

Trade Policy Review Body  
21 and 23 June 2000

## TRADE POLICY REVIEW

### NORWAY

#### Minutes of Meeting

*Chairperson: H.E. Dr. Iftekhar Ahmed Chowdhury (Bangladesh)*

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## **I. INTRODUCTORY REMARKS BY THE CHAIRPERSON**

1. The third Trade Policy Review of Norway was held on 21 and 23 June 2000. The Chairperson, Ambassador Dr. Iftekhar Ahmed Chowdhury of Bangladesh, welcomed the delegation of Norway, led by Assistant Secretary General Mr. John Bjørnebye, as head of the delegation as well as H.E. Mr. Kåre Bryn, the rest of the delegation that had come from Oslo, and the Norwegian delegates from Geneva. The Chairperson also greeted the discussant, Mr. Michael Stone of Hong Kong, China, who, as usual, would speak in his personal capacity and not as representative of his country. In accordance with the established procedures, the discussant had made available, in advance, an outline of the main issues he intended to raise.

2. The Chairperson recalled the purpose of the Trade Policy Review Mechanism and noted that the report by the Government of Norway was contained in document WT/TPR/G/70 and that of the WTO Secretariat in document WT/TPR/S/70; the main issues to be raised by the discussant were contained in document WT/TPR/D/50. Copies of advance written questions, submitted by Uruguay; New Zealand; Hong Kong, China; Canada; Japan; Thailand; Australia; Korea; Mauritius; the United States; and the European Union (Annex I), had been transmitted to the delegation of Norway. If full replies could not be provided during the meeting, supplementary written replies could be provided later. These would be circulated as a document to all Members.

3. The Chairperson noted that he had considered the documentation prepared for the Review and it had struck him that Norway's high living standards were not only the result of a skilful management of its abundant natural resources but also of continued efforts to reduce trade and investment barriers, particularly through its participation in the WTO and the European Economic Area. He had also taken note of Norway's strong support for developing and least developed countries, including through both direct aid and trade preferences. As indicated in the Government Report, Norway attached great importance to achieving sustainable growth and adapting to an increasingly globalized economy by maintaining an open economy. However, as the Secretariat Report pointed out, a substantially different policy approach was followed with respect to agriculture. It would thus be of great interest to hear during the meeting how Norway saw agricultural and other policies working together and evolving into the future.

## II. OPENING STATEMENT BY THE REPRESENTATIVE OF NORWAY

4. The representative of Norway stated that Norwegians considered themselves fortunate when it came to distribution of natural resources, including abundant fish stocks, forest and mineral resources, waterfalls for hydroelectric power, and oil deposits. These and other resources had allowed Norway to develop industries and services that had provided the last few generations of Norwegians with a high standard of living. However, while that was Norway's strength, it was also its weakness. Norway was in many ways still too dependent on resource-based industries and the high incomes resulting from the utilization of natural resources could constitute barriers to developing incentives and entrepreneurship in other sectors. This challenge was facing Norway in the new century.

5. Noting that the last Trade Policy Review of Norway had been undertaken four years ago, he concentrated on the changes that had occurred since then. After several years of strong economic growth, the Norwegian economy had slowed markedly towards the end of 1998 and at the beginning of 1999. Growth had picked up in the second half of 1999 and the unemployment rate had remained unchanged at 3.2%. Growth in mainland GDP was expected to increase from 0.8% in 1999 to about 1.8% in 2000. Total GDP (including petroleum and shipping) was expected to grow faster, by some 3.1%, reflecting the rise in the production of petroleum. With employment growth slowing, unemployment was expected to increase to 3.6% in 2000. Consumer price inflation was expected to decrease from an estimated 2.6% in 2000 to 2.3% in 2001 as the effect of higher energy prices diminished.

6. He noted that general government finances were sound. The general government balance had shown a surplus (net lending) of 4.8% of GDP in 1999; the surplus for the year 2000 was expected to be 11.6% of GDP. Monetary policy was aimed at stabilizing the krone exchange rate against European currencies. An inflation rate in line with that of Norway's trading partners was a basic condition for maintaining a stable exchange rate. The main challenge for Norway's economic policy was therefore to bring down price and cost-inflation.

7. The purpose of the State Petroleum Fund was to safeguard long-term considerations in the use of petroleum revenues. The Fund, which received transfers during periods of high oil revenues to be saved for future public expenses and obligations, had amounted to around Nkr 221 billion at the end of 1999 and was expected to reach Nkr 369 billion at the end of 2000. As in many other industrial societies, the population was ageing fast: a high share of the State's revenues would be required to cover both home and institutional care in addition to the comprehensive pension scheme. At the same time, Norway faced a gradual reduction in income from petroleum activities. The petroleum fund was designed to meet some of these budgetary challenges. In addition efforts would be made to reduce remaining distortions and improve productivity growth, particularly through further liberalization efforts.

8. Due to its limited domestic market, Norway was highly dependent on trade in goods and services. In 1999, exports had amounted to 39% of GDP and imports to 33%. Open international markets were essential in order to achieve Norway's overall goal of high employment and a high standard of welfare. Traditional goods had accounted for approximately 40% of Norway's total export revenue in 1999, while the service sector had accounted for roughly 24%, about half of which had come from international shipping. The petroleum sector (crude oil and gas) accounted for more than 30% of Norway's total export revenue, while fish and fish products contributed 6%. This clearly illustrated Norway's dependency on natural resources.

9. Trade relations with the European Union (EU) had become more important due to the accession to the EU in 1995 of the former EFTA member countries: Austria, Finland and Sweden. In 1999, the EU had received about 75% of all Norwegian merchandise exports and had provided approximately 70% of all merchandise imports. Comparative figures for the Central and Eastern European countries were 2% and 5% respectively, for North America 14% and 10%, while the figures

for developing countries as a whole were approximately 7% and 12%, largely due to trade with Asian countries.

## **(1) INSTITUTIONAL FRAMEWORK**

10. The Norwegian Government's policy was designed to promote sustainable economic growth. An open economy, underpinned by a liberal trade policy, provided the means for economic growth and adaptability to an increasingly globalized economy. The Government was committed to pursuing a policy of sustainable development domestically as well as globally, endeavouring to ensure in the process that trade and environmental policies were mutually supportive. A number of important structural reforms had been implemented in recent years to improve the functioning of the economy. The main thrust of these reforms had been to deregulate markets further, increase competitiveness internationally, and reduce support to business and industry, while maintaining rural settlement patterns throughout the country.

11. Being a founding member of the GATT, Norway had since 1948 played an active role in the development of the GATT and the WTO in order to ensure the stability, security, transparency, and predictability necessary for an open, export-oriented economy. Norway saw the preservation and development of a strong rules-based multilateral trading system as the best assurance against unilateralism and protectionism. Norway favoured further multilateral trade negotiations aimed at strengthening the multilateral trading system, as well as further market opening, and therefore strongly advocated the launch of a comprehensive new round of negotiations.

12. Trade also played a role in the formulation of Norwegian foreign and development cooperation policy. International trade, based on fair and transparent multilateral rules, provided developing countries with the opportunities to generate growth, through access to new technologies, to markets and to investment. On these grounds, Norway firmly believed that a closer integration of the developing countries, and the least developed countries in particular, should continue to be a main objective for the WTO in the years to come.

13. The European Economic Area agreement of 1994 had created a single market among the 15 EU Member States, Norway, Iceland, and Liechtenstein, governed by the same basic rules covering free movement of goods, persons, capital and services, including state aid and competition rules. Since its last Trade Policy Review, Norway and the other EFTA States had concluded free-trade agreements with Morocco, with the PLO for the benefit of the Palestinian Authority, and with Macedonia. Negotiations on free-trade agreements were under way with Canada, Cyprus, Egypt, Jordan, and Tunisia. At the EFTA Ministerial meeting in Zurich earlier in the week, EFTA Ministers had agreed to launch negotiations with Chile and Mexico. Regional agreements that were consistent with WTO rules complemented the multilateral system, contributed to increased trade at the global level, and could serve as building blocks for the international trading system.

14. The fishing industry had always been of major importance to Norway, and seafood exports had grown considerably in the last decade. Norwegian seafood was currently exported to more than 150 countries. An increasing focus on fish farming would provide opportunities for continuous growth in seafood exports. Increased market access through further liberalization of world trade in fish and fish products was therefore essential for Norway's fishing industry.

15. According to the Secretariat report, long-term challenges facing Norway included the need "for rationalizing assistance to the agricultural sector". The Report, furthermore, reflected the general policy goals contained in Report to the Storting No. 19 (1999-2000). Norwegian agricultural policy was aimed at producing safe and healthy foods of high quality that took account of consumer preferences, and public goods such as viable rural areas, environmental and cultural benefits, and long-term food security. Other important objectives were: improving cost efficiency, making the sector more competitive and market-oriented, and achieving lower food prices. The high level of

assistance to Norwegian agriculture was a function both of ambitious policy goals in respect of agriculture's multifunctional role and of unfavourable geographical and physical conditions for domestic producers.

16. Although from the aggregate numbers, the State appeared to play a dominant role in the Norwegian economy, state-owned enterprises in the business sector were run on a commercial basis and state ownership had been reduced significantly over the last years. During the last part of the 1980s and the first part of the 1990s, most unprofitable state-owned manufacturing and mining companies had been closed or privatized. Norway was also considering restructuring state participation in petroleum activities. A possible partial privatization of the state-owned petroleum company, Statoil, was among the questions under discussion. State ownership in the financial sector was a result of the crisis in Norway's two largest private banks in 1991. The Government was in the process of reducing its ownership in these banks, and in a recent report to the Storting had opened the possibility of selling the State's shares in Christiania Bank. The Government wanted to concentrate state ownership in one national unit constructed around Den norske Bank (DnB) and would keep at least one third of the shares. The sale of the State's shares in Christiania, to take place shortly, would be handled by the Government Investment Fund, and carried out on commercial terms.

17. The telecommunications market had gradually been deregulated, and the remaining exclusive rights for Telenor AS, the owner and dominant operator of the basic telephone network had been removed as of 1 January 1998. The Storting had recently decided on a partial privatization of Telenor AS, by way of an initial public offering, which would be made at the earliest in the autumn of 2000, but in any case before the end of 2001.

18. Under the WTO Agreement on Textiles and Clothing, of the 54 quantitative restrictions maintained at the entry into force of the Agreement, Norway had liberalized all but three quotas for one product (relating to fishing nets). A possible abolition of the three remaining textile quotas was under consideration.

19. In the services sector, Norway was looking for broad and real trade liberalization. As one of the world's major suppliers of maritime transport services, it was of particular concern to Norway that binding market access and national treatment commitments had not yet been entered for this sector.

20. Norway continued to target and strengthen its bilateral efforts to promote trade with developing countries, for example by implementing improvements to the Generalised System of Preferences (GSP). Under the Norwegian GSP scheme, developing countries generally enjoyed duty-free access for exports of manufactures, except for certain textiles, clothing, and footwear products. Imports of industrial and agricultural products from the least developed countries were eligible for preferential treatment, with zero duty on all products except for grain, flour, and feedingstuffs. The latter qualified for a 30% cut in duties up to certain quantitative ceilings. For other developing countries, all products except milk and dairy products, live animals, and certain processed agricultural products were included in the scheme. The reductions for these countries ranged from 100% to 10%.

21. The representative of Norway reiterated that the Norwegian economy was healthy, despite a brief setback at the end of 1998 and the beginning of 1999; government finances were sound and the general government balance continued to show a surplus. Due to the limited domestic market Norway was highly dependent on trade in goods and services. Open international markets were thus vital to Norway in order to achieve high employment and a high standard of welfare. In recent years a number of important structural reforms had been implemented to improve the functioning of the economy: deregulating markets, increasing international competitiveness and reducing support to business and industry. The Government would continue to pursue a policy of sustainable development, domestically as well as globally. Norway favoured further trade policy negotiations aimed both at strengthening the multilateral trading system and the gradual opening of markets. A broad and comprehensive round of multilateral trade negotiations should therefore be launched as soon as possible, taking due account of the interests and needs of developing countries.

### III. STATEMENT BY THE DISCUSSANT

22. The discussant, Mr. Michael Stone, noted the statistical similarities between Norway and his country: the exchange rate had been very similar over the last couple of years, and so had total GDP. Norway and Hong Kong, China also shared very similar policies in many areas of the WTO.

23. The hydrocarbons sector was important for the Norwegian economy. As the Norwegian Government had recognized, the advent of offshore oil and gas had been both a boon and a problem. Some 13% of GDP in 1999 had been directly accounted for by the offshore sector. The contribution of transport, refining, etc. had to be added to this. Norway had, through sound fiscal and economic policies, ensured that this sector played a positive role and that it would provide an ongoing source of revenue if/when it was exhausted. However, exhaustion would require a significant readjustment of the economy; this could happen in the next 15 years at current proven reserve and exploitation levels. He expressed interest in learning if Norway was considering what would fill the void.

24. The State Petroleum Fund (SPF) was an innovative and sensible initiative to channel current surplus to savings and out of the krone. This fund, while currently relatively small, at Nkr 222 billion, was projected to grow substantially to Nkr 665 billion by 2005; it would provide a very welcome buffer, which could be particularly useful to counter unfunded pension liabilities, currently estimated at Nkr 2,633 billion or more than 200% of GDP, a large burden even by European standards. The Fund was, however, also a very tempting source of funds, which the Government would need to show great restraint in tapping.

25. On the general outlook for growth and inflation, although current signals were not as good as they had been, they were still reasonably sound. Growth in the 1990s had been good - higher than the EU average. However, growth had recently turned down and inflation up. The labour market was very tight: as a result, labour shortages could constrain growth and wage settlements could escalate. Commentators such as the OECD had questioned whether the solidarity alternative approach (Arntsen Committee) could survive. A key question for the future was thus competitiveness *vis-à-vis* other competing economies.

26. With respect to competitiveness, he was bound to note the very large role that the State played in the economy, consuming some 48% of mainland GDP and controlling some 50% of the assets of the main enterprises. This was despite considerable and successful efforts to privatize in several sectors, most noticeably telecom. It was encouraging that these efforts had continued, but it was a regrettable fact that civil servants were not as efficient as the private sector in conducting their business. The balance of social justice and market forces was, however, a difficult one to pronounce on. He expressed interest in hearing what further plans Norway had to trim the State and how these were viewed by the public.

27. Norway had an extensive network of bilateral and plurilateral preferential agreements. It was understandable that being next to the EU, Norway should have a strong trading relationship with it, via the European Economic Area (EEA). However, Norway was bound by the EEA to implement the EU's *acquis communautaire* in all relevant areas without, perhaps, having much say in the formulation of such policies. Norway was also a founding member of EFTA, which had been rapidly expanding its agreements/cooperation with many other countries in Europe and the Mediterranean basin. In this context, MFN treatment applied only to a few trading partners; it was hard to avoid the conclusion that consumers could not be getting the best value for money when so much trade was conducted through preferential arrangements.

28. The discussant noted that one area where Norway led the way was the preferential arrangements it had in place for developing and least developed countries. Norway's efforts to provide a very large measure of duty-free access for least developed country products was to be much admired and commended: only a few agricultural products were excluded. And Norway's GSP

scheme was one of the most wide ranging. Norway had been the only country to take meaningful steps to remove quotas on textiles and clothing, having eliminated 51 of 54 quotas. In addition, Norway was one of the leading countries in the provision of direct aid to developing countries, which stood at 0.9% of GNP. Norway had continued this policy in regard to technical assistance and capacity building in the WTO.

29. Norway had a commendable national treatment approach to investment, even if some significant residency requirements did exist. This had no doubt encouraged investment in the country and promoted economic efficiency. However, if the EEA could be exempted from the residency requirements, he wondered if other investors could not be exempted too.

30. Within a very liberal overall framework, agriculture stood out as one area where liberalization had not yet taken much of a hold. The measures taken to protect and subsidize agriculture were widespread and expensive. According to the Secretariat Report, State support for agriculture, at about 1% of GDP, was roughly equivalent to that sector's contribution to GDP. Measures included very high bound tariffs and actual tariffs, which varied by season and administrative action. The professed need for this protection was to improve cost efficiency and achieve lower goods prices. Yet the type and targeting of support did not seem to tie in well with this aim. In addition, Norway adhered to the multifunctional role of agriculture and saw it as a provider of rural settlements, food security, a living cultural landscape, cultural heritage, and bio-diversity. He wondered if there were no other ways, less trade restrictive and diversive, of achieving these aims than those currently employed.

31. Fisheries told a very different story. While it accounted for a similar level of GDP as agriculture, it received very little support, and much less than in the past. It was also a very important export, accounting for some 9% of exports in 1999. Perhaps there was a lesson to be learned from this sector.

32. The services sector in Norway comprised some 57% of GDP and 74% of employment. Outside the share represented by the State, the sector was relatively liberalized, and becoming more so. Norway had extensive GATS sectoral commitments, in most sectors, except health and audio-visual. In terms of modes of supply, again Norway had commendable coverage in modes 1, 2 and 3, and average restrictions in mode 4. In addition, it did not have that many MFN exemptions; these were mostly in the audio-visual area. One would conclude that Norway was both confident in the ability of its services sector to compete, and keen to attract investment and greater trade. In financial services, however, while deregulation had been taking place, foreign participation remained limited and the government policy was to maintain Norwegian ownership. The State still retained substantial stakes in the two main commercial banks. While such a policy could be understandable from a recent historical perspective (of bank bailouts), it seemed to go against the global trend and would not encourage the highest degree of efficiency in this key sector. In telecommunications, the Government had been seized of the need to liberalize the market and had abolished Telenor's monopoly. The market was now relatively open with a sound competition/regulation environment.

33. With respect to trade policy challenges ahead, Norway had a generally open trade regime and was keen on a comprehensive round of multilateral trade negotiations. Norway was a strong force for liberalization in the WTO, and the Government Report even grudgingly acknowledged that some changes could be necessary in its agriculture regime. This was a weak spot – and a challenge. Norway would also need to ensure that its social costs did not limit its ability to compete effectively across the broad range of manufacturing and services in which it currently did so well. Given that Norway was a highly developed country with one of the highest per capita GDP in the world, it was clearly doing much right.



#### IV. STATEMENTS BY MEMBERS OF THE TRADE POLICY REVIEW BODY

34. The representative of Japan stated that Japan and Norway shared many important policy stances regarding trade. Trade between Japan and Norway was of growing importance. Both exports and imports had risen by more than 10% since 1996. The total trade between the two countries had amounted to US\$2.6 billion in 1999, with Japan exporting cars, ships, metal products, etc. and importing such items as marine products and chemicals.

35. Japan highly appreciated Norway's efforts to remove barriers to trade since its last Trade Policy Review in 1996. Japan was also very pleased to see that Norway had bound its entire tariff schedule during the Uruguay Round, and that the average bound rate for the manufacturing sector was now at just 3.6%. However, Japan hoped that Norway would continue its efforts towards further reducing the bound rates on certain products that were still rather high, for example, those on clothing, cars, and ships. In this connection, Japan welcomed the emphasis that Norway had placed on an early launch of comprehensive trade negotiations.

36. Regarding agricultural policy, Norway's view on the role of agriculture was not only to produce food, but extended further than that, to perform a variety of other crucial functions, such as contributing to rural development, preserving a pleasant landscape and environment, conserving soil and land, and so on. Japan considered that this was a very significant point, which needed to be stressed, and fully shared Norway's view, despite the scepticism expressed by the discussant. Norway and Japan also shared the belief that self-sufficiency in food production was a major element in ensuring a nation's long-term security.

37. Turning to investment issues, however, Japan believed that Norway could benefit more from improving its investment policy. Direct investment in Norway from Japan was about US\$236 million. As of January 2000, 25 Japanese companies were conducting business in Norway. Norway's relatively small internal market, the high wage level, and high social security obligations had made potential investors somewhat hesitant. In addition, growth in investment could have been hampered by the limitations placed on foreign companies coming from outside the EEA. For example, while companies whose headquarters were located in the EEA were free to open branches in Norway, firms whose headquarters were based outside the EEA had to obtain permission to do so. Japan very much hoped that such limitations would be removed, to facilitate further direct investment in Norway, to the benefit of everyone.

38. Japan shared Norway's view that maritime transport was an important sector for the services negotiations. Norway's policy on maritime transport services played an important role in the national economy of Norway. Japan was interested to know how Norway's policy on maritime transport service was operated in practice with regard to foreign shipping companies. Japan had already submitted some questions for clarification, including an enquiry with respect to the number of foreign-flag vessels engaged in cabotage trades per year, and the number of foreign vessels registered in the Norwegian International Ship Register (NIS).

39. The representative of Mauritius stated that his country found the Norwegian approach to the formulation of its trade policy very refreshing, characterized by a combination of traditional liberalism on the one hand and prudence on the other. Although this dual approach initially appeared paradoxical, Mauritius had come to believe, from looking at the development of the Norwegian economy, that these were, in fact, complementary perspectives. Norway deserved to be commended for its generally solid economic performance as reflected in the high living standards and full employment while inflation remained contained. This economic performance had also enabled the adoption of measures aimed at addressing the effects of an aging population.

40. The traditional liberalism of Norway was reflected in many of its commitments. Such an example was Norway's WTO GATS Schedule, which granted unlimited market access and national

treatment for a large number of services, including cross-border supply, consumption abroad, telecommunications, distribution and transport services, amongst others. Mauritius noted that Norway's average MFN tariff currently stood at 8.1%, i.e., less than half of the applied rate in 1995; and that tariffs in industrial goods were particularly low, with 73% of industrial tariff lines subject to zero MFN rates. Although Norway was generally perceived as being less liberal in the case of agricultural imports, Mauritius found that Norway had enhanced market access for agricultural products subject to tariff quotas. Further, it was to Norway's credit, that it had not had recourse to the application of anti-dumping or countervailing duties or safeguards since 1996.

41. Liberalism in Norwegian policy was also reflected in Norway's wide-ranging GSP scheme, which granted duty-free entry to almost all imports from least-developed countries, most of which were situated in Africa. Despite such significant market access, it was disappointing to note that the share of sub-Saharan Africa in Norwegian imports had dropped between 1990 and 1998 from US\$4.5 million to US\$1.5 million. Increasing concerns about sub-Saharan Africa had led several developed countries to take special dispositions to try to enhance trade with Africa; Mauritius was interested to know whether Norway envisaged any steps in a similar direction.

42. Mauritius shared with Norway the objective that beneficial effects of trade and economic growth should be translated into increased welfare for the people at different levels of society. If Norway's liberal trade policy had succeeded and had benefited its people, it was largely because such liberalism had been underpinned by prudent management of resources, and an approach to policy formulation that did not ignore the human dimension of trade and globalization. Perhaps these reasons explained why Norwegian trade policy had so far enjoyed broad public support in the country. Mauritius therefore appreciated that Norway's progressive approach to agricultural liberalization was motivated by the need to take into account a number of non-trade factors including rural development, food security, environmental preservation, and ensuring viable agricultural production throughout the country. Mauritius understood and shared this perception and like Norway, believed that these were important issues which had to be addressed.

43. Norway was committed to the protection of consumer health and safety. Food safety and quality were of particular relevance in this context. Hence, the importation of genetically modified substances required approval and was subject to an assessment of human health and environmental risk. It was noteworthy that Norway's concern about GMOs was not restricted to its own domestic market and that the Norwegian Gene Technology Act imposed an obligation on Norwegian citizens or companies to report to the competent Norwegian authorities when they intended to export GMOs or establish gene technologies abroad. Whilst the protection of consumer health and safety was a highly laudable objective, the imposition of related standards and technical regulations had come to be perceived as being a protectionist device. As a result, these issues, which deserved to be treated with seriousness, were often dismissed as barriers to trade. In reality, all countries should aim at applying high standards, but it was clear that all did not necessarily have the same technical and other means to implement such standards. Mauritius therefore encouraged Norway, a major contributor to the financing of technical assistance in favour of developing countries, to further pursue this issue and to see to what extent countries that so wished, could be helped in this perspective.

44. The representative of Hong Kong, China, stated his strong appreciation for Norway's active participation in the WTO and its support for the multilateral trading system. Though Norway and Hong Kong, China had some tactical differences, they shared the view that a new broad-based and balanced round of trade negotiations was needed, to sustain the momentum of trade liberalization, and also to contribute to updating and strengthening the disciplines of the rules-based multilateral trading system. Two-way trade between Norway and Hong Kong was not huge but amounted to some US\$500 million in 1999. Hong Kong and Norway had, however, been long-time trading partners in the textiles and clothing sector. Hong Kong was pleased to note that instead of strictly following the minimum integration provisions under Article 2.8 of the Agreement on Textiles and Clothing, Norway had proceeded with an early liberalization of quotas under Article 2.15 of the Agreement.

With the exception of only one item, fishing nets, all the quantitative restrictions maintained by Norway at the start of the WTO in 1995 had been eliminated. Norway had thus set a good example to the other restraining importing Members, contributing significantly to realizing the objectives of the Agreement on Textiles and Clothing, and to removing trade distortions in a sector that had special export significance for developing WTO Members. As the representative of a substantial exporter of textiles and clothing products, he commended Norway for the bold action taken.

45. Hong Kong also appreciated Norway's efforts in reducing tariffs. The simple average tariff on industrial products had been reduced from 5.6% in 1995 to 2.3% in 2000, when 73% of industrial tariff lines were duty free. Hong Kong encouraged Norway to continue efforts to liberalize the remaining products.

46. Hong Kong shared Norway's concerns on the increasing resort to anti-dumping and other trade-remedy actions and supported Norway's cautious policy with respect to the application of trade-remedy instruments. It was encouraging to note that Norway had not initiated nor applied any such measures in the past decade, and that it was considering dissolving its Anti-dumping Committee in the near future. He hoped that the Norwegian and Hong Kong, China example would be multilateralized in the fullness of time.

47. Some restrictions to foreign ownership existed. The general manager and 50% of the board of directors of a public or private company had to be residents of Norway. This condition did not apply to EEA citizens resident in an EEA state. Considering specific services sectors, in banking key elements of the Government's policy were to maintain long-term Norwegian ownership in the main financial institutions and to ensure sufficient Norwegian ownership in the two largest commercial banks, although it had been mentioned during the meeting that those policies might be changed. Again, however, under the EEA Agreement, Norway's banking system was part of the single market for banking services; EEA banks and other services suppliers could not be discriminated against on grounds of nationality. These provisions raised interesting questions with respect to Norway's interest in maintaining ownership, and the reasons for undermining this through the EEA, thus discriminating against other countries. Hong Kong, China expected a more enlightened attitude, especially since no such restrictions applied to Norway's interests in Hong Kong.

48. With respect to maritime services, shipping represented Norway's second largest source of export revenues, with gross earnings of US\$6.9 billion in 1998. Norway's fleet was the third largest in the world in tonnage. Norway played an active role in international negotiations in this area, and one of its main goals was to develop equal market access conditions. Hong Kong strongly supported Norway's calls for a more level playing field in this regard.

49. Hong Kong, China especially commended Norway's efforts and contribution in providing technical assistance to developing and least developed countries. Norway's generous GSP scheme was one of the most wide-ranging schemes among industrialized countries. Norway, like Hong Kong, China, was a founding member of the Legal Advisory Center on WTO Law. They both supported initiatives to improve market access and for trade-related capacity-building programmes for least developed countries.

50. It was impressive that, since 1994, all import declarations in Norway had been handled by an electronic clearance system, which was accessible 24 hours a day. In normal circumstances, goods were cleared in 3-5 minutes. Importers could challenge customs decisions and lodge complaints/appeals to the relevant Norwegian authorities. Hong Kong, China commended Norway's efforts in simplifying import procedures and facilitating trade.

51. The representative of Australia noted that while his country would be delighted to have a full debate on multi-functionality, he was there to discuss Norway's trade and relevant economic policies. Australia and Norway enjoyed a healthy trading relationship, which had increased over the past five

years, and very good bilateral relations. Australia acknowledged the important role Norway played in multilateral fora dealing with trade issues, including not only the WTO but also the OECD.

52. Australia welcomed Norway's efforts to liberalize its economy and trade regime in various sectors since its last Review in 1996. Liberalization of trade and investment had been implemented through the reduction of tariff and non-tariff restrictions. Australia welcomed the deregulation of the financial sector and the liberalization of telecommunications, but noted that a significant level of state participation in the economy remained. Liberalization had not been extended to the agricultural sector, and Australia was deeply concerned that Norway maintained among the highest rates of protection for its agricultural sector in the world. The Secretariat Report had highlighted several revealing aspects of Norway's policy approach in this sector. The total Aggregate Measure of Support (AMS) reported in 1998 represented approximately 88% of agricultural GDP; that figure was consistent with the latest OECD estimates of Production Subsidy Equivalents (PSE) for Norway. Also, the average MFN tariff was 38.7%, almost 17 times the average for industrial products. In addition, the Government provided export subsidies for a number of products, including cheese, eggs and butter, and when support provided under the blue box and green box was taken into account, total support to agriculture was almost double total agricultural GDP.

53. These policies continued to undermine viable agriculture in other countries through their impact on access to markets, competition from subsidized products, and stability of world market prices. Such policies seemed all the more astounding considering that farming accounted for less than 1.5% of Norway's workforce. Australia recognized that Norway had legitimate non-trade concerns as did other countries, but did not consider trade and production distorting measures as a legitimate means for addressing them. The WTO provided ample opportunities to address non-trade concerns through the green box of the agriculture agreement. The onus was on Norway to explain why it needed to use trade and production distorting policies to achieve its non-trade concerns when there was ample scope to use measures that did not harm other countries, especially the developing countries.

54. Substantial reforms in Norway's agricultural sector in the period ahead were vital for Norway, its trading partners, and the wider global community. Norway was recognized internationally for its contributions to development assistance. Unfortunately, this contrasted sharply with Norway's support for, and use of, protectionist agricultural policies, which had been well documented for the damaging effect they had on sustainable development. If Norway's approach to agricultural protection was replicated internationally in other sectors, such as fisheries, energy and telecommunications, then Australia and Norway would be among the first to emphasize how damaging such policy approaches were to the overall effectiveness and credibility of the multilateral trading system.

55. Norway had developed a large and expanding network of free-trade agreements through membership of the EEA and EFTA. Australia encouraged Norway to use such agreements to liberalize all trade and to ensure that third parties were not placed at a disadvantage, as required by the WTO rules on regional trading arrangements. In summary, Australia welcomed Norway's efforts at liberalizing its trade policy and the advances it had made in this area but urged it to address its agricultural policies as a matter of national and international importance.

56. The representative of New Zealand commended Norway for its solid economic performance and for the continuing high living standards of most Norwegians. Unfortunately, this generally positive picture was in his view clouded by inordinate protection to agriculture. In the last Review of Norway, New Zealand had noted that the trading opportunities between New Zealand and Norway were heavily weighted in Norway's favour, not least because of the often prohibitive tariff rates applied on agricultural products, especially meat and dairy products. Norway had made progress since then in the area of tariffs, with the average tariff level applied on agriculture falling from 98.4% to 38.5%. New Zealand welcomed and commended Norway for this significant reduction in applied

rates. As was often the case, falling applied rates highlighted the stark level of protection provided by bound rates of duty. Norway was no exception and this was illustrated in the Secretariat's Report. Moreover, not all product groups had seen applied tariffs reduced, including live animals (215.9%), meat (181%), and dairy products (131.5%). While the Report noted that Norway had made moves to lessen the impact of some of these high tariffs on domestic processing industries through the use of duty drawbacks, price compensation, and inward processing arrangements. New Zealand would argue that these were, at best, half measures to address the more fundamental problem; they offered little hope for efficient exporters like New Zealand.

57. At Norway's last Review, in 1996, New Zealand had commented on the welcome removal of import quotas on agricultural products, due to tariffication, and had commended Norway for the accelerated implementation of its Uruguay Round tariff reduction commitments. In this light, New Zealand was interested in the Secretariat's examination of Norway's tariff quota system, which had replaced the previous quotas. New Zealand's limited exposure to this system had not been a happy one; New Zealand had put a number of questions to Norway in the Committee on Agriculture about whether this system provided genuine market-access opportunities for third countries, in particular for MFN suppliers. New Zealand had been concerned about the role that auctioning played in apportioning quotas, both for practical and legal reasons. The combined effect of high in-quota duty rates and auction fees could result in trade not taking place if the market fell. In a market where there was a large price gap between world and local prices, the problem was more than one of commercial risk. Uruguay Round tariff quota commitments had been meant to underpin current market-access opportunities and ensure new ones were opened up. New Zealand urged Norway to look closely at whether the duties and fees flowing to the Government could be reduced to ensure that quota quantities could effectively be used.

58. New Zealand recognized that, as shown in the Secretariat's report, in some cases Norway had imported more than its tariff quota obligations required, including products like beef and sheepmeat, which were of interest to New Zealand. As indicated in a written question posed to Norway, New Zealand would appreciate any information on whether this trade was occurring at MFN rates of duty or under preferential agreements. Only a small proportion of Norway's trade took place outside preferential rules. Norway had clearly worked to reduce concerns about preferences and trade diversion with regard to industrial products. The Secretariat Report commented favourably on the erosion of preferences caused by the elimination on an MFN basis of tariffs on most industrial products. In contrast, there did not appear to have been much progress with the integration of agriculture into Norway's trade agreements. The Report noted that although in the EEA Agreement there was an evolutionary clause to ensure the progressive mutual liberalization of trade in agriculture, the margins of preference granted were small.

59. A bright spot was Norway's treatment of agricultural goods from the least developed countries, most of which entered duty free. Norway had played an active role in the "confidence building" activities of the WTO this year, and this had been enhanced by proof that Norway was willing to deliver when it came to market access for least developed countries and technical assistance.

60. A number of Norway's subsidy programmes, for example those for shipbuilding and fisheries, which had consequences for the global oversupply of fishing capacity and pressure on fish stocks, had been eliminated, and overall support had been somewhat reduced. This set an extremely good example for other fishing nations that continued to use subsidies to support their fleets. New Zealand wished to congratulate Norway on its support for the Accelerated Tariff Liberalization programme advanced in the WTO in 1999 and the associated initiative to address production and trade-distorting support in the fisheries sector. Success in these initiatives would deliver a win for the WTO on environmental protection, as well as for development.

61. In addition, Norway's report underlined the importance of new multilateral negotiations for its future export prospects for fish and fish products. While New Zealand backed Norway in working towards this goal, it expected that Norway could apply the same analysis to the agricultural sector. It was disappointing that while Norway's report noted that future negotiations in agriculture would take place, there was no acknowledgement of the scope for future reform that this would give to Norway, or indeed that Norway had taken on board the analysis of past Trade Policy Reviews. New Zealand agreed that governments needed to deal effectively with non-trade concerns in the area of agriculture. WTO rules provided ample scope for Members to do this in ways that did not distort production and trade. Despite Norway's emphasis on multi-functionality, the need for more fundamental reforms remained.

62. New Zealand welcomed and shared Norway's commitment to "real trade liberalization" over a broad range of services sectors. New Zealand appreciated the contributions Norway had made in the work of the Council for Trade in Services, in particular in the area of air transport. Norway's wide-ranging GATS commitments, across all modes and in nearly all categories of services, were good examples and provided an excellent basis for future improvements.

63. The representative of the European Union recalled the eminent place occupied by Norway in Europe and its tight links with the EU. In 1998, the EU absorbed more than 76.9% of Norwegian exports and 67.7% of Norwegian imports. The EU was also the largest investor in Norway and the main recipient of Norwegian foreign investment. This interdependence had been growing since 1973 when a free-trade agreement was signed, and more particularly since 1994 through the EEA Agreement. This agreement implied the almost complete extension of the EU's single market to Norway, Iceland and Liechtenstein, through a dynamic process of adjustment of the relevant domestic legislation and a coordinated implementation of the resulting requirements, completed by a set of horizontal policies. The implementation of the agreement required regular cooperation between Norwegian and EU authorities at the governmental, parliamentary, administrative, and judicial levels.

64. The integration between the EU and Norway in areas such as technical regulations, government procurement, intellectual property rights or competition policy, as a consequence of the EEA, was so wide that any comment on Norway's trade policy would be a remark on the EU's policy, to be reviewed in July. However, although ensuring the participation of three EFTA countries in the single market, the EEA had not resulted in the creation of a customs union between these countries and the EU, nor the adoption of a common trade policy. Norway defined its own trade policy priorities, had an independent voice in the WTO, had its own GSP scheme, and negotiated its own preferential trade arrangements. Notwithstanding this, the EU and Norway shared largely the same views with respect to trade policy, as witnessed by some of the points made in Norway's Government Report. Like the EU, Norway was for launching a wide-ranging round of multilateral trade negotiations; and considered that this was the only way for the negotiations mandated in the programme to succeed; like the EU, Norway sought the integration of the developing countries into the multilateral trading system and had advanced some proposals to improve the market access conditions for products from least developed countries. Like the EU, Norway believed in the multifunctional role of agriculture; like the EU, Norway placed great importance on pursuing a policy of sustainable development taking into account the environmental aspects of trade policy.

65. Norway's solid economic situation was a result of a sound administration. Norway ensured its inhabitants one of the highest per capita incomes in the world, full employment, low inflation, and a secure future through the cushion provided by the State Petroleum Fund. This foresight was not incompatible with generosity, since Norway remained one of the main aid donors in the world. The challenges faced by Norway had been correctly identified in the Secretariat's Report. Norway should prevent being affected by the "Dutch disease", and by wage tensions, to be able to promote growth in the non-petroleum economy. The EU confirmed its interest in continuing to work with Norway in the WTO in the pursuit of common goals.

66. The representative of Uruguay commended Norway for its active participation in the WTO, especially for the role of Ambassador Kåre Bryn in the Chair of the WTO General Council. The positions of Uruguay and Norway were similar in several issues, with the exception of agriculture, where their positions were the opposite. Based on this difference, Uruguay had submitted some questions to the Norwegian delegation.

67. Uruguay did not intend to repeat the objections raised to Norway's agricultural policies, but would make some background comments in this respect. Uruguay considered that trade liberalization should include trade in agriculture, lest it be thought that what was positive for some sectors was negative for others. Since the creation of the GATT and during almost 50 years, agriculture had been discriminated and excluded from the multilateral trading system. It was time to end that discrimination. He wondered what would happen if the same arguments to keep protectionist measures in agriculture to achieve certain goals were applied to industry or services. What would happen if governments considered, for different reasons, that they had to continue applying protectionist measures no matter the cost?

68. Uruguay was a developing country with a small and vulnerable economy. In line with free-trade principles, Uruguay had carried out a costly adjustment process, as well as significant restructuring of its economy. In that sense, Uruguay could not accept that efficient agricultural producers should be penalized by the failure of developed countries with inefficient agricultural sectors to assume their relevant responsibilities. Uruguay also wished to refer to agriculture's so called "multifunctionality", mentioned in the documents distributed for the Review. Uruguay considered that this concept did not differ from the concept of protectionism: it was merely an excuse by the developed countries that supported it to continue their policies of protection and distortion of international markets. The developing countries could never compete against the developed countries' treasuries; that kind of competition was unfair and illegitimate. Uruguay considered that, to fight poverty and foster development, the developed countries should start by further opening to world trade and eliminating subsidies to agriculture so that other countries, in particular developing countries, could compete in equal conditions.

69. The representative of Canada said that his country was pleased to note that Norway had continued to pursue sound economic and trade policies since its last Review in 1996. Norway's solid economic performance reflected prudent management of oil and gas revenue, sound macroeconomic policies, and continued trade and investment liberalization. Although Norway's economy had experienced reduced growth in 1999, higher oil prices had helped to maintain a generally healthy environment characterized by low unemployment and inflation, and a strong fiscal and external situation.

70. Investment of oil-related fiscal surpluses in foreign equities through the state-owned Petroleum Fund had stabilized Norway's currency. Canada applauded Norway's prudent monetary policy, which had curbed inflation, although a tight labour market could lead to an upturn. By increasing the productivity and efficiency of its industrial sector, Norway would overcome the challenges posed by an aging population and depleting hydrocarbon resources.

71. Canada commended Norway's commitment to trade liberalization which was reflected by its generally liberal trade regime, and encouraged Norway to take steps to address the exception, the agricultural sector, by eliminating export subsidies and significantly reducing trade-distorting domestic support, and other barriers. Canada was pleased to note that investment and ownership were largely open to foreigners, and that Norway would take steps to reduce remaining limitations such as residency requirements, and specific conditions and restrictions in certain sectors. Canada commended the progress Norway had made towards sectoral liberalization, particularly in services, and was confident that Norway would continue this initiative in petroleum and other sectors where state ownership remained significant.

72. Regionally, Canada hoped to build upon trade and investment cooperation with Norway, which was already Canada's most important Nordic trading partner. Canada expected to soon conclude the negotiations for the free-trade agreement between Canada and the EFTA countries, which would help to further elevate their trade and investment relationship. Canada applauded Norway's commitment to the multilateral trading system and the constructive role it played at the WTO which was exemplified by Ambassador Bryn's chairing of the General Council.

73. The representative of the United States commended Norway for its active participation in the multilateral process, which was quite clear through Ambassador Bryn's able leadership as the General Council's Chairman at the WTO. The United States and Norway, for many reasons, shared common economic and social values, and for several years Norway had advocated a very strong role for the WTO in the important discussion of the relationship between trade and labour. Norway had participated in this discussion and had contributed to bettering the understanding in this area. She looked forward to further input on this work as it continued. The United States also shared Norway's keen interest in the relationship between trade and environmental protection. Norway was playing a particularly important role in addressing the problem of over-fishing caused by over-capacity and subsidy. Norway had also played a leadership role in highlighting the importance of free exchange of information in electronic commerce. Thus, it was clear from the reading of the Secretariat Report that Norway was committed to free trade in industrial goods and services, also open investment and the disciplined protection of intellectual property rights.

74. However, she noted that there was a glaring disparity between Norway's openness to trade and investment for industrial products and its high level of protection of agriculture. Norway's average MFN tariff rate of 38.7% on agricultural products contrasted markedly with the 2.3% average tariff on industrial goods. Exporting agricultural products to Norway was further complicated by unpredictable tariff adjustments, testing, export subsidies, and difficult labelling requirements for processed foods. The United States was also concerned by Norway's policy toward genetically modified organisms (GMOs). She noted that Norway banned GMO soy beans notwithstanding the determination both by the United States and the European Community that these products were safe. Norway also imposed severe restrictions on agricultural products that contained additives which had been proven safe, so Norway's imports of hormone-treated beef were banned notwithstanding the WTO Appellate Body's ruling that a similar ban imposed by another Member was not justified. The United States strongly urged Norway to adopt a flexible approach to their food standards.

75. In its Government report, Norway strongly supported the built-in agenda in the long-term broader negotiations. The United States hoped that Norway would help build the momentum to expand the negotiations through a cooperative approach to the agricultural negotiations that were already under way. This would require a frank discussion of export subsidies and market-access opportunities.

76. Norway was to be commended for its role in liberalizing trade in services; it had recently expanded its commitments in the negotiations on basic telecommunication and also in financial services. Norway was playing an active role in the services negotiations and the United States looked forward to working with Norway to improve the GATT structure and to expand their services commitments.

77. The United States was very interested in hearing about Norway's plans to privatize state-owned enterprises, with a particular interest in the privatization of state oil, and plans to liberalize the telecommunications sector. The United States had submitted some additional questions and was interested in hearing the answers to these questions as well as to those raised by other delegations.

78. The representative of Thailand noted that trade between Thailand and Norway during 1995-99 had been around US\$200 million per year on average. Thailand had continuously registered a trade deficit with Norway, averaging about US\$83 million per year during the same period.



Thailand and Norway had been enjoying close trade relations through a number of bilateral trade and cooperation agreements. The GSP was another important contributing factor; Thailand was one of the main beneficiaries of the Norwegian scheme. From the Secretariat Report, Thailand noted that the Norwegian economy was highly liberal except for agriculture; for instance, the average tariff rate on industrial goods was 2.3% compared with 38.7% for agricultural products. The amount of support granted to the agricultural sector was even more telling, reaching 1.2% of GDP, while the sector contributed only 1.1% to GDP. In this light, Thailand urged the Norwegian Government to take more drastic actions to reduce the high protection accorded to the agriculture sector.

79. The representative of Korea stated his appreciation for Norway's commitment to extensive trade liberalization and to multilateral instruments. Since its last Review in 1996, Norway had continued to further liberalize its trade and investment regime, both of which promoted economic and social stability in Norway. Korea was glad to note that its bilateral trade with Norway had been expanding steadily in recent years. In 1997, total bilateral trade amounted to US\$665 million, while in 1999, it had risen to over US\$1 billion, with imports and exports well balanced between the two countries. Korea also praised Norway for the effort exerted in granting far-reaching preferential access to developing countries as well as duty-free entry to all imports for least developed countries.

80. It was Korea's understanding that Norway's trade with EU countries constituted up to 67% of its total trade, while its trade with Asia was only 12%. Korea enquired whether Norway was contemplating measures to diversify trade so as to increase trade flows with Asia. Although the Korean Government was aware that limitations to foreign investment were inscribed in Norway's GATS Schedule of Commitments, it wished to know whether the Norwegian Government was considering liberalizing these limitations in the near future. Korea also noted that high domestic indirect taxes were likely to adversely affect imports of cars: the Korean Government was interested to know whether there were plans to lower the rate of indirect taxes on motor vehicles in Norway. Finally, as a net food importer, Korea understood and fully supported Norway's position in agriculture.

81. The representative of Argentina commended Norway for the high living standards achieved through the implementation of a liberal trade regime, the rational exploitation of its natural resources, and the adopting of solid economic policies. However, Argentina regretted that the growing liberalization of Norway's trade regime had been done with the exclusion of agriculture. This was evident when compared to the elimination of barriers to trade in non-agricultural goods, and in investment, which had been implemented by Norway since its last Review in 1996. Protection in the agriculture sector continued to be considerably higher than in manufacturing; production costs and food prices were also high.

82. He considered important to highlight some issues contained in the report: the strong divergence between tariffs on non-competing agricultural and on industrial products on the one hand, and competing agricultural products on the other hand; the high levels at which agricultural goods had been bound in the WTO compared with industrial products; the wide dispersion of bound rates in agriculture; the wide dispersion between in-season and out-of-season tariffs; the licensing requirement from the Norwegian National Grain Administration, prior to the granting of tariff concessions, for inputs to be used for processing and further exportation of agricultural products, not necessary for non-agricultural products; the application of inspection taxes; the high levels of tariffs for the importation of meat and cereals, together with the unfilled minimum access quotas for meat; the use of MFN tariffs for the importation of all cereals, despite the commitment under the Agreement on Agriculture to use tariff quotas for some cereals; the import licensing system for the importation of agricultural goods; export subsidies granted to some products, such as meat, cheese, honey and fruit; the high level of the support budget, of which two thirds was destined to agriculture; the high PSE, one of the highest in the OECD, which was 75% in 1998, and was expected to increase in 1999; the policy of price administration for certain products; and the use of direct payments by regions, volume of agricultural exports, etc.

83. With respect to Norway's commitments under the EEA, although the agreement did not include agriculture, Norway granted preferential tariff treatment for several products; there was an evolutionary clause leading to a gradual and mutual liberalization of trade in agriculture. The Secretariat Report mentioned that bilateral negotiations were being held between the EU and Norway with respect to the increase in trade in basic agricultural. Given the impact that such negotiations could have on exporters outside the EEA, Argentina was interested to know what stage they had reached. Concerning the cereal trading system, the Secretariat Report stated that Norway intended to privatize Statkorn Holding Ltd. in 2000. Argentina was interested to know which administrative tasks would remain under the responsibility of the National Grain Administration after this privatization took place.

84. Norway's scheme to protect the agricultural sector, which included aid, subsidy, tariff and other measures was in contrast with the policy applied in other sectors. The agricultural sector had generated just 1.1% of GDP in 1997, and employed only 1.3% of the labour force, while support granted to agricultural producers was almost equivalent to the sector's value added. Moreover, three fourths of this support was concentrated on dairy products, beef, veal and pork. The low contribution of the agricultural sector to Norway's income and its low degree of competitiveness, in contrast with the high degree of protection accorded to it, showed the degree of distortion that the trade policies implemented by some countries inflicted on the international trade of agricultural products. Argentina had taken note of the remark made by the head of the Norwegian delegation about the importance of open markets to reach social goals. However, the concept of open market should be a wide one. If a multilateral round of trade negotiations was the objective, this round must be beneficial for exporters of agricultural products. For these reasons, Argentina urged Norway to streamline support to the agricultural sector and tackle the serious distortions affecting trade in the sector, by eliminating subsidies and other obstacles currently in existence.

85. The representative of India congratulated Norway for its solid economic performance since its last Review in 1996. The reports by the Secretariat and the Government of Norway had shown how open the Norwegian economy was: it would be very difficult to find any major fault with the trade, monetary and fiscal policies being pursued by the Government of Norway. All economic indicators were generally positive; there had been nearly full employment and low inflation. General government finances were sound and Norway had been pursuing a prudent fiscal and monetary policy. However, India noted that after a cyclic peak during the period 1993-98, economic growth had fallen to less than 1% in 1999, mainly due to a slump in petroleum investments and fixed business investment. With the current high in petroleum prices, the economy should return to normality in the very near future.

86. The buoyant economic growth during the 1990s had led to certain pressures in the economy. There had been a considerable decline in unemployment leading to a scarcity of qualified workers in several sectors. Also, Norway faced the long-term challenge of an aging population and an economy linked to the production of exhaustible hydrocarbon resources. Since the Government's goal was to ensure that the beneficial effects of trade and economic growth were translated into increased welfare for its people, it would be appropriate to hear about the measures Norway had in mind to deal with the pressures to maintain or increase the currently high standard of living.

87. Norway had been pursuing its trade policy along the two main tracks of multilateral trade liberalization through the WTO, and closer European integration. India was interested in hearing how Norway ensured, in its pursuit of European integration, that there were no trade distortions and diversions. The Secretariat report had remarked that Norway's trade and investment preferences under its regional arrangements with its European partners could raise concerns about possible distortions and that such concerns would be diffused by extending these preferences on a non-discriminatory basis and securing them multilaterally.

88. Norway and India had been trading partners for over 150 years. Norway had started adopting a new approach towards India by establishing contacts between small and medium-sized enterprises in the two countries. So far, about 90 Indian companies had established contact with 120 Norwegian companies. The Norwegian Government had endorsed a Strategic Plan for Asia, aimed at promoting more systematic and coordinated efforts in the form of a long-term programme for increased trade and economic cooperation between Norway and its Asian partners including India. India was thankful to Norway for including the training of personnel and transfer of technology under this Plan. India was one of the main beneficiaries of Norway's GSP scheme and had also been receiving aid from Norway under the Indo-Norwegian Development Cooperation Programme. Even though the two-way bilateral trade between India and Norway had crossed the Nkr 1 billion mark in 1994, it had remained more or less static since then. India's exports to Norway represented 0.17% of India's total exports in 1998-99 while the share of India's imports from Norway represented only 0.12% of India's total imports during the same year. In fact, India's exports to Norway had declined from US\$77.4 million during 1997-98 to US\$56.8 million in 1998-99, while imports from Norway had declined from US\$97.9 million to US\$49 million during the same period. It was pertinent to note that, while more than three fourths of Norway's exports were to EU member countries and the figure concerning Norway's imports was roughly 68%, the share of developing countries as a whole was about 10%. India felt that potential for increasing bilateral trade between India and Norway existed and should be fully exploited as part of the Action Plan. India would be interested to hear of Norway's plan for increasing bilateral trade with India and other developing countries in the next five years. Given that Norway had one of the highest per capita incomes in the world, it could absorb increased imports from developing countries. In conclusion, India applauded the Norwegian Government for its continued efforts to keep markets open and achieve higher living standards and also for maintaining its strict adherence to the rules-based multilateral trading system represented by the WTO.

89. The representative of Hungary congratulated Norway for the solid economic performance in the past decade, characterized by rapid growth, a move towards full employment, low inflation and strong external and fiscal positions. Hungary was convinced that after the slowdown experienced at the end of the 1990s, the economy, helped by a favourable external environment, would rebound in a robust way. The impressive economic performance of Norway went hand-in-hand with the continuation of trade and investment liberalization. He complimented Norway for the prudent management of petroleum and gas revenues, as well as for the structural reforms implemented. However, the persistent gap between real wage growth and productivity increase was a point of concern. Hungary would be interested to know about the policies and measures planned by Norway to address this situation and avoid a skid in export competitiveness.

90. Hungary complimented Norway for continuing the liberalization of its trade regime during the period covered by the Review, and shared Norway's view that multilateral and regional trade liberalization efforts could be mutually supportive. Hungary noted that the applied MFN tariff in 2000 was 8.1%, half of the applied rate in 1995; that substantial commitments had been undertaken under the GATS during the Uruguay Round and in the subsequent negotiations; and that Norway had not had recourse to any anti-dumping, countervailing or safeguard action during the review period.

91. His country shared the view of many Members that agriculture was an area with ample room for further liberalization efforts. Substantial border protection was coupled with generous price support measures in Norway; assistance to domestic producers remained at a level almost equal to the value added generated by the sector. Hungary believed that these policies had contributed to the developments in its bilateral trade relations with Norway, which in 1999 had resulted in an agricultural surplus for Norway.

92. Norway was an important trading partner for Hungary, with the annual two-way trade of US\$75 million. Hungary had concluded a free-trade agreement with EFTA as well as a bilateral agricultural agreement with Norway. Although Norway was already an important source of investment for Hungary, there were good opportunities to further develop the investment ties between

the two countries. The total stock of Norwegian foreign direct investment in Hungary was estimated at US\$50 million at the end of 1999 and major further projects were planned. Hungary hoped that its bilateral trade with Norway would grow in value and the investment ties would become even stronger.

93. He expressed Hungary's appreciation to Norway for the generally open trade policies pursued and in particular for advocating the early launch of a broad based new round of negotiations, an objective that Hungary fully shared.

94. The representative of Switzerland stated that her country agreed with the main conclusions of the Secretariat Report with respect to Norway's having attained a high standard of living and full employment through a skilful exploitation of its bountiful natural resources and the adoption of sound economic policies including a liberal trade regime. Switzerland had noted with much satisfaction that Norway had continued to remove trade and investment barriers in the wake of its participation in the WTO and since its last Trade Policy Review in 1996. Norway, which had always had a leading position regarding questions relating to trade and development, also continued to promote improvements to the multilateral trading system and encouraged greater integration of the developing countries, especially the least developed countries, by means of improved market access, transitional arrangements, technical and financial support, and other measures. Norway ran a wide-ranging GSP scheme, granting virtually all imports, including most agricultural goods, from least developed countries, duty-free entry. Quantitative restrictions had also been virtually eliminated since its last Review, except for one HS tariff heading (HS chapter 56 relating to fishing nets). In this sense, Switzerland was interested in knowing how these tariff concessions had influenced the trade pattern with other countries.

95. Switzerland had noted with interest the remaining large state participation in production activities, notwithstanding the privatization efforts undertaken in recent years. According to the White Paper issued by the Ministry of Trade and Industry in the spring of 1998 regarding its privatization policy, the main approach was to privatize when there was no valid reason to maintain an enterprise in the public sector. Switzerland asked for some elaboration on the parameters and criteria applied in establishing these valid reasons.

96. Switzerland welcomed the changes that had been implemented in the services sector in recent years, mainly in financial, telecommunication and postal services. Financial services had been gradually deregulated and opened since Norway's last Review, a process reflected in the increased number of branches of foreign banks in Norway. State participation in the banking sector had been reduced since 1996.

97. Switzerland actively supported Norway's stand in favouring further trade negotiations aimed both at strengthening the multilateral trading system and at the gradual opening of markets. Switzerland fully backed Norway's position advocating the launch of a broad and comprehensive round of multilateral trade negotiations and looked forward to continuing its close relations with Norway.

98. The representative of Iceland noted that Norway was among Iceland's most important trading partners. In 1998, Iceland had exported goods to Norway for approximately US\$100 million, amounting to 5% of Iceland's total exports. The same year, Iceland had purchased goods from Norway for US\$250 million, amounting to 9% of total imports to Iceland. The trade relationship between Iceland and Norway was as old as the history of Iceland. The first formal trade agreement Iceland had made, had been with Norway, in 1262.

99. He congratulated Norway for its economic success. It was very impressive to learn how Norway had prepared for the future in an effort to secure a high standard of living for future generations, by skilfully investing its oil revenues abroad. Iceland was interested to know more about the proposals of a report debated by the Norwegian Parliament with respect to the reorganization and

rebuilding of the fisheries sector. For instance, how the strengthening of the sector would be financed; and whether Norway intended to grant subsidies to its fisheries in an effort to make that industry the major source of foreign exchange income in the future. In this context, it was important to note that, according to the Secretariat report, Norway was gradually reducing its subsidies in the fishing sector. Since 1997, subsidies had been reduced by 25%, or from Nkr 205 million in 1997, to Nkr 160 million in 2000. Over the last two years the issue of fisheries subsidies had gained increased attention in the WTO forum. Many Members were conscious that environmentally harmful and trade-distortive fisheries subsidies had to be eliminated. Norway had been a firm supporter of this cause, for which Iceland was very grateful; since this was an extremely important issue for Iceland, it would be interesting to hear the Norwegian delegation's views on future fisheries policy.

100. The representative of Turkey stated that Norway had undertaken effective foreign trade policies, which had led to greater market-access opportunities for the developing countries, especially for the least developed countries, into the Norwegian market. These policies were commendable and had been effectively implemented by way of lending technical and financial support as well as by means of much improved market access. Norway had implemented one of the most favourable and generous GSP schemes. Norway also provided substantial aid to developing countries, amounting to some 0.9% of its GDP. As far as he knew, this ratio was one of the highest among the industrial countries. Turkey believed Norway deserved special acknowledgement for the efforts undertaken in this regard; Norway set an excellent example for other WTO Members.

101. When reviewing the foreign trade policies of Norway, two distinctly different pictures emerged. One picture presented an approach promoting trade-liberalizing policies in various spheres of its economy and contributing to the multilateral trading system: foreign trade rules and practices were trade-promoting with respect to manufactured goods, especially with respect to tariffs, anti-dumping practices, trade facilitation procedures, foreign investment provisions, government procurement, rules, TRIPS, and services. Norway's GATS Schedule granted unlimited market access and national treatment for cross-border supply, consumption abroad, and commercial presence of a number of services including telecommunications and construction. Moreover, Norway's track record for remaining faithful to its WTO commitments was impeccable and praiseworthy. In fact, despite its sizable international trade, Norway had not participated directly as a plaintiff or defendant in a dispute since the inception of the WTO.

102. The other picture was distinctly different and it did not appear to have much trade-promoting effect. These policies were basically protective in nature, and they were related to agriculture. Turkey was aware that Norway had a number of justifications for pursuing the type of agricultural policy that it did, but was not convinced that all of Norway's agricultural policies had strong merit. One might argue that 67.2% of agricultural products subject to specific duties was simply too high, while 10.3% of agricultural products subject to *ad valorem* duties was too little. Accordingly, the tariff structure did not appear to lend itself to transparency. Additionally, MFN tariffs in agriculture were too high. Tariffs for live animals, meat and dairy products represented unusually high levels. Domestic support to producers remained unusually high, at a level almost equal to the value added generated by the sector.

103. Considering that the average MFN tariff on industrial products was already low, there seemed to be a greater need for unilateral tariff reductions for agricultural products. This being the case, Turkey wondered whether the greater percentage of unilateral tariff reductions in recent years had been for agricultural products. Also, noting that domestic support to producers remained unusually high, being almost equal to the sector's value added, Turkey wondered whether such a high degree of domestic support had really protected the agriculture sector, and whether, as a result of this, the agriculture sector was better off in terms of productivity and product diversification.

104. The representative of the Czech Republic expressed his appreciation for Norway's strong economic performance, which had its roots in a proper macroeconomic policy mix of measures

promoting continuous structural adjustment and adaptability to a rapidly changing economic environment. European partners accounted for some 80% of Norway's total trade. Despite this fact, Norway had never focused exclusively on closer European integration at the expense of its place in the multilateral trading system. On the contrary, Norway was one of the most active Members of the WTO. Norway's strong support for a broad and comprehensive round of multilateral trade negotiations seemed to be the best response to some concerns about possible distortions resulting from regional trade and investment preferences.

105. Norway remained committed to a liberal trade policy: no safeguard, anti-dumping or countervailing measures or investigations had been applied or initiated by Norway during the past ten years. According to the Norwegian authorities, this was due to a cautious policy with respect to the application of trade remedy instruments. This remarkable performance deserved further explanation. He noted that the Czech Republic had a free-trade agreement with EFTA since 1 July 1992. The experience gained so far from the implementation of the agreement had been positive, but the trade potential was far from being fully utilized. For this reason, the Czech Republic was looking for new trade and investment opportunities, which would be stimulated by an agreement on long-term delivery of Norwegian gas concluded two years ago. With respect to agriculture, the Czech Republic requested an elaboration of the White Paper debated by Parliament in May 2000.

106. The representative of the Slovak Republic congratulated Norway for its economic success since the last Trade Policy Review. Unemployment and inflation had decreased and fiscal policy was strong. Norway had a liberal trade policy regime, based not only on bilateral agreements, but also on the multilateral trading system. Slovakia had a free-trade agreement with EFTA and had no remark to make with respect to Norway's trade regime. Slovakia congratulated Norway for its role in the multilateral trading system, as well as for its liberal trade policy, based on multilateral principles.

107. The representative of Mexico commended Ambassador Bryn for his work in the WTO. Mexico and Norway shared interests, such as their support for a comprehensive round of multilateral trade negotiations. The two countries had similarities: they were both important exporters of petroleum and fishing products. Norway's economic policies were sound and prudent. Norway had in general a liberal trade regime. By adding to this Norway's policies of support to developing and least developed countries, Norway could be characterized as an exemplary Member of the WTO. Considering this, a reassessment of Norway's agricultural policies would be desirable. Norway implemented prudent fiscal and monetary policies and was to be commended for not using anti-dumping, countervailing or safeguard measures. Mexico looked forward to continue cooperating with Norway in the future.

## **V. REPLIES BY THE REPRESENTATIVE OF NORWAY AND ADDITIONAL COMMENTS**

108. The meeting was reconvened on 23 June. The presentation by the representative of Norway and the subsequent discussion were organized in three parts: economic environment; trade policy by measure, and sectoral policies.

109. The representative of Norway expressed his appreciation for the general participation in the Trade Policy Review of Norway. He was particularly grateful to Mr Michael Stone for his thoughtful and analytical contribution as a discussant. He expressed his sincere thanks to all the delegations who had contributed with constructive and interesting comments and questions and to all the members of the Norwegian team. He noted that Norway had chosen to provide written replies to all or most of the questions received. If any questions or replies had accidentally been omitted, Norway would provide additional replies within two weeks.

### **(i) Economic environment**

110. On the economic environment several delegates, among them the discussant Michael Stone, had touched upon the challenges facing Norway with respect to readjustment of the economy when oil revenues would start to fall. Initially, he wished to note that the fall in production would be very gradual, with oil and gas revenue continuing to be a significant source of income for the Government for at least another 40-50 years. Nevertheless, present economic policy was to a large extent guided by the need to ensure a smooth transition to a period with lower oil revenue and to reduce the oil and gas dependency. The Petroleum Fund was an integral part of Norway's economic policy strategy in this respect. The Fund had been established with a dual objective: to insulate the mainland economy from external shocks stemming from changes in oil revenue, and to act as a long-term savings vehicle to help Norway cope with future fiscal policy challenges related *inter alia* to the ageing of the population. The fact that the Fund's capital was only invested outside Norway helped avoid inflating the domestic economy in times of high oil revenue. This was in itself a contribution to diversification of the economy, since low price and wage inflation provided a more solid basis for developing alternative competitive industries. The return on the Fund's capital would also represent a future source of foreign currency income, which to a large extent would replace direct income from the petroleum sector.

111. In the present situation, with the economy operating close to capacity, policy was aimed at containing domestic demand in order to avoid excessive price and cost inflation. A key challenge was to avoid loss of competitiveness through high wage growth in periods with a tight labour market. However, Norway expected wage growth to slow down and come more into line with that of its main trading partners.

112. With respect to the role of the State in the economy, he feared that the Government expenditure figure of 48% of GDP, quoted in Mr Stone's intervention, could be somewhat misleading. It was in fact not correct that the Government consumed 48% of GDP. Total government consumption in Norway was around 20%, which was not a particularly high figure compared to other industrialized countries. But government expenditure was high because of extensive transfers to households. This reflected a substantial degree of income redistribution through taxes and transfer programmes. It was not an accurate measure of state involvement in the economy in general, and especially not in the production of goods and services.

113. Norwegian policies to promote efficient resource allocation had for several reasons been focused more on regulatory reform than on privatization. One notable example was the electricity market. Norway had been one of the first countries in the world to establish a fully competitive electricity market. Norway believed that the efficiency gains had been great. But government ownership in this sector remained significant. Privatization without regulatory reform would just

mean exchanging a public monopoly with a private one. It was hard to argue that this in itself would promote efficiency. Thus, Norway maintained that, in many sectors, regulatory reform was a much more important issue than ownership when it came to promoting an efficient use of resources.

114. Several delegations had commented on Norway's participation in the EEA and EFTA, as well as in the expanding free-trade networks resulting from membership in these regional agreements. As he had said in his opening statement on Wednesday, regional agreements consistent with WTO rules complemented the multilateral system and might function as building blocks for the international trading system. Norway was fully aware, however, that the increasing degree of regionalization, not only in Europe, but throughout the world, did represent a risk of compounding distortions and diversion of trade and investment. In Norway's view, the most important action to be undertaken in order to ensure that regional liberalization efforts were supportive of the global trading system, was the launching of a new and broad-based multilateral round of negotiations. Through broad, rules-based liberalization, the effects on third parties of the spread of regional and preferential relationships could be mitigated.

115. Many delegates had generously commended Norway for its liberal GSP scheme in favour of developing countries, and the question had been raised by Switzerland whether, and to what extent, Norway's GSP scheme had influenced the trade pattern with developing countries. Due to the tariffication of import protection measures in the agriculture sector, the Norwegian GSP scheme had been revised for agricultural products with effect from 1 July 1995. There had been a fairly significant increase in imports of agricultural products from LDCs from 1994 until 1998, and the changes in Norway's import regime, including the revision of the GSP scheme, had constituted a decisive precondition for this development. However, the total value of agricultural imports from LDCs remained fairly low. The coverage for non-agricultural products in favour of ordinary GSP countries had been significantly extended from 1 January 2000. It was too early to assess the trade effects of these changes but, at this stage, imports from developing countries under the GSP scheme represented around 20% of total imports from GSP countries. One reason for this rather low figure was that a large share of the goods imported from GSP countries were duty-free also at ordinary rates.

116. The discussant thanked the representative of Norway for his very succinct and well structured statement on the economic environment. He agreed that it was important to launch a new round of negotiations. He had expressed some concern in his statement about the expansion of regional trading arrangements and he thought that the best way for the multilateral trading system to thrive was to ensure that more and more trade was covered under rules. He wished to pick up just two points. One concerned the challenge of loss of competitiveness through moderating high wage growth. The unemployment rate was currently 3.2% and was projected to go up to 3.6% but this was still very low by developed countries' standards and would normally lead to inflation and inflationary wage adjustments. He wondered how Norway intended to achieve this. The second point was on the involvement of the State. He was grateful for the clarification about the role of the State but it was still true that it took and redistributed 48% of GDP in tax. He understood that personal taxation rates must be quite high at around 13.5% or 19.5% on top of the corporate tax rate. He wondered whether an alternative to solely building up the State Petroleum Fund would be to have lower taxes and to encourage private savings. In this regard, he noted that the State Petroleum Fund was invested in fixed income securities, although in 1998 this had been extended to include equities; since over the years shares had performed better than fixed income, perhaps encouraging private sector savings through private sector pension funds might be a better use of the resources and might attract a higher rate of return. Across Europe governments or economists were wondering how to meet the burden in the future and talking about how to moderate the cost of the state pension funds, which inevitably meant either higher contributions or lower pay-outs. He was interested in comments from the Norwegian delegation.

117. He reiterated the similarities with Hong Kong, which had a fiscal surplus of about HK\$450, which was about the same as kroner. Hong Kong's central bank also had roughly the same in



unencumbered funds so his country, too, had a large measure of savings. In 1998, Hong Kong had also started investing in stocks. That said, Hong Kong's take of tax was only about 20-21% so from that respect Hong Kong was very different from Norway.

118. The representative of Norway replied that with respect to inflation performance and unemployment, Norway's estimate of the so-called Natural Rate of Unemployment (Nauru) was between 3.5-4% for the Norwegian economy. With unemployment expected to pick up somewhat, Norway felt that there was a good chance of stabilizing wage and price inflation at about the same level as in Norway's trading partners.

119. With respect to the tax system and the level of taxes, direct taxation was not particularly high in Norway: business taxation was not very high by international standards; only indirect taxes were high. To the question on whether it would be an alternative to have more private sector savings rather than building up assets in the government sector through the Petroleum Fund savings, it was the tradition of Norway to have savings in the hands of the Government. Over the last 50 years, a general government budget surplus of between 3% and 5% of GDP had been reached in all but three years, which meant that over the years the Government had accumulated fairly large net assets. Norway was working on the possibility of a pension reform; a Government Commission had been appointed and had rendered its report in 1999. The present Government had stated its intention to return to the question of possible pension reforms in the long-term programme, which would be presented in February 2001.

120. One important consideration in this process would be whether private savings could actually prevent a real exchange rate appreciation in the same way as Government savings did. The first impression was that private savings would be in domestic currency to avoid foreign exchange risk – there was no incentive for the private sector to take any risk – and because their future obligations or future expenditures would be in domestic currency. For the country as a whole, the accumulation of funds in the State Petroleum Fund reflected the fact that Norway had a large current account surplus and needed by definition to have a capital outflow to offset the inflows stemming from that current account surplus, and stabilize the foreign exchange market. If the savings were made domestically by private investors, there would have to be other sectors in the economy that had the corresponding capital outflows. This could very easily lead to lower equilibrium interest rates in order to give the private sector an incentive to have capital outflows; if that were the case, oil revenues would inflate the economy through the effects in the currency markets. So, the question of ensuring adequate capital outflows and maintaining a real exchange rate, which did not lead into problems of reduced competitiveness, as well as building on the tradeable sector, would certainly be considered when Norway viewed the possibilities of pension reform. As previously noted, this was a question to which the Government would return in the long-term programme, which would be presented in February 2001.

**(ii) Trade policy by measure**

121. Modern Norway did not have particularly strong beliefs in the virtues of state ownership, although there had historically been broad political backing for a mixed economy with elements of both private and public ownership. Considerable foreign ownership had also had, and continued to have, an important place in this context. Today, Norway's approach to state ownership was pragmatic and result-oriented, and the Government's motivation for taking on an ownership role therefore tended to vary from case to case. However, a constant consideration in Norway had been safeguarding various public or political interests in order to: ensure long-term and stable national ownership in enterprises controlling important natural resources; secure defence interests, i.e. the supply of military equipment; and promote regional interests by way of securing employment in sparsely populated areas.

122. Modern state-owned enterprises in the business sector were run on a commercial basis and state ownership had been reduced significantly over the last years. At present the Government was preparing the privatization of additional companies in sectors such as alcoholic beverages, drugs, industrial minerals, telecommunications, and grains. This process was expected to continue in the years to come.

123. Turning to the issue of tariffs, Norway's very low industrial tariffs (average level of 3.6%) had been generally applauded, whereas the disparity between these low tariffs and the considerably higher tariffs for agricultural products (average level of 38.5%) were a matter of concern. The weighted average tariff rate for manufactured goods resulting from the Uruguay Round was 2%, and an ongoing, unilateral process of simplification of the customs tariff was supposed to lead to the abolition of tariffs of less than 3% for manufactured goods. Close to three quarters of tariff lines for industrial goods were zero-rated compared with somewhat more than one third of the tariff lines for agriculture. The Customs Tariff, specifying both MFN and preferential rates, was available on the Internet.

124. Although Norway had been complimented on its textiles and clothing regime by several delegations, the question had been raised by Mr. Stone whether the time was perhaps ripe for the elimination of quotas for the last remaining product, fishing nets. He was happy to confirm that this question was presently up for consideration. Quotas could only be eliminated at the beginning of a year. As interested parties were currently being heard on the issue, it was not possible to suggest a date for the elimination of remaining quotas. Based on Norway's record so far under the WTO, one could always hope for earlier rather than later elimination.

125. As mentioned by some delegations, indirect taxes in Norway on products such as motor vehicles were high, but non-discriminatory. Indirect taxes were levied partly for fiscal reasons and partly to take account of so-called externalities in production and consumption, for instance with respect to health and/or the environment.

126. With respect to trade remedies, although comments from delegations were uniformly complimentary, he wished to clarify paragraph 63 of the Secretariat Report, which, if read out of context might give the impression that Norway conducted an anti-dumping investigation in 1996. This was not so. The first sentence in that paragraph simply reflected the fact that no investigation had taken place since the last Trade Policy Review. The last investigation related to a contingency measure had taken place in 1984. As illustrated by this fact, and stated in paragraph 37 of Norway's Government Report, Norway followed a cautious line on trade remedies.

127. Norway had generally been credited for its disciplined protection of intellectual property rights. Specific questions had been put to Norway in this field, and answers could be found in the questions-and-answers document.

128. The discussant agreed that, on privatization, it was important to put in place the regulatory environment first. This was relevant to all countries. He wondered, however, whether continued state ownership made enterprises more efficient, and whether the representatives of the State took the right decisions. He was interest in more details in this respect.

129. The representative of Switzerland thanked Norway for having answered their questions satisfactorily.

130. The representative of Norway replied that there were a number of private-sector representatives on the boards of state enterprises. State representatives had no majority in these boards.

**(iii) Sectoral policies**

131. The representative of Norway admitted that he was not totally surprised to see several delegations focusing on Norway's agricultural policies. As the discussant had put it, within a very liberal overall framework, agriculture stood out as one area where liberalization had not taken much of a hold. True as this was, he hastened to add that for Norwegian agriculture the agreement reached in the Uruguay Round represented a milestone and a fundamental change with respect to international rights and obligations. As mentioned in his opening statement, the high level of assistance to Norwegian agriculture was a function both of ambitious policy goals in respect of the multifunctional role of agriculture, and of unfavourable geographical and physical conditions for domestic products.

132. Beyond its primary function of producing food and fibre and ensuring food security, Norway considered that agriculture contributed to the viability of rural areas, the maintenance of agricultural landscapes and the cultural heritage. These various non-food dimensions as well as the safeguarding of food security, had implications for the public good, which might justify government intervention. The limitations of market approaches to ensure food security and the lack of functioning markets in case of important non-food agricultural functions, were basic characteristics of this sector, implying that agriculture would have to be treated separately within the multilateral trading system also in the future.

133. Some delegates had focused their comments on agricultural tariff rates in Norway. Border protection was one important element in Norwegian agricultural policy and made it possible, together with direct support, to produce agricultural products and public goods in all parts of Norway. Tariffs generally applied during the brief domestic season for agricultural products. But both during and outside the Norwegian season Norway imported large amounts of agricultural products from all parts of the world. The level of self-sufficiency for agricultural products was approximately 45%. The import rate was therefore 55% and the import value amounted in 1999 to approximately US\$2 billion. In terms of value, imports of agricultural products had increased by 23% since 1995; these imports were subject to a very low average tariff. In 1999 it had been 6.5%, down from 7.7% in 1998. The import shares of agricultural products were 60% from the EU, 20% from GSP/LDCs, and 20% from other countries.

134. WTO negotiations were already under way in agriculture, and Norway, like all other Members, was committed to continuing the reform process. The negotiations could be arduous and demanding, but he could assure other Members that Norway was determined to participate actively and constructively in order to develop further the trading rules for agricultural products.

135. Iceland had raised the question of future policies in the fisheries sector. A detailed answer was provided in the written responses, but for the sake of good order he stressed that the efforts to realize the full potential of the Norwegian fishing industry would not result in an increased level of subsidies. Growth would be based solely on a sustainable and profitable industry.

136. Another sector that had attracted considerable interest was oil and gas. Questions had focused on the non-discriminatory treatment of non-European companies applying for production licences on the Norwegian continental shelf. Norway had provided detailed written replies so it should suffice to say that *de facto* no discriminatory treatment of non-European companies had occurred. As for the query from the United States concerning government participation in the petroleum sector, this was currently under review. Possible changes could include a partial privatization of Statoil, the state-owned oil company, as well as reorganization of the State's direct financial interest (SDFI). No final timetable for this process had yet been set.

137. Several delegations had raised the issue of bank ownership. In a recent report to Parliament, the Government had opened for sale a part of the State's stake in Christiania, the country's second largest bank. State ownership would be concentrated in one national unit constructed around *Den*

*norske Bank*, the DnB group, where the Government would keep at least one third of the shares. The sale of the State's share in Christiania would be handled by the Government Bank Investment Fund on commercial terms. The Fund had received a mandate to prepare the sale on 20 June, and would proceed with it as soon as possible.

138. The discussions had clearly demonstrated Norway's commitment to a strong and vibrant trading system. Norway had always been, and would remain, a trading nation, and a functioning and rules-based trading system was therefore in Norway's best interest. He was convinced that it was in Members interest to develop the trading system further, and therefore hoped that Members could meet again in Geneva in the not too distant future to launch a more comprehensive round of negotiations.

139. The discussant asked whether the different wording in different documents implied that there had been a change of emphasis in agricultural policy orientation.

140. The representative of the European Union thanked the Norwegian representative for his reply, which had been very useful. The European Community shared certain views on agriculture with Norway, and recognized the right of Norway to support its farmers, in particular given Norway's compliance with its commitments in the WTO, and considering that Norway was such a large importer of food. Despite strong protection, Norway was a massive importer of food in comparison with its size; from that point of view Norway contributed to trade in agricultural goods at world level. He also wished to note that only 2.9% of Norway's land was devoted to agriculture; this was very restraining for the development of agriculture, so the EU fully recognized the need for certain support.

141. The representative of Iceland thanked Norway for the very frank and clear answers provided on fisheries and expressed his satisfaction with these answers.

142. The representative of Thailand thanked the Norwegian delegation for the answers provided to the questions posed earlier. She had some additional questions regarding answers given to Argentina in the written responses with respect to negotiations in the agricultural sector between the EU and Norway. She asked whether Norway could provide some more information regarding the scope of these negotiations. She wondered whether the negotiations would be confined to duties or if there would be any other kind of provisions.

143. The representative of Australia also thanked Norway for the excellent written responses. He sought clarification on the answers provided to Australia's question on the arrangements for imports within the tariff quota for beef. There were two very precise answers to the sub-questions but he wondered whether there was anywhere a broad description of the arrangements for imports within the tariff quota for beef.

144. The representative of Norway admitted that there were some differences in phraseology when Norway described different aspects of its agricultural policy. These amounted to what might be called a different set of partial goals in Norway's policy, which might have been somewhat differently phrased; he believed, however, that the whole scope of Norway's policy should emanate from the context. As to the observation from the European Union, he was very grateful for the representative's understanding. He added that not only was just 2.9% of the land cultivated, but that this was, in fact, all the land Norway had for agriculture. In this respect, Norway was not trying to freeze the structure of its agriculture at its present point. Norway was in the midst of a very substantial structural change within this sector. Seven farms were being closed down every day; this meant that over a period of ten to fifteen years, the total number of farms in Norway would be halved.

145. Concerning the question from Thailand, under Article 19 of the EEA Agreement, the EU and Norway were mandated to get together every second year to discuss further globalization in the agricultural sector. The process had started in 1995. Norway would like to extend trade liberalization for some products, such as vegetables, plants, and cheese. The goal of the agreement was to increase

exports for both parties, and ensure that results would be balanced. Although a long time had passed since the last meeting, Norway hoped to finalize the agreement in the near future. Concerning the questions from Australia, Norway had an auction system in place for beef. Auctions took place in October every year; and participants in the auction paid an auction fee for a volume that could be imported as from 1 January to 31 December of the following year. An import licence was granted. Filling rates had generally been very high: the filling rate in 1998 had been approximately 80%.

146. The representative of Japan stated her appreciation for the efforts of the Norwegian authorities and of the discussant. Japan had not participated in the discussion on agriculture, but Members were already familiar with Japan's stance. She had, however, some questions on investment. Although the situation in the petroleum sector had been fully explained, she asked whether non-EEA companies were treated differently from EEA companies with regard to investment in any other sector. If this were the case, she asked whether any example of complaint coming from a non-EEA company could be provided. She also enquired about the specific conditions that applied to investment in credit institutions, insurance companies, and security firms, as well as fisheries and maritime transport, which were described in paragraph 20, page 18 of the Secretariat Report.

147. The representative of Norway replied to Japan's first question by stating that, to his knowledge, there should be no difference in treatment in other sectors, and that Norway had not received any complaints. However, to make quite certain, he would look into this matter again and if any instances of different treatment and complaints were found, he would respond within two weeks in written form. Concerning the follow-up question, he would also look into it.

## **VI. CONCLUDING REMARKS BY THE CHAIRPERSON**

148. We have had a positive and open discussion on Norway's trade policies. Members of the TPRB were clearly impressed by Norway's solid economic performance and the high standard of living. This was achieved, due in good part to a liberal trade regime, disciplined macroeconomic policies and the deft management of its natural resources. In this respect, Members highlighted the creation of a special fund to help the inter-generational distribution of oil and gas income. Members commended Norway for its support to developing and least developed countries, including through both direct aid and tariff preferences. They unequivocally welcomed Norway's active and constructive participation in the WTO, not the least through the leadership of the General Council by Ambassador Bryn.

149. On trade policies, Members expressed divergent views on Norway's position. They acknowledged Norway's overall commitment to liberal trade and investment policies. However, several questioned the high level of support granted to the agriculture sector.

150. Members recognized that Norway maintains low MFN tariffs on manufactured products. Moreover, in practice those products often enjoy duty-free access under the several preferential agreements Norway maintains. In this respect, Norway was invited to extend this treatment to all WTO Members. Members also noted that Norway does not make use of trade defence measures. They observed that it is the only country to have eliminated ahead of time virtually all quantitative restrictions maintained under the Agreement on Textile and Clothing.

151. Members pointed out that although investment and ownership are generally open to foreigners some restrictions persist. In some cases, there is preferential treatment for EEA investors. They encouraged Norway to relax these restrictions and multilateralize the preferential treatment granted to EEA investors. Members stressed the high degree of liberalization already achieved in the services sector.

152. The concept of multifunctionality lay at the heart of the discussion on Norway's high level of assistance to agriculture. While some Members stated support for such concept, others gave priority to the principle of non-discrimination across sectors. Members also raised numerous questions on the specific instruments used to protect and assist agriculture, particularly Norway's application of tariffs, tariff quotas, SPS measures and export subsidies.

153. Members also asked for details in a number of other areas including:

- measures to encourage and diversify trade;
- the gap between applied and bound rates for certain manufactures, including textiles and motor vehicles;
- import charges and environmental levies;
- importation of patent protected products;
- review of competition legislation;
- activities of state enterprises, particularly in tobacco and alcoholic beverages;
- state role and privatization in banking, telecommunications, postal, and petroleum activities;
- regulation of and activity in maritime transport;

- assistance to shipbuilding; and
- regulatory framework for financial services.

154. Members appreciated the comprehensive oral and written responses provided by the Norwegian delegation in the context of this meeting, as well as Norway's undertaking to provide written responses to some additional specific questions as soon as possible.

155. In conclusion, it is my sense that Members fully acknowledged Norway's success in prudently managing an economy richly endowed with natural resources. Appreciation was also expressed for the enlightened policy Norway follows with regard to support to developing, including least developed countries. There was recognition of the liberalization and deregulation effort undertaken by Norway since its last Trade Policy Review and encouragement for it to continue on this path. In this regard, several Members believed that liberalization should also include the agriculture sector both to bring it in line with Norway's policies in other areas, and to strengthen the multilateral trading system as a whole.

## ANNEX I

### RESPONSES PROVIDED BY NORWAY TO ADVANCE WRITTEN QUESTIONS AND TO OTHER QUESTIONS RAISED DURING THE MEETING

#### ARGENTINA

##### *Negotiations in the agricultural sector between the EU and Norway*

The negotiations in the agricultural sector between EU and Norway, in accordance with Article 19 of the EEA agreement, started at the end of 1995. The aim of the negotiations is to increase the preferential agricultural trade between the parties. It has been proposed to reduce the duties for some vegetables, plants, cheese etc. The negotiations have not yet been finalised.

##### *Question raised in the meeting regarding grain policy and the future role of the Norwegian Grain Administration*

Statkorn Holding Ltd is a limited company and shares are held by the Government. Statkorn Holding Ltd holds shares in major companies in the grain sector such as Statkorn Ltd. Statkorn Ltd is operating as an independent company in competition with other companies in the cereals sector. Privatisation (partly) of Statkorn Holding Ltd is foreseen. Statkorn Holding Ltd or Statkorn Ltd does *not* take part in the administration of Norwegian grain policy. The Norwegian National Grain Administration is managing the grain policy and has no relation in this respect to Statkorn. There will thus be no changes in the management of Norwegian grain policy as a result of the privatisation of Statkorn.

#### AUSTRALIA

*The Secretariat Report indicates that Norway allocates a number of its agricultural tariff quotas through an auction system. Of the tariff quotas allocated in this way, we are particularly interested in the beef quota. As noted in the Secretariat Report (para. 42), imports of meat into Norway are very limited reflecting a high protection level. This high level of protection is illustrated by the small size of Norway's minimum access quota commitment for beef under the Uruguay Round, which will peak at 1,084 tonnes in 2000, the high within-tariff quota rate and the prohibitive out of quota tariff rate.*

*Could Norway provide details of the arrangements for imports within the tariff quota for beef? Of particular interests are:*

- *details of advertising and timing of the tariff quota auctions, details of the bidding process, any criteria for applicants and the average level of premium paid by importers for the licences from 1995-2000;*

Tariff quota auctions are advertised in relevant newspapers/journals ("Norsk Lysningsblad", "Dagens Næringsliv", "Dagligvarehandelen" and "Fritt Kjøpmannskap") two months in advance of the auction. The auction is normally held in the last part of November. The auction is public and undertaken by the National Grain Administration (NGA). Opening bids must be sent in writing to NGA. A representative for the importer must provide later bids at the auction held during one day at NGAs office in Oslo. The auction is organized in bidding rounds. After each bidding round received bids will be announced. Names of bidders are not provided during the auction. All bidders are informed on the result of the auction. Name and allocated quota may also be provided other interested on request. Auctioning fee are also provided, but not related to each company.



Total auctioning fee paid for the beef quotas was NOK 130,000 in 1995, 161,000 in 1996, 1.3 million in 1997, 2.7 million in 1998, 5.4 million in 1999 and 212,000 in 2000. The quota amounted to 181 tonnes in 1995, 361 tonnes in 1996, 542 tonnes in 1997, 542 tonnes in 1997, 728 tonnes in 1998, 903 tonnes in 1999 and 1,084 tonnes in 2000.

- *Has the full tariff rate quota been sold each year?*

The full tariff rate quota for beef has been sold each year.

*We note that the percentage contribution of fisheries products to Norway's total exports has grown by 2% from 1993 to 1998 whilst agriculture has declined by 0.5% (p. 10).*

- *Given the strong performance by the fisheries sector and its low reliance on government support and protection is Norway considering possible lessons from this experience that could be applied in the agricultural sector?*

Covered by general response statement.

*The Secretariat Report indicates Norway's State Wine and Spirits Monopoly currently has monopoly rights "for the retailing of spirits, liquor and other spirituous beverages, of wine and fruitwine, and of beer containing more than 4.75% alcohol by volume" (para. 117). Since 1996 the Monopoly's exclusive rights to "the production, importation and wholesale distribution of spirits and wine, and to the exportation of spirits" has been eliminated (para. 118).*

*Could Norway provide details of current measures affecting the importation, distribution and retail sale of alcoholic beverages?*

With the abolishment of the State Wine and Spirits Monopoly's exclusive rights to importation and wholesale of spirits and wine, as well as exportation of spirits, a system was established whereby the right to wholesale of alcoholic beverages is based on a licence granted by the Ministry of Health and Social Affairs. A wholesale licence gives the holder a right also to import and export alcoholic beverages. The conditions for granting a wholesale licence are stated in Act No. 27 of 2 June 1989 On the Sale of Alcoholic Beverages, and supplementary regulations, and do not discriminate between nationals and non-nationals.

The Alcohol Act in section 3-1, subsection 5, states that the State Wine and Spirits Monopoly has an obligation not to discriminate between traders on the basis of nationality or origin of the product. Pursuant to this, a new Regulation on A/S Vinmonopolet's Purchasing Activity etc. was introduced in 1995. Equal treatment is ensured through a transparent system. Access to the market is ensured by a system based on demand, whereby products can be allocated to one of four ranges: the basic range, the additional range, the test range and the registered product range. In addition, the retail monopoly is required to order any product asked for which can be obtained from an importer.

A separate board has been established to ensure that the monopoly's decisions concerning purchase and the stipulation of retail prices are in accordance with existing provisions, and that they are non-discriminatory. The board is appointed by the Ministry of Health and Social Affairs, and is independent of the Wine and Spirits Monopoly.

Information about measures regulating importation, distribution and retail sale of alcoholic beverages in Norway was given on 13 January 1999 in a new and full notification pursuant to article XVII:4(a) of the GATT 1994. See G/STR/N/4/NOR.

*Australia welcomes the privatization efforts undertaken by Norway in recent years. However, state ownership in the economy remains widespread, with the public sector having a stake in around 50% of companies (para. 120). Norwegian policy is to "privatise when there is no valid reason to maintain an enterprise in the public sector" (para. 22).*

*Has Norway considered further privatization measures?*

The Government of Norway is now preparing for a partial privatization of the following state owned companies: Arcus AS (alcoholic beverages); A/S Olivin (industrial minerals); Norsk Medisinaldepot A/S (drugs); Telenor AS (telecommunications); and Statkorn Holding A/S (grain).

*Australia notes Norway's large and expanding network of free trade agreements pursued, in particular, through its membership of EEA and EFTA. The Secretariat Report observes this "preferential network compounds trade relations and magnifies the differentiation among trading partners" (para. 24). This raises concerns regarding trade and investment distortions and diversion.*

*Has Norway considered multilateralizing the progress made in its regional trade liberalization efforts?*

Norway has noted the increasing efforts by a number of WTO Members to link their economies closer together through regional or inter-regional arrangements. This development represents a challenge to the WTO.

Regional agreements consistent with WTO rules complement the multilateral system and contribute to increased trade at the global level, and may function as building blocks for the international trading system.

A new round of negotiations could mitigate the effects on third parties of the spread of regional and preferential relationships. In this respect it is pointed out that Norway is advocating a new broad round of multilateral trade negotiations.

## **CANADA**

### **Secretariat Report (WT/TPR/S/70)**

#### **II. Trade Policy Regime: Framework and Objectives, (4) Foreign Investment Regime, para. 19**

*We understand that Norway has in place an Investment Screening Mechanism whereby investments over a certain size threshold are reviewed on a case-by-case basis using a "public interest principle". Please elaborate on the specifics of the criteria which are used in administering this public interest principle. Is this related to the procedures referenced in para. 19?*

Norway does not have an Investment Screening Process, as such, other than the reporting requirement described in para. 19.

The Law on acquisition of business undertakings, as referred to in para. 19 of the report, contains a notification requirement when obtaining ownership over businesses of a certain size. The Ministry of Trade and Industry may carry out an investigation if there is a reason to assume that the acquisition has substantial negative effects for the enterprise, the business sector or the community in general. The Ministry may set conditions for the acquisition in these situations. However, very few acquisitions are in fact subject to further investigation. As of May 2000, the total number of cases reported to the Ministry is approx. 1,400, and only 11 have been subject to further investigation. No acquisition has to date been stopped under the Law.

**II. Trade Policy Regime: Framework and Objectives, (4) Foreign Investment Regime, para. 20**

*Please elaborate on the nature of the laws and regulations in Norway governing the granting of concessions or exclusive rights for the use of real property in natural resource areas. Are any preferential investment policies applied with respect to the granting of authorizations for the exploration and development of minerals and hydrocarbons? If so, on what basis are these preferences applied? Is the principle of national treatment applied in the award of licenses or maintenance and supply contracts?*

In Norway, the exploration for and production of hydrocarbons (oil and gas) only takes place offshore – on the Norwegian Continental Shelf. Production Licences may be awarded to joint stock companies established in compliance with Norwegian law and registered in the Norwegian Register of Business Enterprises. A Production Licence renders an exclusive right to the licensees to explore for and produce petroleum within the area comprised by the licence, and the licensee becomes the owner of his proportional share of any petroleum produced.

A company may qualify as a licensee regardless of nationality, if he otherwise fulfils the award criteria that are applied in accordance with the provisions of the EU Licensing Directive. These are, in broad terms:

- financial strength
- geological competence
- technological capacity

Norway is obliged under the EEA Agreement to apply these criteria in an objective, non-discriminatory and transparent manner.

As a rule, companies submit individual applications for the award of a share in a Production Licence. The Government then decides which companies shall be awarded a share in a Licence, the size of the share, and who shall be the operator of the licence group. However, the system of group applications is gradually introduced.

Maintenance and supply contracts are entered into by the operator of a Production Licence on behalf of the licence group. Such contracts are awarded on the basis of competition and in a non-discriminatory manner, in compliance with the public procurement rules of the EEA Agreement.

**III. Trade Policies and Practices by Measure, (4) Other Measures Affecting Trade, (ii) State trading enterprises, state-owned enterprises, privatization, para. 120**

*It is estimated that the Norwegian State has “participation in around 200 enterprises, of which some 35 are totally state-owned.”*

*The Understanding on the Interpretation of Article XVII of the GATT 1994 states that Members shall notify the Council for Trade in Goods of “Governmental and non-governmental enterprises, including marketing boards, which have been granted exclusive or special rights or privileges, including statutory or constitutional powers, in the exercise of which they influence through their purchases or sales the level or direction of imports or exports”.*

*Do any of the estimated 200 companies having state participation fall into this guideline, and if so, will they be notified under Article XVII?*

Yes, the company Arcus AS falls into the category "State trading enterprise" as defined in The Understanding of the Interpretation of Article XVII of the GATT 1994.

Arcus AS, which has exclusive rights to domestic production of spiritous beverages and other spirits, has been notified under Article XVII. See WTO notifications of 13 January 1999 (G/STR/N/4/NOR) and 19 July 1999 (G/STR/N/5/NOR).

The planning and preparations for privatizing Arcus were initiated in early 1999. A financial adviser has made an assessment of the value of the company and a sales prospectus will be distributed shortly. As previously announced the outcome of the privatization process will be notified to WTO.

### **III. Trade Policies and Practices by Measure, (4) Other Measures Affecting Trade, (iv) Support programmes**

*We understand that the Norwegian shipbuilding and offshore oil and gas industries benefit from a variety of assistance programs, either directly or indirectly. Please elaborate on the specifics of all such measures, especially concerning support mechanisms that pertain to equipment conversion; regional development; export financing; investment, tax and commercial incentives; maritime insurance schemes; R&D and training.*

Shipbuilding has been a part of the EEA Agreement since 1 May 1995 and subsidies to this sector are regulated in Council Regulation (EC) 1540/98 of 29 June 1998. In addition to contract-related operation aid this regulation also permits closure aid, restructuring aid, investment aid for innovation, regional investment aid and aid to research and development and environmental protection.

The contract-related operation aid is the only scheme reserved for the shipbuilding sector. The sector also has access to financial schemes in the Norwegian Industrial and Development Fund, the Research Council of Norway and the Guarantee Institute for Export Credits on terms and conditions in accordance with Council Regulation (EC) 1540/98.

*Norway's regulatory regime has been credited with the successful development of its domestic offshore oil and gas market. What limitations, both in the past five years and currently, do foreign companies face in terms of accessing the Norwegian offshore market?*

There are no Norwegian assistance programs benefitting offshore oil and gas industries.

There are no limitations on the access of foreign firms to the Norwegian offshore market.

### **III. Trade Policies and Practices by Measure, (4) Other Measures Affecting Trade, (v) Intellectual property rights, para. 145**

*How does Norway's Intellectual Property legislation, specifically as it relates to patent and design right protection, address the importation of spare parts and accessories to be used in the repair of aircraft? How does such legislation comply with Norway's TRIPS Agreement obligations?*

#### **Design Rights**

According to the Design Act No. 33 of 29 May 1970 Section 7, the King in Council may decree that, notwithstanding a design right, spare parts and accessories for aircraft may be imported

into this country in order to be used for the repair of aircraft belonging to a foreign country which concedes similar rights with respect to Norwegian aircraft.

Section 22 in the Regulations on Registration of Designs reads as follows:

"Notwithstanding a registered design, spare parts and accessories for aircraft may be imported into this country and used for the repair of aircraft belonging to a foreign State which is party to the Convention on International Civil Aviation of December 7, 1944 (the Chicago Convention) and is either party to the Paris Convention for the Protection of Industrial Property of March 20, 1883 or has a legislation on designs which recognizes designs created by nationals of another State party to the Chicago Convention and which guarantees such designs protection which in essence corresponds to that of the Paris Convention."

### **Patent Rights**

According to the Patents Act No. 9 of 15 December 1967 Section 5, an invention may, notwithstanding a patent, be exploited on a foreign vehicle, vessel or aircraft in connection with the use of such means of transportation during their temporary or accidental stay in this country. Where a foreign country grants similar rights in respect of Norwegian aircraft, the King in Council may provide, notwithstanding a patent, that spare parts and accessories for aircraft may be imported into and used in this country for the repair of aircraft belonging to that country.

Section 74 in the Regulations on Registration of Patents reads as follows:

"Notwithstanding any granted patent, spare parts and accessories for aircraft may be imported into the country and used here for the repair of aircraft belonging to a foreign State party to the Convention on Civil Aviation of December 7, 1944 (The Chicago Convention), and either party to the Paris Convention for the Protection of Intellectual Property of March 20, 1883, or which has a patent legislation which recognizes inventions made by nationals of other States party to the Chicago Convention and which guarantees protection for such inventions essentially in conformity with the Paris Convention."

We consider the Norwegian regulations to be in full compliance with the obligations under the TRIPS Agreement.

### **IV. Trade Policies by Sector, (8) Services, (ii) GATS Commitments, para. 127**

*The Secretariat Report makes reference to the significance of services trade for the Norwegian economy. Paragraph 127 mentions limitations to national treatment. It is noted that national treatment is accorded to subsidiaries of non-European Economic Area (EEA) companies formed in accordance with the law of, and established in, an EEA member state, but not to branches or agencies. This limitation is also reflected in Norway's GATS Schedule in the horizontal commitments section. We believe that this provision is a reflection of Norway's commitments in the EEA Agreement. Could the Norwegian authorities please confirm this?*

*Following from this, Canada would like to know whether the possibility exists under the EEA Agreement to extend national treatment to nationals of a third country who provide services in the form of a branch or agency and who are established in another EEA member state?*

Branches or agencies are not considered to be separate legal entities from their parent company. Accordingly they will be treated as the parent company would be treated. If the parent company is established in Canada, the branch will be considered an extension of such a Canadian company regardless of where the branch is located.

According to the EEA Agreement, Articles 31, 34, 36 and 39 the freedom of right of establishment and provision of services cover nationals of an EC Member State or an EFTA State and companies or firms formed in accordance with the law of an EC Member State or an EFTA State and having their registered office, central administration or principal place of business within the territory of the Contracting Parties. The freedom of establishment comprises the right to set up agencies, branches or subsidiaries by such nationals, companies or firms in the territory of any of these States. As regards the freedom of right to provide services there shall be no restrictions in respect of such nationals, companies or firms established in an EC Member State or an EFTA State other than that of the person for whom the services are intended.

To the extent that a Canadian owned company is formed in accordance with the law of an EC Member State or an EFTA State and having their registered office, central administration or principal place of business within the territory of the Contracting Parties to the EEA Agreement, its branches or agencies may operate in another EEA State in accordance with the above provisions of the EEA Agreement.

The EEA Agreement sets out the rules applicable to nationals and companies of the Contracting Parties to that Agreement. It does not prescribe rules applicable to third country nationals or companies.

#### **IV. Trade Policies by Sector, (8) Services, (iv) Telecommunications services, para. 152**

*We note the state monopoly rights of the telecom company Telenor have been abolished. To what extent does the Government of Norway influence Telenor's business decisions, and is there any plan to diminish the role of the Government?*

As a shareholder in Telenor, the state will continue to concentrate on matters related to capital structure, profitability and dividend policy, with importance placed on long-term profitable business development and value creation for the shareholders. The Government attaches importance to its ownership tasks and duties being exercised professionally and in accordance with good business practice. The requirements of capital investments returns should be at the same level as for comparable European companies. The capital structure and dividend policy should contribute to further value creation.

The Parliament has given its support to the proposal for a partial privatization of Telenor.

#### **IV. Trade Policies by Sector, (8) Services, (iii) Financial Services, (a) Banking, para. 134**

*The Secretariat Report refers to state ownership in Den norske Bank (DnB) and Christiania Bank og Kreditkasse (CBK) being discussed in a Government report to Parliament. In its comments on this report, the Parliament's Standing Committee on Financial and Economic Affairs made recommendations to the Government to combine its interests as owner into one entity and to maintain national ownership by owning at least one third of the shares of this entity. Could the Norwegian authorities give an idea of what the time frame is for the application of the recommendations in this report.*

See related questions raised by Hong Kong.

#### **CZECH REPUBLIC**

*Could you please elaborate on the White Paper No. 19 on agricultural policy debated in Parliament in May 2000?*

The Parliament approved the White Paper No. 19 on May 9 this year.

## **DISCUSSANT**

### **Textiles**

*Norway has eliminated 51 of 54 quotas – perhaps the remaining 3 are ripe for elimination?*

The question of removing the last 3 textile quotas has been sent to the parties concerned in Norway. Once this process is finished a decision will be taken. Norway will of course fulfil the obligations that lie in the agreement which implies that they will be removed, at the latest at the end of 2004.

### **EUROPEAN UNION**

*Could the Norwegian authorities explain why the seasonal tariffs on some vegetables, for example tomatoes and lettuces (see Table III.2, page 32 in the Secretariat Report) are so high? What plans does Norway have to reduce the tariffs on these horticultural products and by when?*

Natural and climatic conditions result in high costs in agricultural production in Norway, including production of vegetables, compared to many other parts of the world. Tariffs in the Norwegian season are therefore important to enable production of for example tomatoes and lettuces in Norway. The tariffs that were fixed and accepted in the Uruguay round cover the difference between the Norwegian price and the world market price in the period 1986 – 1988. Tariffs are thus applied in accordance with our WTO commitments. Furthermore, 2000 tariff rates were implemented already in 1995.

*What plans does Norway have to remove the support that she currently offers to her egg producers (and allow EU producers to compete) and by when? (See para. 41, page 83 of the Secretariat Report.)*

Norway has no plans for removing the support to the egg producers. Both the target price for eggs and support to the egg producers are discussed and fixed in the Annual Agricultural Agreement. Because Norwegian producers are not able to compete at world market prices, support is necessary.

### **HONG KONG, CHINA**

#### **Secretariat Report**

#### **Foreign Investment Regime (p. 18, paras. 18 and 20)**

*It is noted that there are some horizontal restrictions to foreign ownership on investment in Norway and a list of economic activities are subject to some sector-specific restrictions. Does the Norwegian Government have any plans to remove such restrictions progressively, and if so, what are these plans?*

Further to the general and specific information provided in the Secretariat Report about the Norwegian foreign investment regime, some additional information about the specific conditions which apply to investment in credit institutions, insurance companies and securities firms, as well as fisheries and maritime transport, has been provided in the above response to a question posed by Japan. In regard to investment in the oil sector some further information has been provided in our response to a question posed by Japan. In regard to investment in the oil sector, some further information has been provided in our answer to a question posed by Canada regarding among other things preferential investment policies in this sector.

It should also be mentioned that the Act relating to acquisition of waterfalls, mines and other real estate (the Industrial Concession Act) earlier had some restrictions concerning foreigners' acquisition of rights to real estate in Norway. These regulations were suspended in 1995 and have partly been replaced by non-discriminatory regulations in the Act on Acquisition of Business Undertakings.

According to the Concession Act in the Agricultural Sector there is a non-discriminatory requirement to obtain concession to own agricultural property including the requirement that the owner has to live/take up residence on the property.

For the time being, there are no plans to further remove such sector-specific restrictions.

#### **Competition (p. 54, para. 109)**

*It is mentioned that a thorough review of the Competition Act and competition policy in Norway is upcoming. We are interested to know more about this review, in particular the timing and methodology of review as well as the range of policy questions and implementation issues to be tackled.*

The Competition Act entered into force on 1 January 1994. It is the Ministry of Labour and Government administration's opinion that the six years of experience with the Act and the recent development in EC Competition policy, give reasons for a thorough review of national competition legislation.

Experience shows that a broad review of competition policy and legislation is time consuming. The EC Commission has through its White Paper on modernization of the procedural rules implementing Articles 81 and 82 of the EC Treaty, initiated a process towards more decentralized enforcement of these legal provisions. Norway is seeking to run its review of national competition policy in parallel with the mentioned EC reforms. The results from this review are therefore not likely to introduce changes in competition legislation before 2002. However, the six years experience with the present national competition legislation has shown a more immediate need for adjustments of technical character in order to increase enforcement efficiency. This led to the Ministry of Labour and Government administrations bill to Parliament on technical revisions of the Act, adopted by the latter on 11 April 2000, as mentioned in the report.

The methodology to be used in connection with the broader review of the Act is as follows: A committee consisting of selected persons from both the public and private sectors will be appointed in order to produce a report analysing and discussing the needs for and consequences of proposed changes in the Act. The report will be subject to a wide hearing, forming part of the basis upon which the Governments later formal decision will be made.

The above-mentioned committee will act upon a mandate which is currently under discussions in the Government. It is therefore difficult at the moment, to elaborate upon the range of policy questions and implementation issues to be tackled.

#### **Retailing Services (p. 100, para. 124; p. 143, Table AIV.4)**

*Retail trade is a main service activity in Norway and is subject to residency requirements in establishment (two years prior residency in Norway is required for the manager of the branch of a foreign company and for the majority of the board members of a foreign controlled company). Is there any plan to review this requirement with a view to relaxing/removing it?*



The law which obliged us to take reservations concerning Retailing Services has been abrogated. The specific residency requirement is a result of horizontal restrictions on foreign ownership, and there are no immediate plans to reconsider this requirement in our company law.

## **Banking**

### **(p. 102, para. 134)**

*The Norwegian Government has maintained significant ownership in the banking sector through the establishment of state-owned banks and retention of substantial stake in the two major commercial banks CBK and DnB (34.7% and 60.6% respectively). We would like to know if there is any plan to reduce state involvement in the sector.*

The Government concludes in its report No. 38 (1999-2000) to the Storting to open up for a sale of the State's stake in Christiania Bank, and concentrate the State ownership in one national unit constructed around the DnB-group. The Government will keep at least 1/3 of the shares in DnB.

The sale of the State's stake in Christiania will be handled by the Government Bank Investment Fund, and must be carried out on commercial terms. The Ministry of Finance gave the Government Bank Investment Fund a mandate to prepare the sale on 20 June 2000. The sale will take place as soon as possible.

### **(p. 104, para. 142)**

*It is mentioned that Norway has maintained a 10% cap on ownership in financial institutions by individual investors, with a provision that exception may be granted in cases of strategic cooperation and alliances. We would like to know more about the criteria for qualifying such an exception.*

Exemptions from the 10% ownership limitation for holdings up to 25% in combination with strategic cooperation and alliances have not yet been granted. The purpose of the amendment was to facilitate financial institutions' access to strategic cooperation and alliances with other Norwegian and foreign financial institutions. Permission can only be given to financial institutions, Norwegian or foreign. To obtain a permission, the institution that will hold the 25% ownership and the institution in which the ownership will be established, have to enter into an agreement on strategic cooperation. This agreement must contain provisions on the ownership of the shares. In addition, the general assembly in the institution where the ownership will be established has to decide this with a majority of votes, equal to the majority required for amendments to the bylaws.

### **(p. 104, para. 143)**

*It is noted that the Norwegian Government is considering amending ownership regulations of the sector. We are interested in knowing more details, in particular, timeframe of the amendment exercise, and amendments which may affect foreign participation in this sector.*

Apart from the amendments referred to in para. 142 and 143 in the report, the Government is not at present considering any new amendments to the ownership regulations.

## **Insurance**

### **(p. 105, para. 147)**

*It is mentioned that non-EEA insurance companies may not supply compulsory motor vehicle insurance as required by Norwegian law. We note that the Norwegian financial services schedule has indeed covered the whole "insurance and insurance related services" sub-sector. We would like to*

*know if "compulsory motor vehicle insurance" is covered by the aforementioned sub-sector. If yes, would appreciate clarifications from Norway on the exception's consistency with its commitments in insurance services.*

The "Understanding on Commitments in Financial Services" ("the Understanding"), is included in Norway's Schedule of specific commitments ("the schedule") by the schedule No. I.7. (i) and (ii). Norway's commitments in cross-border supply of insurance services are laid out in the Understanding No. 3 (a). Compulsory motor vehicle insurance is not among the insurance services included in the Understanding No. 3 (a). Norway has made no further commitments when it comes to cross border supply or consumption abroad of this type of insurance. Thus, there should not be any inconsistency between the schedule and the exemption mentioned in the report relating to compulsory motor vehicle insurance.

**(p. 106, para. 149)**

*It is noted that Norway had included insurance related to offshore exploration activities in its original schedule of commitments but not in its revised commitments in 1998. We would like to know if Norway has any plan to reinstate this commitment in its schedule.*

Norway will find an appropriate way to reinstate a commitment relating to offshore exploration services in its schedule.

**(p. 106, para. 150)**

*It is mentioned that foreign participation in insurance services is subject to a number of establishment limitations in Norway, such as restriction on ownership of insurance subsidiaries by non-insurance financial institutions; the requirement of permission for establishment which is subject to prior permission and provision of equivalent services in home country; and the requirement of a guarantee for engagement in insurance broker activity. We would like to know if Norway has any plan to review these limitations, with a view to relaxing/removing them.*

Foreign insurance companies may establish partly or wholly owned subsidiaries in Norway. Until the amendment of Act No. 39 of 10 June 1988 relating to Insurance Activities, the other owners of such partly owned subsidiaries could only be foreign insurance companies or Norwegian financial institutions. After the amendment, in force as of January 1999, foreign non-insurance financial institutions have the same opportunity as Norwegian non-insurance financial institutions to own shares in a Norwegian insurance company which is a partly owned subsidiary of a foreign insurance company.

The Norwegian Government has no immediate plans to make any amendments regarding the two other limitations mentioned.

**Telecommunications services**

**(p. 107, para. 154)**

It is noted that the merger plan for the stated-owned telecommunications company Telenor and the Swedish Telia was called off in December 1999 and Norway is assessing alternative strategies for Telenor. Would the Norwegian authorities share with us its plan, if any, for privatization of Telenor and hence reducing state participation in the sector?

(p. 110, para. 164)

*It is noted that the exclusive right for provision of universal postal services granted to Norway Post will expire on 30 September 2001. We are interested to know if the Norwegian authorities have any plan to liberalize the postal services upon the expiry of the exclusivity of Norway Post.*

According to the Postal Services Act (Act. No. 73 of 29 November 1996 relating to the provision of Universal Postal Services), Norway Post has been given the exclusive right to regularly distribute, in return for remuneration, closed, addressed domestic letters weighing up to 350 gr., to distribute in Norway comparable items from other countries and to distribute comparable items from Norway to other countries, on conditions laid down in the licence, cf. Section 6 of the Act. Distribution of books, catalogues, newspapers and periodicals are not part of the reserved services, even if such items are sent closed and addressed. The exclusive right to distribute the above mentioned items is restricted with a price limit. Only items with a price up to an amount not exceeding five times the basic tax for a domestic letter of 20 gr. are included in the reserved services.

According to the licence, Norway Post is obligated to provide universal postal services. This means postal services relating to letters up to 2 kg., newspapers and magazines subscriptions up to 2 kg. and postal parcels weighing up to 20 kg.

There are no plans for further liberalisation upon the expiry of the licence granted to Norway Post. But as a member of the Agreement on the European Economic Area Norway is obliged to take the necessary measures to ensure compliance with the directives, decisions etc. from the European Union.

On 30 May 2000 the European Union's Commission published a proposal for a European Parliament and Council Directive amending Directive 97/67/EC with regard to the further opening to competition of Community postal services. The Commission proposes to increase the range of services which the Member States must open to competition to include letters weighing more than 50 gr., letters below 50 gr. where the price is at least two and a half times the basic tax, all outgoing mail to other Member States and all express mail. The Commission proposes that these amendments shall enter into force by 1 January 2003.

## ICELAND

*Iceland is interested to learn more about the proposals regarding the future of Norwegian fisheries contained in a report written by the Fisheries Department of the University of Tromsø. The report had been debated in the Storting (the Norwegian Parliament). For instance, how will the strengthening of the fisheries sector in Norway be financed. Will there be government financial infusions? Does Norway intend to grant subsidies to its fisheries in an effort to make that industry one of its major source of foreign currency income in the future?*

*It would be interesting to hear the Norwegian delegation elaborate a little bit on the Norwegian Government's policy regarding the future of Norwegian fisheries.*

Last Year, Norway exported seafood to the value of 30 billion Norwegian kroner or 3.7 billion Euro. The fisheries and aquaculture sector has expanded substantially in recent years and is now Norway's main export industry after oil. In Norwegian scientific and political circles alike, there is a growing awareness that the potential contained in our seas must, over time take the place of oil and gas as the main pillar of the Norwegian economy. Among other requirements, this calls for a large-scale commitment to research and development – a process already under way. Production of salmon and trout will continue to increase, but meanwhile several species of seafish are on the point of entering commercial production, and we are seeing a substantial growth in the output of shellfish.

Access to markets is, however, necessary for capitalising on this huge potential. The Norwegian fishing industry depends one hundred per cent on its markets. That is why a marketing drive and efforts to achieve the best positive regulatory framework for international trade, are among our top priorities.

The efforts to realise the potential in the Norwegian fishing industry will not result in an increased level of subsidies. The growth will be based on a sustainable and profitable industry. As earlier stated in the Committee on Trade and Environment in WTO Norway supports the ongoing work to eliminate subsidies that contribute to overcapacity. We believe that elimination of all subsidies that contribute to overcapacity will have several positive effects. First, it will provide for a more sustainable management system. Second, it will on a global scale, accommodate a higher output from the global fisheries resources. Third, the elimination of these subsidies will have a positive economic effect on efficiency and economic performance as well as trade. Support that contributes to overcapacity may include direct payments (income support) based on level of catches or number of vessels and cost reducing transfers like tax exemptions or interest support on capital.

However, Norway recognises that governmental transfers may contribute to ensure sustainability of fisheries and the aquatic ecosystem. In this respect expenditures on general services like fisheries management and research are regarded as positive. Certain subsidies may also contribute to reduce overcapacity. Among such subsidies are transfers to withdrawal of excess capacity through decommissioning schemes or transfers to ease transition to other work for fishermen. However, it is important in a global perspective that such incentives do not facilitate any transfer of excess capacity from one area to another, by relocating the problem of excess capacity.

## INDIA

*We would like to hear from Norway their plan for increasing bilateral trade with India and other developing countries in the next five years.*

Norway is working on a new overall strategy for its relations with India. Trade and investments are expected to be the central elements of this general strategy.

## JAPAN

### Investment (p. 18, para. 20)

*It is reported, as an example, that the Petroleum Act of 1996 granted the right to apply for a license in exploration and development of petroleum activities only to individuals resident in the EEA. In this regard:*

- (a) Please give examples of cases in which companies or governments outside Europe have appealed against an inequitable treatment in fields where European and non-European companies are treated differently.*
- (b) Will non-European companies, whose headquarters are outside Europe, enjoy the equal treatment to European companies when they set up their offices in Norway?*

The provision referred to is included in the Norwegian Petroleum Act Section 3-3. The provision is formulated as follows:

"A Production Licence may be awarded to a legal person established in compliance with Norwegian legislation and registered in the Norwegian Register of Business Enterprises, insofar as other requirements are not applicable pursuant to international agreements. A

Production Licence may also be awarded to a natural person domiciled in a state of the European Economic Area."

As can be read from this provision, the main rule is that any company is free to participate in the petroleum activities in Norway, regardless of nationality, as long as the company is registered in the Norwegian Register of Business Enterprises. In practice, companies desiring to apply for a Production Licence or otherwise qualify as a licensee in Norway, have to be joint stock companies registered in Norway. However, companies with their main headquarters in an EEA state may qualify as a licensee in Norway without establishing a joint stock company registered in Norway.

The reason why the provision on natural persons domiciled in an EEA state has been included in the Act, is that this is a requirement of the EU Licensing Directive. This directive has been included in the EEA Agreement and implemented in Norwegian legislation. The provision has never been used in Norway.

Companies wishing to qualify as licensees in Norway have to comply with certain award criteria that have also been included in the EU Licensing Directive. These are:

- financial strength
- geological competence
- technological capacity

Norway is under an obligation to apply these criteria objectively, non-discriminatorily and transparently. Companies fulfilling these criteria may qualify as licensees regardless of nationality. There has been no example of any appeal against an award of a Licence or against a decision of whether or not a company qualifies as a licensee in Norway.

*Please provide more details about the specific conditions which apply to investment in credit institutions, insurance companies and securities firms, as well as fisheries and maritime transport. Do such conditions apply equally to European and non-European companies?*

The specific conditions that apply to investments in financial services have been somewhat relaxed since 1996. As stated in the Secretariat Report, the conditions include a general 10% ownership limit for individual investors in commercial and savings banks, except for holdings and for foreign banks establishing or acquiring commercial bank subsidiaries; functional nationality restrictions also apply. The Act on Financial Activities and Financial Institutions allows for ownership of up to 25% in combination with strategic cooperation and alliances. Strategic cooperation may be combined with both unilateral and bilateral share-ownership, and between Norwegian financial institutions or between Norwegian and foreign institutions. Branches of foreign, non-EEA-based institutions may be established in Norway, provided that they obtain permission from Norwegian authorities. The supplier needs permission to provide equivalent services in its home state and be subject to prudential supervision there. Branches that have obtained such permission are exempted from several provisions in the Act relating to Savings Banks and the Act relating to Commercial Banks. Among these exemptions are *inter alia* provisions on establishment, capital requirements, the institutions' bodies, and mergers and winding up.

Foreign EEA as well as non-EEA insurance companies may establish partly or wholly owned subsidiaries in Norway. A 10% individual ownership limitation applies, however, to Norwegian insurance companies. Foreign non-insurance financial institutions have the same opportunity as Norwegian non-insurance financial institutions to own shares in a Norwegian insurance company that is a partly owned subsidiary of a foreign insurance company.

The Norwegian Securities Act of 19 June 1997 no.79 has no ownership limitations, and the Council Directive 93/22/EEC on investment services in the securities field (ISD) is implemented in the Norwegian legislation.

In regard to the fisheries sector there are no special restrictions implemented to establish or invest in processing plants. General rules, mainly regulated by the Ministry of Trade and Industry, are valid. Exports are regulated through the Fish Export Act of 1990. No restrictions are employed as long as the exporter is registered with the Norwegian Seafood Export Council, and a yearly fee of NOK 15,000 is paid to the Council.

Regarding investments in aquaculture, all farming of fish and shellfish in Norway require a special permit from the authorities. For sea farming of salmon and trout there is also a system of limited entry. New licences for salmon and trout have not been issued nation-wide since the mid-eighties. The number of licences for aquaculture production of salmon and trout (12,000 m<sup>3</sup>) is about 825. The number and regional distribution of new licences are decided by the central fisheries authorities.

According to the Norwegian law, the right to buy a fishing vessel can only be given to a Norwegian citizen or a body that can be defined as a Norwegian citizen. A company is regarded as having equal rights with a Norwegian citizen when its main office is situated in Norway and the majority of the Board, including the Chair of the Board, are Norwegian citizens and have stayed in the country the last two years. Norwegian citizens also have to own minimum 60% of the shares and have to be authorized to vote for at least 60% of the votes. There are no restrictions on crew nationality.

It is part of the Norwegian policy that ownership of the fishing fleet shall be reserved for professional fishermen. Therefore, to obtain the right to own a fishing vessel, one has to have a record of active, professional fishing on a Norwegian fishing boat for at least three of the last five years.

When this legislation is being applied to companies, it means that at least 50% of a company owning a boat has to be owned by persons who qualify for owning a fishing vessel.

In relation to maritime transport, registration of ships in the NOR register is restricted to Norwegian nationals or companies where Norwegian nationals hold at least 60% of the capital.

Registration in the NIS register is open for foreign companies provided that they:

- satisfy that Norwegian nationals or companies where Norwegian nationals holds at least 60% of the capital or
- have established a limited company or limited part-ownership in Norway or
- are in a Norwegian partnership with a managing owner who satisfy the provision of such owners or
- have appointed a representative who fulfils defined nationality and domicile requirements.

Ships in the NIS register must be operated by a Norwegian shipping company with its head office in Norway. Operation is understood to mean either;

- technical management (manning, outfitting, maintenance, etc.) or
- commercial operation (chartering, marketing, etc.).

The vessel can also be operated wholly or partly from management offices abroad which are owned by a Norwegian shipping company with its head office in Norway.

For further details on the conditions for investment in the maritime transport sector we refer to paragraphs 176-179 in the Report by the Secretariat.

According to the EEA agreement Norwegian companies and EEA national are generally given equal treatment.

**(para. 21)**

*It is reported that small and medium-size enterprises, entrepreneurs and inventors in Norway receive support from a public advisory system. In this regard:*

- (i) *Do non-European companies benefit from the same support?*
- (ii) *Do European, but non-Norwegian companies benefit from the same support?*

Regarding the question from Japan about the public advisory system: It should be noted that the Norwegian public advisory system operates on the basis of Government funding, but does not offer direct economic support to companies. The public advisory system primarily provides *information* about framework conditions and *services* within technology transmittance, innovation and product-development. The aim of the public advisory system is basically to enhance the competitiveness of small firms. All companies *established and registered in Norway*, without regards to ownership and origin, can make use of the services offered. Certain services, such as information-services about foreign investment in Norway, are available to all companies.

**Tariff bindings (p. 30, para. 28)**

*Japan appreciates the fact that Norway bound its entire tariff schedule during the Uruguay Round and that the average bound rate for manufacturing is just 3.6%. However, some other bound rates are still high (e.g. the rates for motorcycles and clothes are at 10%, and the rates for cars and ships are at 5%). Japan expects further reductions on the bound rates for such products.*

Norway actively supports WTO negotiations on tariff reductions for non-agricultural products and foresees further reductions in bound tariffs in such a context. Furthermore, Norway has reduced tariff rates unilaterally beyond bound rates since the conclusion of the Uruguay Round.

It is correct that the bound rates for motorcycles under HS heading 87.11 is 10%. The rate was reduced from 25% as a result of the Uruguay round. Applied MFN-rates for motorcycles, as for most other goods of HS Chapter 87, is zero ("free").

The bound rate for cars was not reduced or just slightly reduced in the UR, however, as stated above, the applied MFN-rate of duty is zero ("free").

Ships falling within HS heading 89.01, and also fishing vessels under heading 89.02, have been duty free since before UR. The bound rate for vessels for pleasure etc. (HS heading 89.03) was reduced from 7.5% to 5% as a result of the UR. The bound rate of 5% for vessels etc. falling within HS heading 89.05 is not applied. The applied rate for these goods is zero ("free").

Textiles and textile articles, including clothing, is regarded as a sensitive sector for Norway. The annual reductions of the rate of duty will continue until 1.1.2004. For instance, the rate for trousers, not knitted or crocheted, will be reduced from 25% (pre-UR) to 13.7% (1.1.2004).

Any further reductions of the bound rates will have to be a part of a future round of multilateral negotiations that should also involve products in sectors where Norway has major export interests.

**Standards (p. 48, para. 80)**

*In the last line, what does "see below" refer to?*

It refers to Genetically Modified Organisms (GMOs). See response under Agriculture.

**Agriculture (p. 74, paras. 7 and 9)**

*In the Report, the view is expressed that agriculture not only produces food and textiles but also plays a multifunctional role: for example, it contributes to rural development, food security and a pleasant landscape. Japan considers this is a very significant point and indeed shares Norway's view.*

*The Norwegian white paper, which was submitted to Parliament last December, points out that self-sufficiency in food is an important factor for long-term food security. In Japan, the self-sufficiency rate for food has gradually been declining to reach the worst level among developed countries. With this background, Japan regards self-sufficiency in food as very important for the stable supply of food to its nationals.*

Covered by general response statement.

**Services (pp. 111-113)**

**(Para. 169)**

*It is reported that cabotage trades are open to foreign flag vessels. In this regard:*

- (i) How many foreign flag vessels are engaged in cabotage trades per year? Please give the number of EU-countries' vessels, as well as of other countries' vessels.*
- (ii) What percentage of vessels of European countries engaged in cabotage trades are not registered in NOR?*

(i) Port statistics, covering the 14 most important ports in Norway, show that the quantity of goods in our coastal trade amounted to 13.9 million tonnes in 1998. Norwegian ships carried about 75%, while 13% was carried by EU registered vessels and 12% from other countries' vessels.

(ii) These figures are not available. The majority of the ships registered in NOR are Norwegian owned ships. This means that the great majority of vessels of European countries engaged in cabotage trades in Norway are not registered in the NOR. The conditions for registering in NOR are outlined below.

**(Para. 176)**

- (i) It is reported that under Norwegian law, ships may be registered in Norway or abroad. Does this mean that there are some foreign flag vessels which are owned by Norwegian nationals? If so, please give the number of such vessels.*



- (i) According to the Norwegian Shipowners' Association, Norwegian nationals had registered 620 vessels, larger than 100 GT, under foreign flags on 1 January 2000. This represents 37% of the total of 1,660 Norwegian vessels over 100 GT.
- (ii) *Please explain the reason for permitting registration in the NOR only to ships which are owned by an EEA national or by a Norwegian company where EEA nationals own at least 60% of the capital of the owning partnership or company.*
- (ii) In order to register a ship in NOR, Norwegian law, among other provisions, requires a Norwegian citizen or company, an EEA national, or a Norwegian based company where Norwegians or other EEA nationals own at least 60% of the capital. The requirements regarding EEA nationals fulfil obligations under the EEA-agreement on creating a free single market. The agreement provides the opportunity for a Member citizen or company to establish a business activity in either of the Member States under the same conditions applying to the nationals of that State.

**(Para. 177)**

*It is reported that foreign shipping companies may also register their vessels in the NIS. Please provide the number of such vessels, as well as the names of their shipping companies.*

At present there are 246 foreign owned vessels, owned by over 100 companies from 24 different nations registered in the NIS. There is not necessarily a correlation between the owner's nationality and where the company is registered. As an example, the NIS has 76 ships registered as Liberian owned.

**(Para. 179)**

*Please provide details of the conditions under which the nationality requirement is waived.*

Nationality requirements may be waived for masters of NIS ships when special reasons make a departure necessary and it is justifiable in terms of safety. Masters on NOR ships are not usually granted dispensation. When exceptions are made they are limited to short time periods and then only for smaller ships, fishing vessels, and ships exclusively engaged on voyages in completely sheltered waters. In this regard, and in accordance with the EEA-agreement, the term "Norwegian citizen" is interpreted as an "EEA citizen".

**(Para. 181)**

*Please explain in greater detail the special provisions applying to pay and working conditions on ships registered in the NIS. Are there any measures for obtaining assistance from the Government?*

Terms of pay, employment, and other working conditions on ships registered in the NIS are fixed in a collective wage agreement, expressly stating that it applies to this service and is subject to Norwegian laws and courts. Furthermore, Norwegian trade unions are given the right to take part in the negotiations for such an agreement. The right to conclude collective wage agreements is given both to Norwegian and foreign trade unions. There are no further measures to obtain assistance from the Government.

**MAURITIUS**

*Norway runs one of the most wide-ranging GSP schemes among individual countries and its special disposition towards LDCs, most of which are in Africa, is also well appreciated. However, the share of Norwegian imports from Africa remains significantly low as compared to other regions. Are any*

*steps being envisaged by the Norwegian authorities with a view to encouraging greater African participation in the Norwegian market?*

Norway has recently launched and started the implementation of a new strategy for assistance to private sector development, which has a strong regional focus on SSA (Sub-Saharan Africa). Trade related activities, including development of trade capacity is an important element in this strategy, and we hope that this will contribute to increase export to Norway as well as other countries.

*According to the Secretariat Report, the Norwegian Agricultural Marketing Board is, inter alia, responsible for the collection of producer levies, which together with payment provided by Government are the main source of financing, for different agricultural support programmes. Could the Norwegian authorities clarify whether there exist other sources of financing and if so, indicate what these are?*

There are no other sources of financing support schemes than government subsidies or the marketing/producer levies.

*It is noted that Norway charges environmental levies on pesticides. Does this environmental concern permeate the formulation of general agricultural policy as well as other policies in Norway? What is the incidence of such policies on production costs?*

There is generally widespread use of "green taxes" in Norway aiming at promoting environmentally sound production and consumption patterns. The purpose of these taxes is to increase the marginal cost of production in sectors where production causes emissions or other environmental problems, so as better to reflect the social cost of production. The extent to which these taxes are passed on to consumers in the form of higher prices is generally dependent on supply and demand elasticities in the markets for the products concerned.

Norway applies the Polluter-Pays – Principle in general as well as in agricultural policy. Due to a cold climate the use of pesticides in Norwegian agriculture is relatively low and the use has been reduced the recent years. However, in order to further reduce the use of pesticides there is an environmental levy in place, which was substantially increased in 1998. The levies paid by farmers amounted to NOK 24.1 million in 1998. The levy varies between different types of pesticides, according to their impact on nature or human health. Other environmental levies paid by agricultural producers are not specific to the sector. Damages to environmental or cultural benefits may however lead to reductions in direct payments.

*It is noted that Norway has a large presence of foreign tourists – estimated at 3 million in 1998. Yet the tourist sector generates a deficit. Could the Norwegian delegation explain the causes of such a deficit?*

Norwegians are frequent travellers. 2/3 of the adult population take their holidays in Norway, but of a population of 4.5 million more than 1 million go abroad partly due to climatic reasons.

## **NEW ZEALAND**

### **Secretariat Report (para. 16, p. 76)**

*With respect to the operation of Norway's tariff quota commitments, the Secretariat Report at page 76, para. 16, states that all imports of products subject to current access tariff quotas now take place at MFN duty rates, because these now equal to the in-quota rates. Could Norway provide details of the amount of product that is actually imported at the MFN rate, particularly for beef and dairy*

*products? Do these MFN rates now actually provide concrete trading opportunities for MFN suppliers?*

The details of the amount of products that is actually imported are provided in Norwegian market access notifications, (for 1998 see: G/AG/N/NOR/24 and G/AG/N/NOR/24/Corr.1). However, our statistics do not single out whether the goods are imported at MFN or preferential rates (GSP conditions or bilateral/country specific quotas). We would like to provide some relevant information regarding the quotas.

The current access quota for meat of bovine animals, frozen, is determined to 34 tonnes. Seven tonnes were imported in 1998. In this regard it should be noted that under the Norwegian GSP scheme *inter alia* bovine meat from least developed countries are subject to zero-tariffs and meat from other developing countries are subject to 10% tariff reduction. The total import of bovine meat under the GSP scheme was 2,100 tonnes (boneless) in 1998. These favourable conditions regarding imports from developing countries make imports at MFN rates less interesting for importers. Furthermore, the minimum access quota of bovine meat also provides an importing opportunity at reduced tariff rates both for MFN suppliers and for suppliers under GSP conditions.

Regarding dairy products there are three current access quotas under tariff item number 0401 totalling 13 tonnes. Eleven tonnes were imported under 0401. Under No. 0402 there are five quotas amounting to 268 tonnes. Twenty five tonnes were imported. Under tariff item No. 0403 one (1) tonne out of a quota of three tonnes was imported. Under No. 0404 quotas amounts to 229 tonnes and 250 tonnes were imported. Regarding No. 0405, 64 tonnes were imported compared to a quota of 47 tonnes. Under No. 0406 there is a scheduled commitment of 2,294 tonnes. 2,774 tonnes were imported. This quota (currently on 2,560 tonnes) is country specific (EU and Switzerland) and subject to reduced tariff rates compared to MFN. Also in the dairy sector products from least developed countries are subject to zero-tariff rate, but there are currently no imports of dairy products under the GSP scheme.

#### **Secretariat Report (para. 41, p. 36)**

*The Secretariat Report at page 36, para. 41, describes the allocation of minimum access tariff quota shares to the highest bidder under a quota auction system. New Zealand's experience in the beef trade is that these auctions have not served to facilitate trade, since the quota premium in combination with the high in-quota duty rate have in the past left the quota under-filled. Could Norway comment on what further measures might be available to ensure that MFN suppliers are able to make every use of existing TQ access opportunities, e.g. through autonomous reductions in the in-quota duty rate or removing the additional barrier created by the auction premia in order to ensure quota can be used?*

In our view the auctioning system in general is *transparent* and *predictable* for the importers and the interest in participating in the auctioning has increased significantly over the years. Accordingly quite a number of importers have bought parts of TRQs at the annual auction. To stimulate imports the auctioning fee is not reimbursable. Our experience from the auctioning system has been very good. Furthermore, in our experience other factors than administration methods, such as price and market conditions, are determinant for the quota fill rate.

Minimum access quotas for meat of bovine animal experienced a 80% rate of fill which we consider is a relatively high rate and the figure reflected the actual market situation for bovine meat in 1998. Moreover, we would also like to refer to our answer to question No. 1 regarding imports of beef meat.

## REPUBLIC OF KOREA

### 1. Trade diversification

*It is our understanding that Norway's trade with EU member countries constitutes up to 67% of its total trade, while its trade with Asia adds up to a mere 12%. Is the Norwegian Government contemplating measures to diversify its trade so as to increase its trade flows with Asia, and more particularly with East Asia?*

A new strategy for countries in Asia is presently under consideration. Trade and business cooperation will play a significant part in the new strategy.

### 2. Investment limitations

*The Secretariat Report lists on page 18 the limitations that apply on foreign investment, especially on investment from non-EEA members, which include horizontal restrictions on foreign ownership. Although these limitations are inscribed in Norway's GATS Schedule of Commitments, is the Norwegian Government considering liberalizing these limitations in a near future?*

There are no plans to reconsider the residential requirement in our Company legislation in the near future.

### 3. Automotive products

*Paragraph 23 of page 23 of the Report reads: "Domestic indirect taxes (VAT and excise) make no distinction between foreign and domestic goods; however, they are high and in some cases (motor vehicles, alcoholic beverages, tobacco) fall mainly on imports." Such high indirect taxes are likely to adversely affect imports of cars. Has there been any plan to lower the rate of indirect taxes on motor vehicles?*

There is no car production in Norway, and all countries from which cars are imported are treated equally. There are no plans to make significant changes in the overall level of indirect taxation of motor vehicles.

## SWITZERLAND

*Switzerland has taken note with interest of the large state participation in production activities remaining, notwithstanding privatization efforts undertaken in recent years. According to the secretariat's report this means that government procurement is substantial, accounting for some 7-8% of GDP. In paragraph 123 of the report written by the WTO secretariat a "White Paper" is mentioned which was issued by the Ministry of Trade and Industry in the spring of 1998 regarding its privatisation policy. The main policy approach is to privatise when there is no valid reason to maintain an enterprise in the public sector.*

*Switzerland would be interested in knowing the applied parameters and criteria in establishing the "valid reasons" of maintaining or not maintaining an entity in the state sector.*

In the Norwegian political regime it is the Parliament which determines the extent of state ownership. Proposals of purchase or sale of shares in business companies therefore must be put forward (by the government or others) to the Parliament for approval. The Parliaments attitudes regarding state ownership in industry varies between the political parties - and also varies within the (individual) political parties over time. The question of "valid reasons" for state ownership is therefor indeed a topic which is subject to political discussion and differences of opinion.

The "White Paper" referred to in the question (from Switzerland) was put forward some two years ago by the previous government. The present labour government in Norway, which came to power in March this year, has so far not put forward any new policy document or declaration regarding state ownership.

*Norway runs a wide-ranging GSP scheme, granting virtually all imports, including most agricultural goods, from least-developed countries duty free entry. Quantitative restrictions have also virtually been eliminated since its last review, except for one tariff line HS tariff heading (HS heading 56, relating to fishing nets).*

*Switzerland would be interested in knowing in which way these reductions in Norway's GSP scheme have influenced the trade pattern with developing countries. This would give us an useful insight to the effectiveness of these measures which should help for a better integration of these countries in the multilateral trading system.*

Due to tariffication of import protection measures in the agricultural sector from 1 January 1995 the Norwegian GSP scheme was revised for agricultural products with effect from 1 July 1995. There has been a significant increase in imports of agricultural products from LDCs from 1994 until 1998. The changes in our import regime has been a decisive precondition for this development. However, the value of agricultural imports from LDCs remains low. GSP benefiting imports of agricultural products from all GSP benefiting countries also increased from 1994 up until 1996, but imports in 1998 were not higher than in 1996.

The product coverage for non agricultural products in favour of ordinary GSP countries was significantly extended from 1 January 2000. It is a little bit too early to assess the trade consequences of these changes.

In the first half of 1999 GSP-benefiting imports represented 18% of total imports from GSP countries. One reason for this figure being so low is that a large share of the goods imported from GSP countries are customs free also at ordinary rates. Another reason is that GSP preferences were not accorded to ordinary GSP countries for most textile and clothing products last year (as opposed to now).

## **THAILAND**

*We note with interest the fact that although agriculture sector contributed approximately 1.1% to GDP in 1997 (WT/TPR/S/70, para. 5, p. 72), the amount of domestic supports given to this sector together with forestry and fisheries amounted to 1.2% of GDP in 1998 while support to industrial activities totaled only 0.5% (para. 128, p. 58).*

*Explanation or comments on the above facts from Norway would be much appreciated.*

We refer to our reply to Uruguay.

*Please provide more information on "producer levies" as referred to in para. 8, p. 74 such as:*

- *what kind of levies are collected;*
- *which agricultural products are subject to these levies;*
- *estimated amount collected each year;*
- *estimated shares of the overall support programmes of which these levies account for.*

The producer levies referred to in paragraph 8, page 74 are marketing levies paid by the individual farmer. All agricultural products: beef and veal, sheep meat, poultry meat, pork, milk and dairy products, eggs fruits, vegetables and horticultural products are subject to this levy, according to the Agricultural Marketing Act. The levies for the various products are fixed according to the market situation, and are increased in a situation of overproduction. The levy, accordingly, is an effective production limiting measure.

In 1998 the marketing or producer levies paid by producers amounted to 879 million NOK. Total budgetary domestic support to the agricultural sector in 1998 amounted to approx. 11.7 billion NOK.

*In para. 9 (p. 74), the White Paper No. 19 by the Ministry of Agriculture was referred to. According to this White Paper, "the maintenance of reliable import protection is essential in securing room for manoeuvre and in giving preferential treatment to Norwegian production important to agricultural policy goals. Recognizing that export subsidies have negative effects on global food markets, the White Paper foresees a possible, gradual reduction of these."*

*We would like to have more information on what measures Norway considers as reliable import protection and what is the preferential treatment that Norwegian producers receive.*

*In addition, please provide any concrete plan including possible timeframe or other indication that Norway would undertake in order to reduce its export subsidies. Has Norway considered eliminating its export subsidies on agriculture products given the fact that the Ministry of Agriculture itself admitted that these subsidies do have negative effects on global food markets?*

Norway applies a tariff only import regime in accordance with the AoA. Imported products are treated equally to domestic products (national treatment). Preferential treatment means that tariff rate levels should enable domestic producers to be competitive compared to imported products.

Norway uses export subsidies according to our export subsidy commitments in the WTO. Norway has no plans of unilaterally reducing the use of export subsidies beyond our WTO commitments.

*Paragraph 7, page 74 stated that Norwegian agricultural policy is increasingly geared towards objectives concerning income, regional development, the agricultural landscape and the environment. Examples of policy measures in this direction are: support to mountain dairy farming, promotion of environmentally friendly production, encouragement of labour-intensive production in rural areas.*

*We would like to learn more about the above-mentioned policy measures particularly how they are put into operation or being implemented.*

All the above-mentioned schemes are operating according to our scheduled WTO commitments.

*The Support to Summer Dairy Operations in Mountainous Regions* aims at encouraging the traditional milk production in mountainous regions in order to conserve the agricultural landscape by grazing of cows and cattle, and using of agricultural buildings. Mountain farming in this context includes deliverance of milk or processed milk products.

The production allowance is intended to compensate for the extra costs of keeping dairy cows on summer pasture in mountainous areas in order to further conservation of mountainous agricultural landscape. The applicant has to fulfil the general conditions laid down for all agricultural support, including compliance with the Nature Conservation Act and the Pollution Act. Certain health and quality requirements have to be fulfilled. Furthermore there are specific conditions related to the

programme: The farming must take place during the summer, be connected to a traditional mountain farm building and be based on a mountain summer farm connected to a year-round agricultural holding. The mountain farm has to be higher in elevation than the locations of the permanent dwellings in the area in question. *The allowance is paid in the form of a lump sum per year.* In 1997 1,831 summer farms were included in the programme.

Norway applies several schemes that aim at *promoting environmentally friendly production*: One scheme aims at stimulating the conversion to ecological farming methods. In accordance with Annex 2 paragraph 12, it aims at covering the extra costs or loss of income related to the Regulation concerning Production and Labelling of Ecological Agricultural products. Furthermore, a program to prevent soil erosion including stimulating local co-operation and providing information to farmers, with particular emphasis on increased use of *catch* crops as well as the plan of action for reduced use of pesticides and a program for increased re-circulation of organic waste are also included under the heading "promote environmentally friendly production".

Several programs contain elements that aim at *stimulating labour-intensive production in rural areas*. In general the level of support within the main support schemes and programs are differentiated with the higher level of support provided in remote rural areas compared to less remote rural areas.

*According to Table IV.5 (p. 79), supports given to potatoes and fruits and vegetables are in the form of target price, deficiency payment, and transport subsidy.*

*Please provide further details on how these support measures are actually implemented.*

Target prices are maximum prices and if market prices rise beyond the target price, tariffs are reduced in order to reduce domestic prices. Regional deficiency payments and a deficiency payment to promote quality in production are based on volume up to a maximum level varying for different product groups. The transport subsidy scheme amounted to NOK 1.4 million in 1998 and aims to equalise prices among producers in different regions. The transport subsidy scheme for fruits was abolished in 1999.

## **TURKEY**

*Has such a high degree of domestic support really protected the agricultural sector? As a result of this, is the agricultural sector better-off or worse off in terms of productivity, and product diversification?*

Labour productivity in the agricultural sector has increased by 2.5% annually in recent years. Changes in agricultural support may increase labour productivity even further but to the cost of rural agricultural employment.

## **UNITED STATES**

### **Chapter III - Trade Policies by Measure - Part (2)(iii) Tariffs**

*The Secretariat Report notes the large disparity between average MFN rates on industrial goods (2.3%) versus the average tariff for agricultural products (38.5%).*

*How does Norway intend to bring its high agricultural tariffs more in line with its industrial schedule?*

Tariffs for agricultural products are one important element in the Norwegian agricultural policy. Border protection together with direct support makes it possible to produce agricultural products in all parts of Norway and produce public goods related to the agricultural production.

Climatic and natural conditions result in high agricultural production costs in Norway. It is therefore, in our view, not relevant to compare agricultural and industrial activities. See also general response statement.

*We understand that Norway occasionally will adjust down tariffs on certain products (notably in agriculture), based on local demand. Such adjustments are often announced on very short notice, which gives exporters located far away little time to take advantage of the opportunity.*

*What is Norway doing to provide greater transparency and advance notice under its adjustment system?*

We can confirm that Norway sometimes adjust down tariffs on certain agricultural products. Such reductions opens up for increased export possibilities to Norway. The agricultural authorities publish information on such administratively reduced tariff rates before the reduced tariffs enter into force. The changes are also reflected in the Internet version of the customs tariff.

#### **Part (2)(iv) Other charges and duties**

*We note that imports basic and semi-processed agricultural products are subject to a 0.82% inspection tax and processed agricultural products are subject to an 0.64% inspection tax.*

*Is this import charge levied on imports from all countries? Are domestically-produced like products also subject to inspection tax?*

*Please describe the service that is provided for this charge? How does Norway's use of an ad valorem charge comport with the GATT Article VIII requirement that all fees and charges shall be limited in amount to the approximate cost of services rendered and shall not represent an indirect protection to domestic products or a taxation of imports for fiscal purposes?*

This inspection tax (0.82%) is levied on *domestic* as well as imported products from all countries. The inspection tax finances the Norwegian Food Control Authority. The Authority carries out the food control. In accordance with the EEA agreement the Norwegian food control is fully harmonised with the European Union's laws and regulations.

*We note that meat and meat products are subject to a variable "control tax".*

*What is the purpose of the control tax? What service is provided for this tax? Is this import charge levied on imports from all countries? Are domestically-produced like products also subject to the control tax?*

*Please describe the operation of the variable feature of the control tax. How much revenue was obtained from this control tax in 1999?*

The control tax finances meat and hygiene inspections in meat plants. This control is also fully harmonised with the EU and is levied on imports and domestically produced products.

On imports there is a fixed rate according to the volume of each consignment and an additional rate according to how many tests/controls taken per consignment. On domestic products there is a fixed rate per day of veterinary control at slaughterhouses. The total revenue from the control tax for meat amounted to approximately NOK 120 million in 1999.



*We note that a 0.73% foodstuff tax applies to a large number of agricultural products, including meat, dairy, cereals, oils, sugar, cocoa, preserved fruits and vegetables and modified starches and a reduced rate (0.58%) foodstuff tax applies to certain other products contained in seven HS agricultural chapters.*

*What is the purpose of the foodstuff tax? What service is provided for this tax? Are domestically-produced like products subject to this tax? Are imports from all countries subject to this tax?*

There is some misunderstanding here. The foodstuff tax (0.73%) and the inspection tax (see response to question on this issue) is the same tax. This tax was increased from 0.73% to 0.82% from 1 January 2000.

## **Part (2)(v) Import Prohibitions and Restrictions**

*The WTO Appellate Body ruled in the U.S.-EU beef hormone case that the EU ban was not justified under WTO rules. Norway continues to apply the same import prohibition on U.S. hormone-treated beef.*

*How does Norway justify the continued use of this import ban? Does Norway intend to eliminate this import prohibition?*

A major aim of Norwegian consumer policy is to provide consumers with safe food. Norway has thus maintained a general prohibition on the use of hormones as growth promoters in food-producing animals and on the marketing of meat from animals given such growth promoters. The legal basis for this measure is found in Sections 10 and 3 of the regulations of 27 January 2000 No. 65 and in Sections 22 and 23 of the regulations of 23 December 1998 No. 1471.

In our opinion, is not evidently clear that the consumption of meat from animals that have received various combinations of certain hormones as growth promoters, represents an acceptable risk in relation to the appropriate level of protection of Norwegian consumers.

The EU is currently undertaking a risk assessment regarding this matter. The Norwegian import ban will be reassessed i.e. on the basis of this study when available.

*We note that Norway maintains stringent testing and labeling requirements for agricultural products containing Genetically Modified Organisms, which appear to be modelled on EC practices. However, Norway maintains a ban on soybeans containing GMOs, even though the EU and United States have found them to be safe.*

*On what basis is Norway maintaining this import prohibition?*

The Monsanto genetically modified soybean is not banned in Norway. At present the product is under consideration under the Norwegian Gene Technology Act, as Norwegian health authorities are considering additional documentation from the applicant. The documentation contains new scientific information related to health aspects. This documentation will be subject to thorough consideration before a final decision is taken.

Deliberate release of GMO's in Norway is regulated by legislation deriving from EC Directive 90/220/EEC on the deliberate release of GMOs. The directive is implemented in Norwegian law through the EEA Agreement Annex XX, chapter IV with adaptations.

## **Part (2)(viii) Standards and Technical Requirements**

*We note that Norway maintains stringent and often restrictive requirements on processed foods containing enrichment additives, regardless of whether the additives are beneficial.*

*How does Norway justify these measures? Has Norway considered the use of product labelling, rather than import restrictions?*

The Norwegian regulation on fortification is administered in accordance with the Codex Alimentarius General Principles for the Addition of Essential Nutrients to Foods (Codex Alimentarius General Principles) (enclosure 1). The Codex Alimentarius General Principles state that fortification should be the responsibility of national authorities since the kinds and amounts of essential nutrients to be added and foods to be fortified will depend upon the particular nutritional problems to be corrected, the characteristics of the target populations, and the food consumption patterns of the area.

According to the Norwegian Regulation of 8 July 1983 No. 1252, Section 10(2), based on the Norwegian Food Act, which is based on the principle of protecting public health, it is forbidden to fortify foodstuffs unless it is permitted by the Norwegian Food Control Authority. Section 10(2) is administered in accordance with the Codex Alimentarius General Principles. Individual permissions are being granted to individual applicants if there is considered to be a need in a population group or in the population as a whole. The question of need for fortification is in each case decided upon by the Norwegian National Council on Nutrition and physical Activity and the Norwegian Food Control Authority which consist of the best nutritional experts in the country. Products being evaluated are all treated by the same standard of evaluation whether they are produced domestically or abroad. National dietary surveys are being used to monitor the nutritional need for fortification.

In the opinion of the Norwegian Government, labelling requirements would not be sufficient, as the labelling itself could mislead the consumer to believe that the product is beneficial to health. Vitamins and minerals are both necessary but also potentially dangerous, and the needs of different sexes and age-groups differ. It would be almost impossible to label fortified products in a way which takes account of these differing and in some cases contradictory needs, without at the same time confusing the customer.

## **Part (3)(v) Export Subsidies**

*It is noted in several areas of the report that Norway provides export subsidies to a number of agricultural products, including dairy.*

*What are your plans to reduce or eliminate these subsidies and to make your agricultural industry more competitive?*

See related question raised by Thailand.

## **Part (2) Agriculture**

*A recent Ministry of Agriculture White Paper states that the maintenance of reliable import protection is essential in securing room for manoeuvres and in giving preferential treatment to Norwegian production important to agricultural policy goals.*

*Does Norway intend to further liberalize its market access commitments?*

Norway has no plans to further liberalise market access unilaterally.

*Please describe Norway's plans to further expand access for those imports subject to TRQs?*

Norway has no plans to further liberalise market access unilaterally.

*Could Norway provide further information on how the TRQs for apples and pears are administered? In particular, how are the allocations made?*

The TRQs for apples amounts to 8,000 tonnes and pears 250 tonnes. The quotas are allocated according to historical performances. Importers provide confirmed information on imports the past year and quotas are allocated accordingly.

*What can Norway do to improve the fill rates for the meat tariff rate quotas?*

See related questions raised by Australia and New Zealand.

## **Part (6) Hydrocarbons**

*We understand that the government is examining the possibility of privatizing the state oil company, Statoil.*

*What is the status of the government's analysis? Have you drawn any preliminary decisions, including with respect to the standing of the State Direct Financial Interest (SDFI)? Has the Government established a time line for privatization?*

A preliminary process is underway with a view to a restructuring the State participation in the petroleum activities on the Norwegian Continental Shelf. Such restructuring could involve a partial privatization of Statoil and a modernization of the present model for the management of the SDFI.

No preliminary conclusions have as yet been drawn on any issue concerning a partial privatization of Statoil or the standing of the SDFI. No time limit has been established.

## **Part (8) Services**

### **(ii) GATS Commitments**

*In the Uruguay Round Norway undertook commitments in all categories of trade in services, with the exception of health-related and social services. While cognizant of the special role that state participation plays in these sectors, we would appreciate further clarification as to whether and how the private sector plays a role in these services domestically and whether Norway plans to consider future GATS commitments in this area.*

Norway did undertake some commitments in the Uruguay Round concerning the health sector related to professional services (medical and dental services; deliveries and related services, nursing services, physiotherapeutic and paramedical services).

Responsibility for institutions with specialist services for the care and treatment of people in need of social assistance (elderly, disables, etc.) lies with counties and municipalities. Private institutions may be used in order to fulfil the authorities' obligations. Health institutions (hospitals, etc.) must be approved by the Government. Counties and municipalities have the main responsibility once a health institution has been established. Generally, private suppliers play a larger role in the health care sector than in social services.

Norway will consider all requests in this sector as in any other sector during the GATS article XIX negotiations. We are in the process of going through our negotiating position in all the main services sectors, and it would be premature to make any predictions as to whether we will make commitments in this area.

**(iii) Financial Services**

*Under Norwegian law, without a special exemption from the Ministry of Finance, no single investor or coordinated group of investors may acquire more than 10% of the equity of an insurance company or commercial bank or 10% of the equity certificates of a savings bank.*

*Please update WTO Members on the status of the government's proposal to increase this threshold to 25%.*

*Please provide Members with information concerning the exceptions to this rule which may be granted by the Ministry of Finance and Customs. This would seem to leave room for wide discretionary action. Please indicate the circumstances in which such an exception would be granted. Reference to specific instances may be helpful in this regard.*

The amendment of The Financial Activities Act which makes it possible to grant exemptions from the general 10% ownership limitation in financial institutions for holdings up to 25% in combination with strategic cooperation and alliances, entered into force on 17 December 1999.

The Storting (Parliament) has stated that the possibility to grant exemptions from the 10% ownership limitation should be practised in a strict and consistent way. When it comes to attempts to acquire another financial institution, exemptions should not be granted unless a 90% acceptance rate from the shareholders is established in advance. Nevertheless, this should in the Storting's opinion not restrict the possibility to make exemptions for certain special, limited scale constellations of cooperation.

Such exceptions have been granted in various instances of mergers and acquisitions. In January 1999, Swedbank (FöreningsSparbanken) got licence of approval from the Ministry of Finance to take over 25% of all the shares in the savings banks alliance – Sparebanken-1 group, which is the fourth largest financial conglomerate in Norway.

**(a) Banking**

*It would appear that Norwegian law may grant various exceptions to certain nationality restrictions applied to non-EEA financial services firms.*

*Please provide further information to Members as to how and in what circumstances these exceptions are granted.*

Branches of foreign, non EEA-based institutions may be established in Norway, provided that they obtain permission from Norwegian authorities. The supplier must have permission to provide equivalent services in its home state and be subject to prudential supervision there.

Branches which have obtained such permission are exempted from several provisions in the Act relating to Saving Banks and the Act relating to Commercial Banks. Among these exemptions are inter alia provisions on establishment, capital requirements, the institutions' bodies and mergers and winding up.

*Please update Members on the plan to sell the State's shares of Christiana Bank. Will the privatization take place on strictly commercial terms? How might this planned sale impact guidelines for State ownership in the banking sector?*

See related questions raised by Hong Kong.

**(b) Insurance**

*In its last Trade Policy Review, Norway indicated that the requirement that insurance broker activity be organized as a joint stock company would be abolished. Please indicate whether this requirement has been removed.*

According to regulation No. 923 on 24. November 1995 on insurance broker activity, an insurance brokerage firm must be organised as a joint stock company. The Norwegian Banking, Insurance and Securities Commission (Kreditilsynet) may grant exemption from this requirement.

The EU is considering a proposal for a directive on insurance broker activity. A directive will be relevant also for the EEA-states, and may thus call for amendments in the Norwegian regulation on insurance broker activities.

**(iv) Telecommunications**

*Please update Members on the status of legislation providing for the partial privatization of Telenor AS through an initial public offering. Will the IPO include separate listings of Telenor business units? Please also indicate whether the government intends to retain a long-term ownership stake in the company. If so, is this due to the limited capital available through the domestic stock market or are there additional considerations?*

In connection with the reorganization of the company to a limited company 1 November 1994 it was passed a bill saying that the company was to be wholly owned by the state. This bill was abolished following the proposal to merge Telenor and Telia and has not been reintroduced. This means, according to Norwegian ordinary public administration, that it is enough that the Parliament endorses a proposal to privatize the company from the Government. Such an endorsement has been given. (St.prp. nr. 66 (1999-2000) Om Telenor and Innst. S. nr. 242 (1999-2000)).

Separate listings of Telenor business units will be considered, but not in the IPO process.

The Government intends to retain a 51% long-term ownership stake in Telenor. This is partly due to the limited capital available through the domestic stock market. In addition it is important, for the Government, to secure further business development with a base in Norway.

**(v) Transportation and Related Services**

*Under Norwegian law are there any restrictions on foreign firms providing oil-related transportation services on Norway's Continental Shelf?*

There are no special restrictions for foreign firms providing transportation services on Norway's continental shelf. All cabotage trades are open to foreign flag vessels.

*According to information provided on page 41 of the Secretariat Report, cabotage trades are open to foreign-flag vessels. However on page 43 it is stated that cabotage trades are closed to Norwegian International Ship Register (NIS) vessels. This policy appears to indicate that NIS vessels face more restrictions than foreign firms.*

*Please clarify this apparent discrepancy.*

The NIS register was created to improve the competitiveness of Norwegian vessels engaged in foreign trade. NIS vessels were excluded from Norwegian cabotage trade to avoid these vessels from competing with vessels registered in the Norwegian Ordinary Register (NOR).

## **Economic and Social Values**

*Referring to Norway's interest in the area of trade and labour, we look forward to further input as this work continues.*

Norway is actively pursuing work to ensure that law and practice are in compliance with international obligations, as well as with their further development.

## **URUGUAY**

### **Government Report (WT/TPR/G/70) (paras. 3 and 13; paras. 24, 29 and 30)**

*Paragraph 13 of the Government Report express that "The level of assistance has remained high by international standards in order to promote small-scale farming in all parts of the country and to safeguard the multifunctional character of the agricultural sector". However, paras. 1, 3 and 20 refer to Norway's open economy underpinned by a liberal trade policy, the importance of trade as a means of promoting economic growth globally and mention that Norwegian trade policy towards developing countries plays an increasingly important role in the formulation of Norwegian foreign policy.*

*Paragraph 24 also states that in respect to services "in the present negotiations, Norway is looking for real trade liberalization over a broad range of sectors ...", while paras. 29 and 30 related to agriculture and specially the latter, express that "the goal is to safeguard national flexibility in agricultural policy design by allowing the use of appropriate measures to ensure viable agricultural production throughout the country".*

*Could Norway explain how the mentioned paragraphs can be reconciled?*

Covered by general response statement.

### **Secretariat Report (WT/TPR/S/70)**

#### **Summary Observations, para. 16**

*Could Norway comment on para. 16 of the Secretariat Report in which it is stated that "... in agriculture, substantial border protection combined with price support measures; the latter are being gradually replaced with direct income payments ..." "... Overall, assistance to domestic producers remains high, at a level almost equal to the value added generated by the sector ..."?*

Several delegations have commented the fact that support to agriculture equals approx. agriculture's contribution to GDP. Several goods and services provided by agriculture are not included in GDP calculations, such as agriculture's contribution to viable rural areas, long term food security, and environmental and cultural benefits. These functions are important to the Norwegian society and should be safeguarded.

#### **Summary Observations, para. 9**

### **Part III. Trade Policies and Practices by Measure, paras. 20, 21 and 24**

*Taking into account para. 1 of the Government Report that refers to Norway's open economy, underpinned by a liberal trade policy:*

(a) *Could Norway comment on para. 9 of the Summary Observations of the Secretariat Report which states that in general, tariffs in industrial goods are low – the average MFN tariff on industrial products declined from 5.6% in 1995 to 2.3% in 2000 -, and in contrast, the average MFN tariff on agricultural products is 38.7%?*

Covered by general response statement.

(b) *Could Norway comment on para. 24 of Part III. Trade Policies and Practices by Measure, that notes that MFN tariffs in agriculture are high and the rates range from zero to 550% (with tariffs of 215.9%, 181% and 131.5% for live animals, meat and dairy products, respectively)?*

Covered by general response statement.

(c) *Could Norway explain why most tariffs rates in agriculture are specific while tariffs applied on manufactured products are almost all ad valorem?*

In the Norwegian Schedule we have reserved the right to apply either specific or *ad valorem* tariffs in the agricultural sector. We have chosen to apply specific tariffs in the agricultural sector. Specific rates are transparent and predictable. Furthermore, calculations of customs duties are then based on the actual imports per kilo or per unit. Difficulties regarding invoices and the basis for calculation and related control problems are then avoided, which is especially important in situations with high tariff levels.

#### **Part IV. Trade Policies by Sector**

##### **Paras. 5, 6, 7 and 23**

*Taking into account that:*

*"The agricultural sector is relatively small; it contributed an estimated 1.1% to GDP in 1997 and employed 1.3% of the total work for (para. 5);*

*Excluding fish and fish products, Norway is a net importer of agricultural products (para. 6); and*

*Norwegian agricultural policy is currently aimed at improving cost efficiency, making the sector more competitive and market-oriented, and at achieving lower food prices (para. 7)."*

*Could Norway explain why the support to domestic producers remains high (Norway's Producer Subsidy Equivalent (PSE), as calculated by the OECD, was 75% in 1998, among the highest in the OECD area) and tariffs for agricultural goods remain way above average?*

The high level of assistance to Norwegian agriculture is a function both of ambitious policy goals in respect of agriculture's multifunctional role and of unfavourable geographical and physical conditions for domestic producers.

##### **Para. 9**

*Paragraph 9 of Part IV Trade Policies by Sector of the Secretariat Report and para. 13 of the Government Report, note that in December 1999 the Minister of Agriculture presented to Parliament White Paper No. 19 on agricultural policy. Could you explain how does Norway reconcile White Paper No. 19 with the current mandated negotiations on agriculture ("built-in-agenda") or even in the context of a possible broad new round of multilateral trade negotiations?*

Norway is committed to WTO negotiations in the agricultural sector, according to Article 20 in the AoA. Furthermore, Norway favours a comprehensive round of trade negotiations. Norwegian commitments and views regarding WTO negotiations are described in the White Paper No. 19 (1999-2000) to the Storting. The Storting approved the White Paper on 9 May this year.

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