contained inflation; reassuring monetary policies; healthy public finances (the 2003 balance had shown a surplus of 8.3% of GDP); advanced reforms in financial markets; promotion of its participation in international trade; and further efforts towards achieving the Doha programme objectives, for its own benefit and that of its developing-country partners, in particular LDCs.

80. Norway was the world's third oil exporter. Since oil resources would not last for ever, Norway had set up an oil fund to control fluctuations, and to distribute income fairly among generations. Norway had given particular attention to LDCs by contributing to the Doha Programme Trust Fund since 2001, and improving its GSP scheme to grant tariff-free and quota-free access to all products from LDCs. Norway had been sensitive to the position of developing countries regarding access to medical drugs, and had strongly supported the General Council decision of August 2003 on TRIPS and public health. Norway had been the first Member to implement this decision in its domestic legislation. It had understood the difficulties of developing countries, in particular LDCs, in fully participating in international trade. Norway supported the request by developing countries for fairer and more equitable international trade rules, principles, mechanisms, and procedures to promote trade and ensure development of these countries. Benin appreciated Norway's support for developing countries' efforts.

81. The representative of Pakistan said that Norway had a very open trade regime with average MFN tariffs on non-agricultural products of less than 1%, and ensured that this was not diluted through anti-dumping or other trade remedy measures. Norway had removed its quotas on textiles on 1 January 2001, and had also abolished tariffs for LDCs. Pakistan hoped the same could be applied for other low-income countries.

82. Despite low average tariffs on industrial goods, a 6.3% tariff rate was applied on many textiles and clothing. Pakistan welcomed the statement that tariff reductions on textiles, under a new GSP scheme, was being considered in the 2005 budget proposals. Norway had generously supported

the WTO technical assistance programme. Pakistan commended Norway's support of the Doha process. The only improvement might be to further lower tariffs on textiles and clothing, convert non-*ad valorem* (almost 10% of total) to *ad-valorem* rates, and reduce tariff escalation and other barriers in agriculture.

83. The representative of India commended Norway's top rank in the UNDP human development index. Since 2000, and despite a slowdown in economic growth due to global recession, Norway had shown impressive economic performance with a strong current account surplus, low inflation, decreasing unemployment, and falling interest rates. High world prices of petroleum products had also led to a surge in export receipts. India hoped that the ongoing structural reforms would lead to further higher growth and development levels.

84. Norway was an original WTO Member. It maintained a generally liberal trade regime. However, India hoped that Norway would consider addressing still high tariffs in sectors of crucial export interest to many of the developing countries, including textiles, of particular interest to India. India appreciated Norway's attachment to the integration of the developing countries into the multilateral trading system. India recalled Norway's positive contribution to the discussions on TRIPS and public health that had led to the August 2003 General Council Decision. India welcomed implementation of this Decision in Norway's domestic legislation. India wished to work closely with Norway to achieve the DDA objectives. India and Norway enjoyed a friendly bilateral relationship. Although bilateral trade was not substantial, there was clearly potential for a closer trade and economic relationship.

V. REPLIES BY THE REPRESENTATIVE OF NORWAY AND ADDITIONAL COMMENTS

85. The representative of Norway thanked Members, the discussant, and the Secretariat. The TPR Mechanism was aimed at achieving greater transparency in and understanding of Members trade policies and practices and did not serve as enforcement tool or to impose new commitments. Norway had decided not to respond individually to questions that dealt with the DDA negotiations. Norway's negotiating positions were well known. It was deeply committed to the DDA and would faithfully implement its results. General questions raised during the first day of the meeting would be dealt with, and written replies had been provided for other questions.

86. In response to remarks by the discussant, a neutral fiscal stance had, over the past couple of years, facilitated an expansionary monetary policy, and the krone exchange rate was back to its level prior to the strengthening starting in 2000. Low interest rates had fuelled domestic demand. High growth was expected in Norway's non-oil exports due to a weak krone, moderate wage settlements from 2003, and increased international growth. Growth in traditional exports was expected to rise from 3% in 2004 to 5% in 2005. Investments in the non-oil sector, which started increasing in 2003, were expected to continue to grow at about 4% in 2004 and 2005. Although private consumption had been the main driving force in the economy recently, other factors were gaining importance. The upswing was sustainable and quite robust.

87. Norway had considerable financial wealth and large incomes from petroleum activities. Thus it was difficult to conduct a prudent and sensible economic policy. However, Norway had set up the Petroleum Fund (PF) and guidelines, according to which fiscal policy would be geared towards a gradual and sustainable increase in the use of petroleum revenues. The structural, non-oil budget deficit would correspond to the real return on the PF, which was expected to be 4%. However, implementation of fiscal policy must take into account output and employment fluctuations. Implementation of monetary policy was aimed at maintaining low and stable inflation with a targeted annual increase close to 2.5%; it was expected that inflation would fall within +/- 1 percentage point of its target. Monetary policy was aimed at providing the economy with a nominal anchor in the long term, and balancing the need for low and stable inflation against the outlook for output and employment in the short and medium term.

88. Norway's petroleum wealth was an advantage but would not solve the long-term challenges of an ageing population. Reforming the pension system to retain public finances and promoting reforms to ensure a sufficiently large labour-force, would be important. In early 2004, a Pension Committee reported proposed changes aimed at attaining long-term fiscal sustainability. As a follow-up, a white paper on pension reform would also be presented to Parliament later this year.

89. The proposed tax reform was aimed at stimulating labour supply by reducing marginal tax rates on labour income, and exempting dividends and capital gains between companies from 2004. A 28% share income tax on individuals would take effect from 2006, and would apply only to dividends and capital gains exceeding a risk-free rate of return. The reform also entailed reductions in the wealth tax. Reversing growth in the number of disability pensioners was aimed at maintaining Norway's very high labour force participation. Significant reforms had already been adopted. From 2004, new entrants into the disability scheme would be granted a temporary, rather than permanent, status. A system of re-entering disabled persons into the labour force had been adopted, and work was in progress to re-evaluate the status of all disability pensioners, granted their status before 1 January 2004.

90. The State's share in the Oslo Stock Exchange was quite high, and had increased as a direct result of the active privatization policy. State-owned companies to be privatized were listed and partly privatized through an initial private offering (IPO) process. The IPO was directed equally at national and international investors. Since 2000, the privatization of Statoil – the OSE's largest

capitalized company – and Telenor – the third largest – had added significant volumes to OSE; the State's share in these two companies accounted for 26% of the OSE total capitalization. Thus the size of the privatized companies was the main reason for the Government's increased share in the OSE. Other factors, including the collapse of the IT sector and the de-listing of major banks and shipping companies, had had a negative impact on the size of the OSE. The State had ownership in only seven companies out of 200 listed in the OSE, and since 2000, its ownership had been reduced considerably in some of the largest companies (for example, Statoil, Telenor, and DnB NOR). Other companies had been fully or partly privatized and further ownership reductions would be sought. However, the values of companies had to be retained as well as a contribution to the positive development of the companies involved.

91. The State, like any shareholder, acted to maximize shareholder value over time. A company with state-interest adhered to the same laws and regulations as any other private company, and did not benefit from any privilege. The State adhered to good corporate governance; it did not take part in the companies' day-to-day management nor intervene with decisions taken by the boards of directors. The State may communicate performance targets to the companies in line with other active owners. No State official was allowed to sit on these boards. This system applied for all commercial companies with State ownership.

92. The EEA Agreement was more than an FTA but different from a customs union. It was aimed at creating a single internal market by harmonizing rules to ensure equal competition conditions, but did not harmonize external tariffs nor influence external trade policy, except indirectly through harmonized requirements for certain goods and service providers. The EEA Agreement did not just abolish customs duties and trade remedies, but tackled the issue of the harmonization of product requirements, and common TBT and SPS requirements for all goods covered by the Agreement. This was not a 100% harmonization since individual countries were allowed differentiated approaches; under its national exemptions, Norway did not apply the EC requirements for certain GMOs. Such flexibilities could be invoked only to apply more stringent rules because once a product inside the EEA external borders, it could circulate freely within the 28 member states; they should not be used to threaten the protection level of other members, or force them to erect borders between them, but be borne by the member State requiring additional protection. Norway's SPS requirements for certain meat products from China were harmonized within the EEA, and a solution common to the 28 members was needed.

93. The EEA Agreement covered free movement of services and freedom of capital movements including investments, with scope for certain exceptions; Norway's legislation on ownership of fishing vessels should be seen in that light. Regarding questions raised on the financial services sector, these services were harmonized within the EEA. Competition policy and state aid were not totally harmonized, but there was coordination and cooperation, with common minimum requirements and division of labour between the European Commission and the EFTA Surveillance Authority. The EEA Agreement did not cover the EC common agricultural and fisheries policies. Such goods might be subject to tariffs in Norway. The EC common policies went beyond trade policy covering also culture, environment, justice and home affairs, immigration, security policy, and other areas; the EEA Agreement did not have the same reach despite cooperation within the EEA on certain horizontal trade-relevant and flanking policies, for example environment regulations, many of which would have an incidence on products. Although other areas had not been included in the EEA Agreement, bilateral cooperation between each EEA member and the EC may exist (for example, the Schengen Agreement).

94. Non-trade concerns on agriculture were legitimate concerns, not protectionist excuses, and as such should be taken into account in the DDA negotiations. Many Members had understood Norway's non-trade concerns but stressed that they should be safeguarded through green box measures only. Norway agreed that green box measures – around 35% of its budgetary payments – were important, but alone they would not ensure delivery of the public goods since provision of non-

trade concerns was linked to an ongoing agricultural production. Farmers would not have an economic incentive to produce unless they at least covered their costs of production.

95. Quota-fill rates had varied from one year to another, with an increase over recent years. No clear correlation seemed to exist between low fill rates and specific allocation methods. Exogenous factors (supply and demand, and fluctuating domestic or international prices) may cause them to vary.

96. Norway would notify the Act on Food Production and Food Safety in the near future. The Act regulated the entire feed and food production chain; it provided the legal basis for the control fees and foodstuff tax. Control fees, charged for specific controls carried out by the Norwegian Food Safety Authority (NFSA), were related only to control of production taking place in Norwegian establishments, expected for border control on plants for non-food use, feeding stuffs, live animals, and animal products. The foodstuff tax was levied on both imported and domestic products to cover costs resulting from regular NFSA inspections on products not subject to control fees. Control fees and foodstuff taxes were non-discriminatory, and should not exceed the actual cost for the services associated with them.

97. Norway maintained an elaborate and detailed system of control for the sustainable out-take of fisheries resources. A major part of its resources were managed in cooperation with neighbouring countries, and the Norwegian coastguards monitored 2.5 million square kilometres of sea. Sea-based control was part of the overall surveillance of quotas and other fisheries regulations. It was conducted by direct inspections on the fishing grounds, by a check-point system of entry and exit into the exclusive economic zone for vessels not landing in Norwegian ports, and by a satellite monitoring system. Norway also conducted a non-discriminatory system of control of landings in its ports: applicable vessel quotas were controlled for Norwegian vessels; and total quota limitation was controlled for non-Norwegian vessels. Other control parameters included, *inter alia*, the amount of fish taken, information pertaining to catch area, sizes, and value, etc. Questions related to reduction of fishing capacity involved vessels gross registered tonnage, as well as engine power, fishing gear and technology, and other important factors influencing vessel's ability to fish. The major control parameter for the out-take of resources was quota control, as well as measures regulating fishing gear and other forms of output regulations.

98. Norway regulated capacity expressed as cargo-hold capacity to achieve a viable, sound, and realistic structure in its fishing fleet. Laws restricting the level of ownership concentration in the aquaculture sector had been enacted to ensure healthy competition. Applicants for an aquaculture licence must satisfy existing veterinary and environmental standards as well as local and regional regulations. Aquaculture licences were allocated equally to national and foreign companies.

99. The service sector remained the backbone of Norway's economy; among the largest sub-sector were shipping, financial services, business services, telecommunications, and retailing. High growth in production, employment, and productivity had been achieved through deregulation and liberalization, which explained why Norway had had one of the highest productivity growth rates among OECD countries in the last decade. A competitive service sector was essential for a well functioning economy.

100. In 2003, rules of ownership limitations in financial institutions had been amended and replaced by a fit and proper test of owners exceeding certain thresholds. The former 10% ownership limitation was no longer applicable to Norwegian insurance companies, credit institutions, and financing undertakings. The acquisition of qualifying holdings must be officially authorized. A qualifying holding was any holding of 10% or more of the capital or voting rights, or with significant influence in the institution's management and business. The same applied to acquisitions whereby a qualifying holding reached or exceeded 20%, 25%, 33%, or 50%. The fit and proper test was based on national treatment. There was no explicit requirement that shares should be widely held, beyond the fit and proper test. The new regime was open to any shareholding size subject to the prudential fit

and proper test. The intensity of the test would increase with the holding size and the resulting potential impact on financial stability and effective competition.

101. The 2005 budget proposed to simplify customs tariffs by reducing the tariff on several types of garments from between 12% and 13.7% to 10.7%. Men's apparels had been proposed for inclusion in Norway's GSP.

102. Norway had undertaken measures to simplify its regulations and procedures on border crossing. The revised customs legislation would increase transparency and predictability for both the economic operators and the general public. Internal provisions on customs valuation were adopted by the Ministry of Finance with guidelines issued by the national customs authorities. A pilot project had concluded that these provisions, as well as other customs-related regulations, should be compiled and formally adopted in a new Act. Such improvements would increase availability, *inter alia*, by using digital search engines in the public internet system for legal documents, and would improve predictability by creating a robust legal framework for jurisprudence and interpretation by the national courts. The Customs and Goods Transfer Act would be fully compatible with the WTO Agreements and the binding recommendations of the World Customs Organization committees. Its implementation would take some time due to the parliamentary procedures, and its entry into force would depend on the necessary ministerial regulations. Simplification of procedures would, for instance, offer traders the opportunity to cross the border without inspection, communicating with the customs administration using an internet/GSM messaging system.

103. Norway believed that the implementation of the General Council decision on TRIPS and public health represented a significant contribution to providing affordable access to essential drugs in countries with insufficient production capacity. Norway hoped that its early implementation by Norway and Canada would be followed by others.

104. The discussant thanked Norway for its very comprehensive answers. Norway's economic outlook over the coming years would be positive, and fiscal sustainability ranked high in Norway's agenda. The discussant was impressed on how Norway had addressed disability pensions. He strongly encouraged Norway to continue its privatization efforts.

105. The representative of Australia thanked Norway for its responses and comprehensive statements over the last two days. He expressed disappointment that some of most sensitive issues in Norway's trade policy had not been answered merely because they were under consideration in the Doha negotiations. The representative thought that non-trade concerns on agriculture were legitimate but should be minimal or non-trade distorting; that was why the green box existed. Before the Uruguay Round, a number of countries had had quantitative restrictions on agriculture across the board. Most imports into Norway had been subject to quantitative limits. The Uruguay Round encouraged Members to move away from quantitative restrictions or, at least, to move to minimum import undertakings. Norway was very reluctant to move to tariffication and so it maintained a large number of tariff rate quotas. Fill rates were improving but quotas were often not filled because they were economically unsustainable and uninteresting to suppliers. The representative thought that the allocation system contributed to unfilled quotas. There had been a strong resistance in the negotiations on agriculture to change the allocation system; factors were needed to encourage fill rates, when the current system was not working. That was why Australia had taken exception to auctioning. Auctioning meant that importers had to pay another impost on top of the tariff to be able to import. Auctioning did not encourage traders to establish commercial relationships when small volumes were involved. The representative reiterated both his appreciation for Norway's responses and disappointment that more substantive exchange had not taken place since it was an opportunity to look at trade policy in a broader sense.

106. The representative of the EC thanked Norway for its replies and interesting and comprehensive closing statement. Norway had demonstrated its strong commitment to the

multilateral trading system; the EC encouraged Norway to continue its important role in the DDA. The representative noted that Norway had taken steps towards more trade facilitation: increasing transparency and simplifying border-crossing procedures. The EC's question on a specific issue on trade in processed agricultural products had received the same answers as Australia's, that this was a matter under negotiation. The EC was looking forward to the negotiations on this issue.

107. The representative of China thank Norway for its comprehensive responses, and especially to the Chinese concerns. Norway's SPS requirements were harmonized within the EEA and a solution common to the member states was needed to address Chinese concerns on imports of products of animal origin. The EC had lifted the ban on Chinese imports of products of animal origin this year, and China hoped that Norway would do the same in conjunction with its domestic procedures and harmonization.

108. The representative of Norway thought that his country had clearly demonstrated that, even though all questions had not been answered, it was fruitful to undergo a TPR. Answers had been provided on issues not included in the negotiating agenda. Norway had contributed very positively in this discussion. The representative thought that some of the answers to some of the questions raised by Australia were included in his two interventions. The main problem was that Norway and Australia did not agree on the substance of the points and that was why they were under negotiation in the DDA. The representative rectified and clarified that, at the end of the Uruguay Round, Norway had tariffed all agriculture products in accordance with the rules and procedures agreed, and had implemented quotas that were part of the package; its schedules had been accepted and were part of the WTO. Quota allocation methods were being discussed in the undergoing negotiations. Some of Norway's quota volumes were small, but Norway was also a very small market, and thus it might not be commercially interesting for large producers, such as Australia.

109. The representative of the United States thanked Norway for its responses. He sought clarification of the answer on the control fee for Karnal Bunt: that there was no distinction in the operating legislation that allowed regions free of Karnal Bunt to avoid the assessed control fee, even if exporters from these regions had relevant certification. The United States was concerned that, if the measure covered countries as a whole, it would seem to disadvantage large countries where exporters in regions far from any incidence of Karnal Bunt may have to pay a higher control fee. The representative asked whether there was no allowance for regional distinctions, and if not, what was the justification for not allowing exporters from regions free of Karnal Bunt from avoiding the higher control fee.

110. The representative of Norway apologized for not being able to answer that question but would refer to it in due course.

VI. CONCLUDING REMARKS BY THE CHAIRPERSON

111. We have conducted this fourth Trade Policy Review of Norway in a friendly and well-informed manner, and our dialogue has been very constructive. We have greatly benefited from the valuable contribution of the Norwegian delegation, led by Mr. Harald Neple, Director General of the Ministry of Foreign Affairs, the very insightful comments by our discussant, Mr. Alexander Gross, and the active involvement of a large number of Members.

112. At the outset, allow me to highlight the considerable support of Members for Norway's solid macroeconomic performance since its last Review in 2000, with low inflation and unemployment rates, generally open investment regime, and growth well above other industrialized countries. Members also recognized that oil and gas made a considerable contribution to Norway's prosperity. Members welcomed Norway's firm commitment to and active participation in the multilateral trading system, including the Doha Development Agenda. Members noted that Norway is also active in the regional and bilateral fora. They expressed appreciation for its substantial direct aid to developing countries and to WTO technical assistance in particular, and for its far-reaching GSP scheme for least-developed countries.

113. Members commended Norway on its very liberal trade regime for non-agricultural products, and on its full implementation of the WTO Agreement on Textiles and Clothing well in advance of the timeline agreed. However, divergent views were expressed on its agricultural policy. Indeed, some Members shared a common position on the concept of non-trade concerns which was at the heart of the justification for Norway's agricultural policy. By contrast, others expressed concerns on this issue and about Norway's high level of protection of agricultural products by means of a complex taxation system and large support, and urged Norway to reform its policy. They commented that such protection undermined economic efficiency and penalized both Norwegian tax payers and consumers.

114. Some Members shared Norway's concern on the widespread tendency to resort to trade remedy actions, commending Norway on the renunciation of any such measure over the past years. Questions were posed on public enterprises, with some Members urging Norway to further reduce the degree of public ownership in its economy. Members expressed concerns and requested information on administration of tariff quotas, SPS measures, and technical regulations. They also sought further clarification on the foreign investment regime; incentive schemes; competition legislation; government procurement; protection of intellectual property rights; and on specific activities, such as fisheries, maritime transport and financial services.

115. Members appreciated the responses provided by the Norwegian delegation, and looked forward to further written replies.

116. In conclusion, it is my feeling that the wide interest shown by Members, with many advance written questions, interventions and high attendance, reflects the important role that Norway plays in the multilateral trading system. We now have a much better and updated understanding of its trade-related policies and practices, and appreciate the challenges it faces and its efforts to address them in a way that is consistent with the multilateral trading system. Further liberalization of Norway's agricultural sector would support its widely recognized actions in favour of developing countries, mainly those with a key interest in agriculture.
