

Information Booklet about
Norwegian Trade and Industry

Preface



The total wealth creation determines the level of wealth and social welfare in Norway. Without an industrial policy based on wealth creation, we will not be able to maintain and develop our current welfare state. The goal for this government regarding industrial policy is therefore to generate as much wealth creation as possible in the Norwegian economy.

Norway's level of participation in the international economy is steadily increasing. Markets, knowledge and technology are rapidly changing, and this makes it necessary for Norwegian trade and industry to actively adapt. It is tempting to let the Norwegian Government Petroleum Fund become a pretext for idleness, but we must not let the oil revenues cloud the need for change in the Norwegian economy. If we do not adapt, the result can be dramatic and swift – mainly for companies and employees in the exposed sectors. In the long run, established welfare schemes may be threatened.

To meet these challenges, the Norwegian government is aiming for a forward-looking industrial policy in which it focuses on research, innovation and effective restructuring. A future-orientated industrial policy comprises all the policy areas that affect the external conditions for Norwegian trade and industry. Taxes and fees, access to competent capital, the level of education and expertise in the workforce and the quality of the infrastructure will, among other things, be vital to the companies' profitability. All these policy areas must therefore be seen in relation to each other.

Globalisation and international financial integration spells increased competition for Norwegian trade and industry. Norwegian companies can remain competitive by focusing on cost efficiency, innovation and adaptation. This way, globalisation will not be a threat, but instead provide extended market opportunities, increased exports and cheaper imports. Increased production value is mainly achieved by product development, innovations and improvements, and by finding markets that are willing to pay even more.

The Norwegian economy is doing well. The starting point for future wealth creation is good. The value of Norwegian exported goods and services is rising, and so are investments in Norwegian industry. Wealth creation per inhabitant is among the highest in the world, even when we compensate for wealth created by petroleum resources. Unemployment is low compared to most other European countries. Work force participation levels are also among the highest in the world and the level of education is high.

This information booklet gives a complete picture of the diversity of Norwegian trade and industry, the challenges it is facing and a review of Norwegian industrial policy. The booklet will mainly show how interesting and diverse Norwegian trade and industry is and provide an image of what wealth creation is all about.

Happy Reading!

A handwritten signature in black ink that reads "Børge Brende". The signature is written in a cursive, slightly stylized font.

Børge Brende
Norwegian Minister of Trade and Industry

Table of Contents

Norwegian Trade and Industry	5	Holiday and Leisure	36
A Good Starting Point	7	Distribution Services	38
What Do We Work With?	8	Consultancy Services	40
Trade and Industrial Structure	10	Specialist Corporate Services	42
Entrepreneurship, Start-Ups and Closures	12	Welfare and Health	44
Ownership	13		
The Business Sectors	15	Industrial Policies	47
Technology Industry	16	Innovation, Entrepreneurship and	
Energy	18	Simplification	49
Power-Intensive Industry	20	Trade and Competition	50
Construction, Building and Materials . . .	22	Taxes and Fees	51
Food and Beverages	24	Human Capital	52
Media and Advertising	26	The Norwegian Government Petroleum	
Furniture, Fabrics and Consumer Goods	28	Fund and The Fiscal Policy Guideline . . .	53
Finance and Property	30	Information about Norwegian Trade	
Transportation Services	32	and Industry and Industrial Policies	54
Telecommunications, EDP and Postal			
Services	34		



Part 1 Norwegian Trade and Industry

By “trade and industry” we are referring to the wide variety of Norwegian companies that generate income from the sale of goods or services in a market. Norwegian industry consists of businesses with very different activities. The businesses can be grouped into different business sectors, and we normally distinguish between goods-producing and service sectors. However, the final products that are delivered to the customers are practically always a result of cooperation between both goods and service sectors. Thus we have grouped Norwegian trade and industry into 15 main business sectors, irrespective of whether they produce goods or services.

The starting point for the classification is the similarities between the businesses or the fact that they are closely connected in supply chains or value chains. There are, however, no strict barriers or rules separating these 15 groups. Goods and service supplies cross group divisions and everyone contributes to the interaction between the various participants in the Norwegian trade and industry sectors.

The term wealth creation is often used in this information booklet. To create wealth in this context is to perform a financial activity in which the socio-economic value of what is produced is at least equal to the socio-economic cost of generating the production.

A Good Starting Point

Economic growth over the past twenty years has been substantial and Norway has become one of the richest countries in the world. Good access to natural resources has been essential to the growth of wealth in our country. Whereas hydropower formed the basis for building Norwegian industry in the last century, the oil and gas industry has been a major driver of economic growth over the past twenty years. The petroleum industry has provided both a large income for the state and created a market for important segments of our mainland economy.

The workforce, or human capital, is nevertheless our most important resource. Even though many

business sectors have experienced at various times a shortage of manpower in the past ten years, industry in general has had good access to qualified labour. Proportionally more people are in employment in Norway than in most other industrial countries.

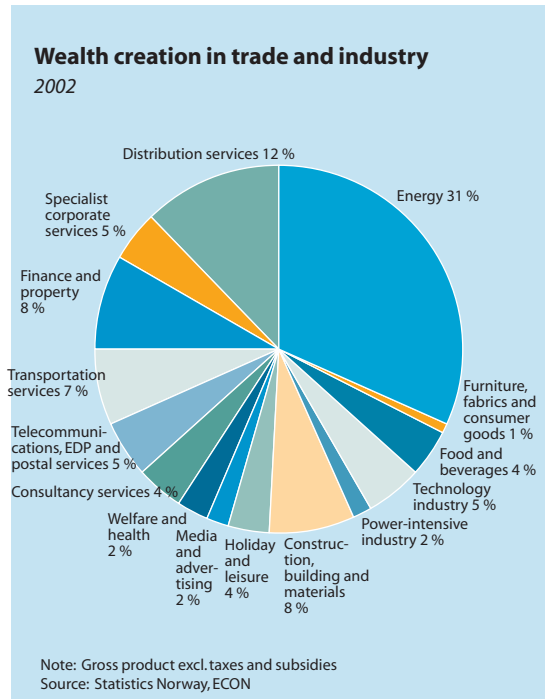
The period in which the petroleum sector has been the main economic engine will come to an end, and labour will become an increasingly more important input factor. Wealth creation in the Norwegian economy must be based on growth outside of the petroleum industry. In particular, the need for growth in other exposed business sectors will increasingly become apparent.

Employment by business sector

in 1000 persons

	1995	2002	% change
Energy	43	44	2
Furniture, fabrics and consumer goods	26	23	-11
Food and beverages	153	136	-11
Technology industry	107	110	3
Power-intensive industry	37	29	-22
Construction, building and materials	145	169	16
Holiday and leisure	76	83	9
Media and advertising	52	49	-4
Welfare and health	78	87	12
Consultancy services	57	72	27
Telecommunications, EDP and postal services	66	78	18
Transportation services	137	146	7
Finance and property	61	66	8
Specialist corporate services	55	101	84
Distribution services	303	331	9
Sum business sectors	1397	1527	9

Source: Statistics Norway, ECON



What Do We Work With?

Today the majority of Norway's workforce is employed in the service sector. We are dependent on buying advice, information, leisure activities, transport and other services. Goods and service production is connected through value chains. Goods are not just produced. They are also developed, designed, marketed, sold and transported. Many Norwegian companies are operating successfully within many aspects of this value chain. A highly skilled workforce is a key resource for most of them.

Norway's great access to energy resources has been instrumental in the development of energy-based business sectors, wealth and growth. The number of employees in energy-based businesses is not very high: approximately one in twenty employees work within the oil and gas sector, the power sector or the power-intensive industry.

Energy resources, and oil and gas in particular, mean far more to the Norwegian economy than the number of employees indicates. The energy sector represents one third of the total wealth creation in trade and industry. This income enables us to have a higher level of public spending and lower taxes than what would otherwise have been possible.

The energy-based business sectors are also important sources of technological improvement. They have laid the foundations for an extensive supplier business and for the development of knowledge environments in other business sectors, such as commercial service provision.

For many years, we have had a technology industry that produces anything from electronics to large industrial machinery, ships and equipment. Today, approximately 7 % of Norwegians work in this field. Previously, many companies focused on servicing the

Norwegian shipping industry. However, after significant restructuring efforts, these companies have leveraged this know-how and are now supplying not only marine equipment, but also new technology to the oil and gas sector. Lately, new and technologically innovative companies have sprung up, based on the old industrial environments.

About one in five employees in the business sector produces consumer goods, within which two sectors dominate. The first is the production of food and beverages, including both raw materials, such as fish farming and processing such as the food industry. The other large sector comprises companies that produce materials for the construction and building industry. Today, few commodities such as furniture, clothes and shoes are produced in Norway. The textile and clothing industry has mostly disappeared.

Media and advertising businesses are important in a modern economy. Approximately 50,000 work in the production of books, newspapers, radio and TV programs and advertising in Norway. Despite a large increase in the number of radio and TV channels, the number of employees within this sector has in fact decreased over the past few years. This could be explained by increased efficiency in the graphic industry, and probably by the fact that a large proportion of books and other printed material are printed abroad.

Information and communication technology has increased the efficiency of most business sectors and has resulted in new business sectors being established. Over the last 20 years, productivity growth in the service sector has been among the highest in Norwegian trade and industry and has contributed significantly to improvements in the efficiency of the Norwegian economy. Today, the

market-based service sectors represent half of the wealth creation in Norway.

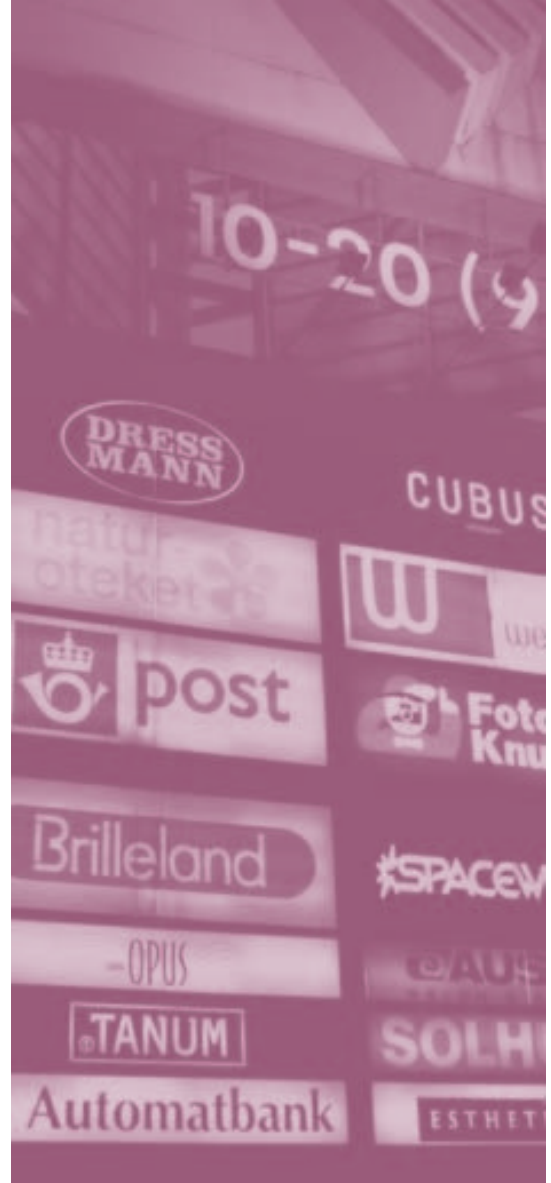
Over many years, growth in service production has been the main driver of employment growth, both in Norway and in other countries. However, employment has decreased in several service sectors, such as financial services and retail trade due to improved efficiency and new technology.

With nearly half a million employees, the distribution services and transport business are large service sectors in terms of employment. The use of IT in stock control and the establishment of supply chains in distribution services have contributed to a higher increase in transport and turnover than in number of employees.

Services in fields such as hotels, restaurants, cinemas, theatres, welfare and health have grown over the past few years, and are often described as the “experience economy”. These business sectors are continuing to grow rapidly within Norway, as they are internationally.

We are also experiencing a growth in services where the demand comes from other companies, for instance finance, consulting and other specialised company services. One in twenty employees in trade and industry now work in the consultancy sector, for instance as lawyers or consultants. Employee temping, security and cleaning services are specialised corporate services that have experienced strong growth. This can be explained by the increasing tendency of business to outsource such services, whereas previously they would have been performed by the company’s own employees.

The most pronounced growth is perhaps found within the provision of information and communication sectors. However, new technology has signifi-



cantly rationalised employment levels in several of these sectors. Telecommunication has undergone some significant technological and market changes. Within Electronic Data Processing (EDP), various companies have been established that offer a range of products and services, from software to the operation of IT systems for small and large companies. Part of the growth in the information and communication business sectors is related to the fact that an increasing number of companies outsource the operation of data services to specialised businesses rather than having an in-house team.

Trade and Industrial Structure

10

Unlike many other countries, the main part of Norwegian industry is located outside of the major metropolitan areas. Production was often established either close to an energy source, or at a location offering good transport links for the shipment of raw materials and/or finished goods. Commodity-based industries have declined as competition for resources has increased and as competing businesses have been established in many developing countries. Nevertheless, these business sectors have continued to develop, and many of them are profitable. A large proportion of the production is sold on the international market.

Service sectors dominate the towns. Consultancy and other company-orientated services are growing in the cities, where there is easy access to a highly educated workforce. Norway's striking nature has contributed to a growth in the tourism sector in many regional areas. Nevertheless, most of the employees in the tourism sector work in the cities.

Traditionally, Norwegian trade and industry has exported energy-intensive products whereas technology-intensive and labour-intensive products have been imported. The growth of the oil and gas sector has reinforced this pattern. Over the last few years, oil and gas products have made up nearly half of Norwegian exports.

Another important sector is power-intensive industry, which now represents about one tenth of total exports. Norway also exports other finished goods, such as ships, oil platforms and other industrial goods. In total, this constitutes nearly one fifth of total exports.

Despite the fact that a large share of exports relies on energy resources, Norway also exports consumer products and goods, most notably fish.

Salmon represents nearly one third of fish exports. Denmark is the single largest buyer of Norwegian fish, where it is processed and sold on to the rest of the EU. Dried, salted cod (klippfisk) and dried fish are specialities that are mainly sold to Portugal, Brazil and Italy.

Over the last few years, the export of services has increased more than the export of goods. Some service-producing business sectors distinguish themselves as particularly export-oriented, notably shipping, financing and business services, as well as tourism. Income from freight on foreign shipping is the largest international source of income for Norway. According to figures from Statistics Norway, it accounted for 45 % of total service sector export income in 2003. Financing and business services form an increasingly large part of service exports.

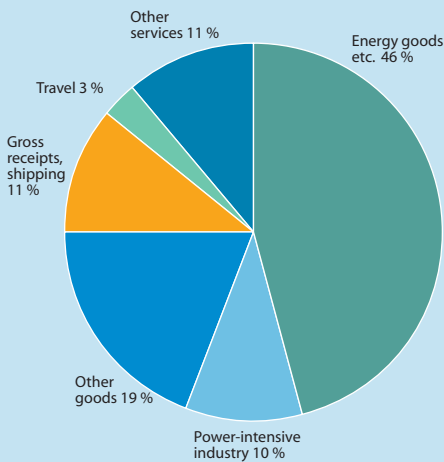
Income from foreigners who travel to Norway is regarded as exports, whereas money spent by Norwegians during trips abroad are accounted for as imports. In 2003, foreigners spent about half as much in Norway as Norwegians spent abroad. Money spent by Norwegians abroad constituted approximately 11 % of our total imports.

As a small country, it has not been profitable to establish production of aeroplanes, cars and other goods in Norway that require large-scale production in order to be profitable. These goods therefore dominate Norwegian import statistics. In addition, Norway imports a lot of information and communication technology – in particular computers. Nevertheless, Norwegian technology companies exported information and communication products worth NOK 12 billion in 2003. This makes up one twentieth of total Norwegian exports.

Norway has always been dependent on importing and exporting to secure wealth. Export of energy-based, lesser-processed products (for instance, oil and gas) will continue to be an important source of revenue for our country for years to come. However, new commercial relationships are emerging – both between Norwegian companies and between Norwegian and foreign companies. Foreigners purchase shares in Norwegian trade and industry and we do the same abroad. Another development is the increasing production of goods and services within international “networks”, where various parts of the production process take place in different parts of the world, depending on expertise, production costs or other advantages.

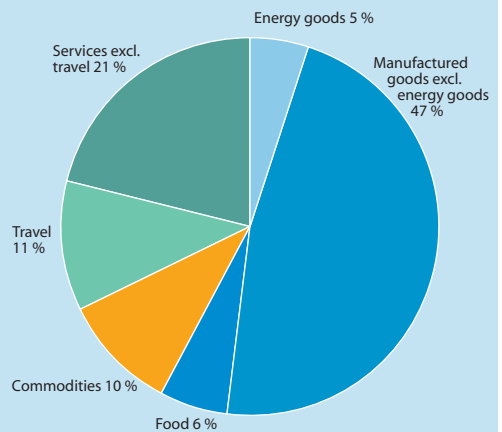


Main groups of Norwegian exports
2003



Source: Statistics Norway, ECON

Main groups of Norwegian imports
2003



Source: Statistics Norway, ECON

Entrepreneurship, Start-Ups and Closures

In 2004, approximately 317,000 companies were registered in Norway. Many of these are one-man businesses, in which the owner works in his/her own business without any other employees. These are important means of livelihood that are particularly common in the construction and building sector, and in parts of private services.

12 About one third of Norwegian companies employ people other than the owner, and most of them are small (see table). Well over half of these businesses employ between 1 and 4 persons and more than 9 out of 10 companies have fewer than 20 employees. In 2004, fewer than 1,600 Norwegian companies had 100 employees or more. These account for 1 % of all Norwegian companies, but represent more than 40 % of total employment. They are therefore very important.

The largest companies are found in the industrial sector, with nearly 500 companies in this sector employing more than 100 people. A large share of the service-based business sectors have between

1 and 4 employees. Retail trade is an example of a sector with many small companies.

Many people in Norway would like to set up their own company. Every year, a number of new companies are established, and many companies also change ownership. In 2003, a total of 41,979 new companies were registered, of which 3,232 were changes of ownership.¹ A number of these companies are based on creative concepts for how to tap into markets and opportunities, and they have potential for development. Approximately 3,900 of the companies that were registered in 2003 had at least one employee. The circulation of companies is high, with many companies closing each year. The total number of companies has therefore changed slightly over the last few years.

1) Source: Statistics Norway based on The Central Coordinating Register for Legal Entities at the Brønnøysund Register Centre. In comparison, the number of new registrations based on The Register of Business Enterprises at the Brønnøysund Register Centre amounted to 23,798 in 2003 (28,119 in 2004). The difference is due to the fact that the two registers have different requirements as to which companies are registered.

Number of enterprises and employees by size of enterprise 2004

Size of enterprise	Number of enterprises	Number of employees	Average number of employees per enterprise	Share of enterprises	Share of employees
1–4 employees	70 000	144 000	2	60 %	10 %
5–9 employees	23 500	154 000	6	20 %	11 %
10–19 employees	13 100	174 000	13	11 %	13 %
20–49 employees	6 600	195 000	28	6 %	14 %
50–99 employees	1 800	125 000	63	2 %	9 %
100 employees and above	1 600	598 000	299	1 %	43 %
Sum	116 600	1 390 000	12	100 %	100 %

Note: The table includes enterprises with at least 1 employee. Source: Statistics Norway, ECON

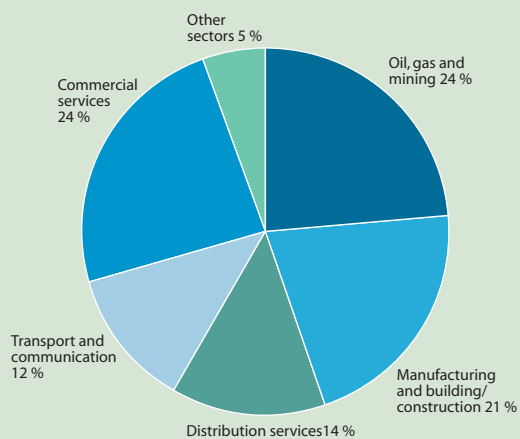
Ownership

A distinguishing feature of the Norwegian economy is the large share of public ownership in trade and industry. Measured in number of employees, the majority of this ownership is found within infrastructure, health and energy. In early 2003, the state owned approximately 43 % of those companies listed on the Oslo Stock Exchange by market capitalisation. At the end of 2004, the share of public ownership had been reduced to less than 37 %. The fact that the state still has a relatively high share of publically listed companies in Norway is mainly due to the ownership stakes in Statoil and Telenor.

The arguments behind public ownership have varied. Companies have become state-owned for various reasons, and not as a result of a single common strategy. Yet, a common denominator has been the desire to support social or political interests. Today, such interests are better taken care of through the practical formulation of laws and regulations, licence requirements and contractual purchases rather than through ownership control. It has been a political goal to reduce the state's role as a direct owner in trade and industry. Today, public ownership is primarily an instrument to safeguard the localisation of head office functions, as well as maintaining control of natural resources.

Increase in ownership across national borders is a feature that the Norwegian economy shares with other OECD countries (the OECD is a forum in which industrialised countries from around the world discuss topics of interest, with an emphasis on aspects related to finance and commerce). Foreigners invest in Norwegian companies, and Norwegian owners invest in foreign companies. From 1999–2003, direct investment¹ by foreigners in Norwegian companies totalled an average of NOK 32

Foreign direct investment in Norway
2003



Note: Shares by value of inward stock data, sectorial distribution

Source: Norges Bank, ECON

billion per year. This is equivalent to 2 % of the Norwegian gross domestic product. In the same period, Norwegian investments abroad were somewhat smaller. In all around 10 % of the value of real capital in Norwegian trade and industry in 2003 was owned by foreign investors.

Around 60 % of inward investments over the last three years have originated from EU countries, and about two thirds of them originate from Denmark and Great Britain. Over the last few years, foreigners have mainly invested in the petroleum business, but also in commercial services and transport and communications. There is also a considerable amount of foreign ownership of Norwegian industry.

1) Investments in which each single investor has an influence of 10 % or more of the equity.



Part 2 The Business Sectors

The technology industry is one of Norway's largest industry sectors. A significant part of the industry has evolved in the wake of activities within the shipping industry and the petroleum business. Internationally, Norway is a leading nation in areas such as ship building, advanced marine equipment and petroleum technology.

Technology Industry

Number of employees: 110,000

Share of gross product in trade and industry: 5 %

Despite technologically advanced products, this industry is often characterised by labour-intensive production. Just like other western industry, Norwegian technology companies are experiencing increased competition from countries with lower labour costs. Some companies have therefore re-located parts of their production to other countries. This tendency is gaining strength. Other companies have changed their production and replaced manual labour with robots. The main competitive advantage of this sector is its knowledge base.

The ship building industry makes up an important part of the sector. Shipyards have a long tradition in Norway, and is still an important business in many communities, especially along the western coast of Norway. The shipyard group Aker Yards owns several shipyards. Norwegian shipyards mainly build small and medium-sized specialist ships, such as product tankers, chemical tankers

and high-speed passenger boats. Norway's ship-building traditions have also led to the development of hi-tech production of marine equipment.

Another important part of the technology industry supplies oil platforms and other highly specialised equipment to the petroleum industry. The development in Norway's supply industry has divided in two separate directions: Some companies supply complete solutions to oil companies – from completed platforms to pipelines, housing areas and security systems. This is in line with international trends. Other companies have specialised in just a few products or services. The largest company is Aker Kværner, which has its head office in Norway as well as operations in several countries. Solutions and products developed in Norway, by companies such as Kværner, Vetco Aibel and FMC Kongsberg Subsea, do increasingly well internationally.

We also find niche-orientated technology companies in other markets. Tomra Systems has gained international success with their reverse vending

16

Kongsberg Automotive – From Manual to Hi-Tech Production

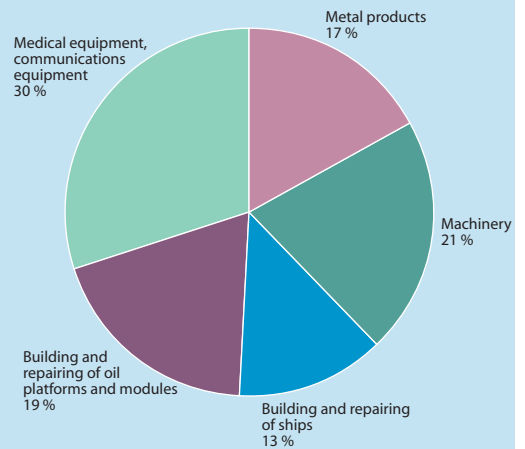
Kongsberg Automotive has developed from a traditional industrial company with manual production to become a hi-tech producer of car parts. The company supplies heated seats, headrests and other parts to car producers in Europe, Asia and America. BMW, Ford, GM and Volvo are well known clients. Kongsberg Automotive's production is partly carried through on licence from the various car companies, and partly the company sells concepts it has developed itself. Despite the high costs in Norway, the business is profitable and profitability has increased significantly over the last few years. An important explanation for this is that the labour-intensive parts of the production take place in low-cost countries such as Poland and Mexico. The main administration for the Norwegian operations is situated in Kongsberg.

machines. Tandberg is a world-leading producer of video conferencing systems and Kongsberg Automotive supply advanced car parts. Electronic production within areas such as maritime information and communication is significant, e.g. Kongsberg Maritime Simrad and the micro technology company SensoNor, which produces pressure sensors for car wheels. Norway also has a considerable amount of expertise within the defense industry. We also find companies that sell workshop products such as machines, metal constructions and other metal products to power plants and the power-intensive industries. Today, these companies are technology-based to a greater extent.

Exports by the technology industry constitute around 9 % of our total exports, and nearly twice that when we disregard petroleum exports. An important feature of this business sector is that a significant share of the supplies is semi-manufactured products and elements that are part of the production processes in other countries. This also means that a large part of the Norwegian companies' own production takes place in other countries. A lot of the sector's growth over the last few years has taken place abroad. The challenge is to uphold the knowledge environments in Norway, since an increasing part of the operations take place abroad.

Employment, Technology industry

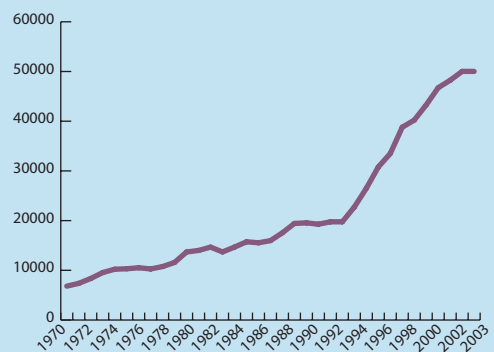
2002



Source: Statistics Norway, ECON

Exports of engineering products

Fixed 2003-prices, millions NOK



Source: Statistics Norway, ECON

Norway is one of the leading energy nations in Europe, supplying hydropower to the Nordic network and selling considerable volumes of gas throughout Europe. Tankers from the North Sea deliver oil across the globe. The activity surrounding our natural energy sources has laid the foundations for significant business sectors that include a variety of expertise companies and supply companies.

Energy

Number of employees: 44,000

Share of gross product in trade and industry: 31 %

The energy sector is dominated by oil and gas, which during the last 40 years has developed from practically nothing to become our largest business sector. Today, the wealth creation from oil and gas activities constitutes between 15 and 20 % of the total Norwegian wealth creation, or nearly twice as much as in traditional Norwegian industry. Oil and gas activities are located in the North Sea, the Norwegian Sea and the Barents Sea. The fields are situated deep into the oceans and developing them has required huge investments. Even though investment levels will probably decrease in the years to come, they still constitute about one fifth of total investments in Norway. The state collects large revenues from oil and gas, in the form of taxes, direct shares in oil and gas fields and dividends from Statoil and Hydro, in which the state is a major owner.

Statoil and Hydro are the two largest producers on the Norwegian Continental Shelf. Another state-

owned company, Petoro, owns the two largest shares in Norwegian oil and gas fields. Foreign companies have a relatively small share in the fields.

Even though oil and gas earn Norway considerable revenues, the number of people who work within this business sector is relatively low. Exploration, extraction and pipeline transport have never employed more than approximately 1 % of the Norwegian workforce.

Several companies have specialised in supplies to the petroleum industry and a large, knowledge-based and technologically advanced supply industry has been established. Other companies supply specialised services such as transport, seismic surveys, engineering solutions, testing and analysing services, safety and maintenance.

The power industry is another important industry within the energy sector. About 99 % of total electricity production comes from hydropower. How much power is produced is largely dependent on the inflow of water. Power cables to our neigh-

Hydro Oil & Energy – From the North Sea to Angola

Hydro Oil & Energy is part of Norsk Hydro, which was founded in 1905. Core activities are the production of oil, gas and hydropower. The company is one of the world's largest offshore producers of oil and gas. Hydro Oil & Energy operate 15 oil and gas installations. In 2003, the average daily production was 530,000 barrels of oil. Hydro's main base is on the Norwegian Continental Shelf, but it also produces oil and gas in Angola, Canada, Russia and Libya. The company is also active in the Mexican Gulf and Iran.

Hydro Oil & Energy is, furthermore, the second largest power company in Norway, with an annual production of 9 TWh (billion kilowatts per hour). This equates to the electricity consumption of nearly 350,000 households, and almost 10 % of the total Norwegian power production. Production mainly consists of hydropower from 19 power plants. Hydro's power production is administered from Oslo, whereas the operation and maintenance of the power plants are administered locally.

bouring countries enable the importing and exporting of power. Hydropower will continue to be an important energy source, but in the years ahead it must be supplemented by energy from other sources such as wind power, bio energy, heat pumps and gas-fired power plants.

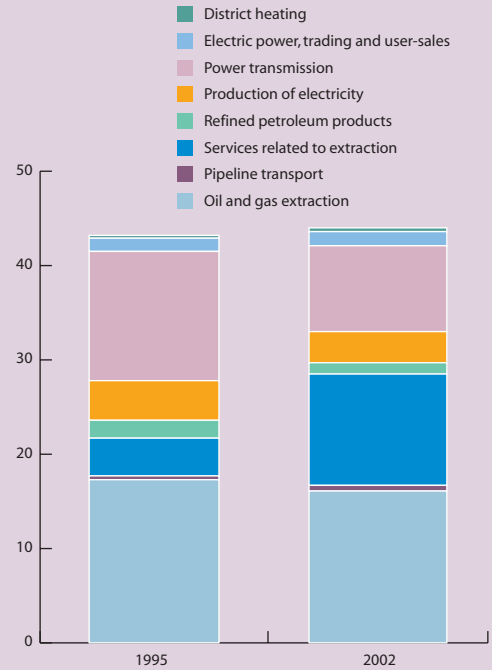
Norway was one of the first countries in the world to introduce a liberalised power market in 1991. Most of the countrywide distribution network is owned and operated by Statnett. Municipalities and county authorities own most of the regional distribution network. In the regional distribution network, Hafslund Nett is the single largest company. Other large companies include Skagerrak Nett, BKK Nett and Agder Energi Nett. The Norwegian Water Resources and Energy Directorate (NVE) monitors both efficiency and prices in the networks.

Power producers are also largely owned by the public sector. Statkraft owns almost one third of the production capacity, whereas municipalities and county authorities own slightly more than half of it. The remaining power plants are private. The regulatory framework is based on licensing rights and has a great influence on the ownership structure in the power sector. Any changes in these regulations could affect the future ownership structure.

The power market has gone through extensive internationalisation over the last few years. Many companies have merged or been purchased by larger companies. A large number of companies have also been transformed from municipal public enterprises into limited companies.

Employment, Energy

Employees in 1000

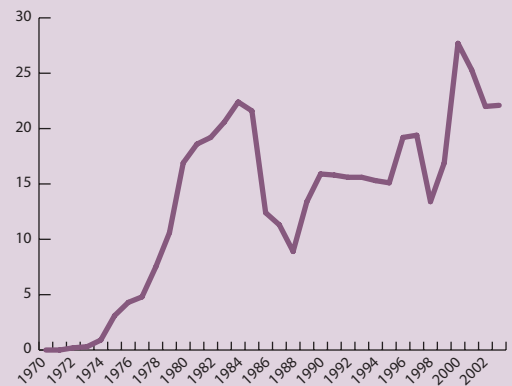


Source: Statistics Norway, ECON

19

Oil and gas activities – share of wealth creation

Percent of GDP in trade and industry



Source: Statistics Norway, ECON

Power-intensive industry has been important to Norway as an industrial nation, both in terms of jobs and export revenues. The companies are located in close proximity to the resources, (forests, power), and they are often the main business in their local communities. The challenge ahead is increasing competition from countries with lower power prices and wage costs.

Power-Intensive Industry

Number of employees: 29,000

Share of gross product in trade and industry: 2 %

The power-intensive industry consists of companies that use a significant amount of electricity in their production. These companies supply semi-manufactured goods such as aluminium bars, ferro-alloys, cartons, cardboard and newsprint. Production consists of chemical processes at high temperatures and high consumption of electricity. These companies represent more than one third of the total energy consumption in Norway.

Power-intensive companies are often large and important to employment in many small communities. Nevertheless, barely 2 % of those employed in trade and industry work in the power-intensive sector. The industry has been internationally orientated ever since the beginning of the last century, and today, more than three quarters of the production is exported.

New technology has made it possible to develop and increase production, without using any more

electricity than 25 years ago. The companies can be classified into the metal industry, the chemical primary industry and the pulp and paper industry.

The metal industry accounts for about half of employment in the power-intensive industry. Aluminium is the single most important product, with Hydro the dominant company. Hydro has significant ownership interests in foreign aluminium companies, particularly within the field of processing raw metals. Hydro is also involved in aluminium processing in Norway. Rapid developments require companies to spend significant resources on product improvements.

The other main product group within the metal industry is the production of metals in which iron is a component (ferro-alloys). By adding metals such as chrome and silicon, the iron becomes less susceptible to corrosion and better suited to the production of steel for cars and ships. International competition is also strong in this part of the metal industry. The largest Norwegian company in this area is Elkem.

Elkem – From Steel to Aluminium

Elkem celebrated its 100th anniversary in 2004. The company has been involved in mergers, acquisitions and the establishment of alliances with other companies since the 1970s.

Just like the rest of the power-intensive industry, Elkem is facing long-term challenges linked to rising labour and energy costs in Norway. Despite this, the company has concluded new long-term agreements about power supplies to activities in Norway. Elkem's strategy is to supply less to the international steel market, and instead increase the supplies of processed aluminium products. This will be achieved by both reorganising the operations and focusing on processed products. The strategy means that the product range will become even more specialised. Elkem has production plants in more than 40 countries in Europe, North America, South America and Asia. The company has also invested in Norway, upgrading and extending the aluminium plant at Mosjøen in 2003.

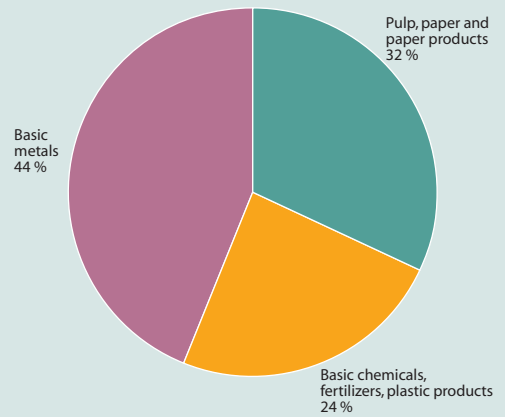
The chemical raw material industry produces fertilizers and semi-manufactured goods. Production of fertilizers is the oldest part of the Norwegian power-intensive industry, dating back to the late 1800s. The Norwegian company Yara is one of the world's leading producers of fertilizers, with plants in many countries. In Norway, production is located in Glomfjord and Porsgrunn.

The pulp and paper industry comprises companies that produce everything from chemical pulp to cardboard and paper. Wood is chopped into wood chips and then grounded to wood pulp. A chemical treatment is then applied, which compacts the pulp into paper. Norske Skog is one of the world's largest producers of newsprint and magazine paper, with processing operations in many parts of the world. Much of the Norwegian production is located near the large forests in Trøndelag and Southeast Norway. The sector has gradually become more efficient, due to the fact that many companies have been closed down and production has been concentrated in larger and more modern facilities.



Employment, Power-Intensive industry

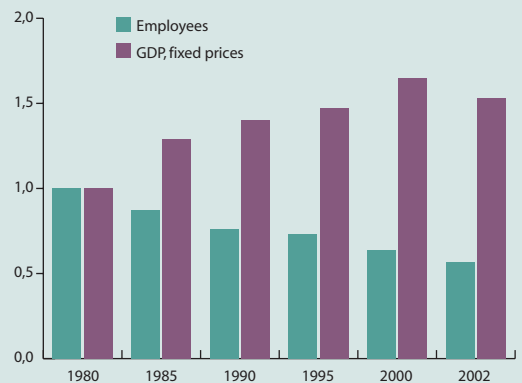
2002



Source: Statistics Norway, ECON

Employment and wealth creation in Power-Intensive industry

Indexes (1980 = 1)



Source: Statistics Norway, ECON

Tree felling, producing wood materials and building houses have always been important activities in Norway. Mountains and valleys make the construction of roads, airports and power lines a demanding job. Norwegian construction enterprises solve these tasks and have developed advanced solutions.

Construction, Building and Materials

Number of employees: 169,000

Share of gross product in trade and industry: 8 %

Norwegians, more than other Europeans, live in owner-occupied detached houses and invest a lot of money in houses and cabins. Housing investments vary according to market fluctuations. The activity in the construction sector fluctuates with the implementation of large projects within transport and industry.

22

We find construction and building companies all over the country, but employment locations vary. Employees in this business sector must be more prepared to commute than employees in other industries.

Schools, hospitals, culture centres, military defense installations and roads are ordered by the state, and private contractors conduct the actual construction. The authorities purchase approximately one third of everything produced by this business sector, thus making public investment plans important for the sector.

Most companies are small and often privately owned. However, the sector is continually changing, and several large construction and building groups have been established. Veidekke, Skanska, NCC Construction, AF-gruppen, Bache-gruppen, Block Watne, Mesta, Kruse Smith and Moelven are all large, well-known companies. Mesterhus is an example of a successful national chain cooperation between local building companies. Some of the large companies have activities in several countries.

Wood is the most important building material and about half the timber that is felled is for the timber industry. The production of timber was industrialised more than 400 years ago. Along with mining, these are our two oldest industries. The woodworking industry is an important business sector, located near the largest forests in Southeast Norway and Central Norway.

Norwegian businesses have also developed specialised products made from wood, such as parquet, stairs, doors and windows. New technology has made it possible to utilise wood in new ways, such

Moelven – Taking Glulam to New Markets

Moelven, which was established in 1899, is the largest company in the Norwegian woodworking industry. The company started by producing wooden wheels that had been boiled in oil. New products were then introduced and in 1950 the company launched the first “Moelven House on wheels”; a pre-assembled log cabin. Over the next 30 years, the company focused on prefabricated houses. The company grew and was listed on the stock exchange in 1992. As a result of a serious downturn in the Norwegian housing market, housing production was phased out in 1992. The company had to refinance, it underwent a radical restructuring to focus instead on glulam, furnishings and other specialised products. Moelven expanded internationally by buying a number of Swedish and Danish companies and it secured some large contracts in connection with the Olympic Games at Lillehammer in 1994. This gave the company a new drive. In 2001, the Finnish company Finnforest bought 59.1 % of the shares. The rest of the company is mainly owned by Norwegian and Finnish forestry organisations. Today, the Moelven Group is a Scandinavian industrial group with 3,200 employees, most of them located in Norway and Sweden.

as using glulam beams for support in bridges and large buildings.

The paint industry, which is part of the chemical industry, comprises several large and small businesses. The largest is Jotun, an international company with productions all over the world. In addition to house paint, Jotun are world-leading producers of marine coatings.

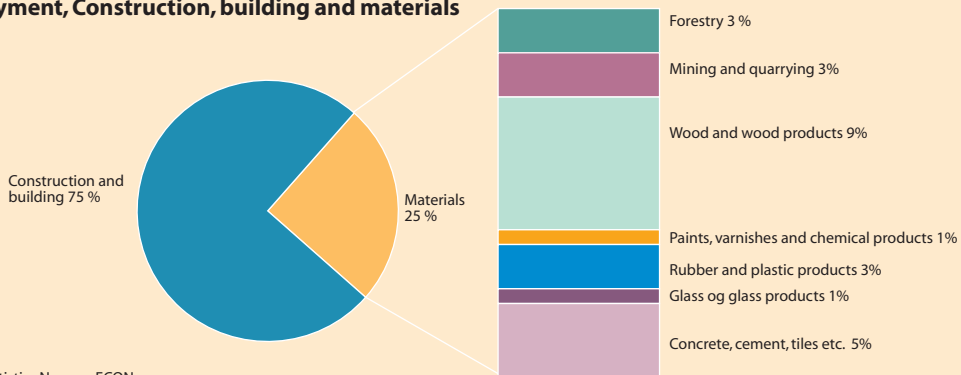
Other chemical materials, such as plastic, glass and stone, are also vital building materials. Norway has a multitude of businesses that supply everything including plastic tubes for water and drains, insulation materials, special tanks and other types of building products. The plastic industry also produces goods for use in everyday life, such as plastic bags, bottles, packaging, kitchen utensils, garden tools and sports equipment. Plastic has to a large extent replaced other materials in these areas.

Concrete is the most common supporting material in large buildings and construction works. Through developing concrete structures such as oil platforms, power pylons and dam installations,

several specialised businesses have sprung up. The building material Leca is an example of a Norwegian invention that is used in ordinary house building.

Most of the traditional mining, which characterised many local communities, has now been phased out. Nevertheless, mining is a growing business sector, but now it is producing industrial minerals, natural stone, crushed stone, sand and gravel. Industrial minerals are used as fillers, for instance in make-up, soft-serve ice cream, paint, glass and paper. Natural stone such as granite, larvikite and slate are used in facades and flagstone and are exported to a number of countries. Sand and gravel are vital to the construction and building business sector.

Employment, Construction, building and materials 2002



Source: Statistics Norway, ECON

In Norway we export more food than we import. Ever since the Viking age, fish has been one of our most important export products, and today you will find both fresh and processed fish from Norway all over the world. Most Norwegian food is nevertheless based on raw agricultural materials.

Food and Beverages

Number of employees: 136,000

Share of gross product in trade and industry: 4 %

Most of the food we eat is processed by the food industry, which is Norway's second largest industrial sector. Here we find some of the largest and most famous Norwegian companies, such as Gilde, Stabburet, Freia, Ringnes, Toro and TINE.

24 The dairy industry processes colostrum into consumer milk, cheese, yoghurt and ice cream. Norwegian meat is processed into chops, sausages and cooked meats. Pizza is produced using grain, cheese and meat. Chocolate contains large quantities of milk powder. Norwegian water is processed into beer, soft drinks and bottled water. The agricultural-based food industry is found all over the country.

Fish is processed less than raw agricultural materials, mainly because restaurants and food chains all over the world demand fresh fish. Another reason is the fact that tariff barriers in the EU and other countries often make it more prof-

itable to process the fish outside Norway. About one third of the fish that is exported is fresh. The rest of the fish is processed in Norway, where fish processing is an important business sector in local communities along the coast. In Norway's northernmost county, Finnmark, the fish processing industry is the second largest business sector, after public sector activities.

Apart from this, Norway does not export much food. The most important products are cheeses, oils and fats, fish feed, chocolate and sugar-based products. Food that cannot be grown or produced in Norway is imported. The most important products are fruit and vegetables, grains and grain products, sugar and wine. Fresh fish is imported from Russia, amongst other countries, for further processing by the fish processing industry.

New international trade regulations from the World Trade Organisation (WTO) may mean that most countries can no longer protect their own food production with high tariff barriers. Lower tariffs could mean increased competition for the Norwe-

Rieber & Søn – Bringing the Traditional Bergen Fish Soup to the Czech Republic

In 1839, the Paul Gottlieb Rieber & Son Trading Company and Vinegar Factory was established in Bergen. Since then, Rieber & Søn has developed into a large market agent in the Norwegian food industry, with famous brands such as Toro and Denja. In 1964 when the company launched its first freeze-dried Bergen Fish soup, it marked a change in the Norwegian food culture, as traditional dishes became available in a completely new way.

In the 1990s, Rieber & Son changed its strategy. By acquiring food companies in other European countries, it expanded its market. Gradually, the company gained considerable market shares in Sweden, Poland, the Czech Republic, Russia and the Netherlands. In 2004, Rieber & Son owned 22 factories in 7 countries, and had sales offices in a further 5 countries. Rieber & Son is one of Norway's leading food corporations, but it is also a major producer of ingredients to other food producers. Instant soups and other dried products constitute approximately 63 % of the production; the rest consists of seafood, salads, onions and cake products.

gian agriculture and food industry, making it necessary to reduce costs and increase product development. This may benefit Norwegian consumers by means of lower food prices. The new trade regulations could also increase the possibilities for more export, especially with regards to processed fish.

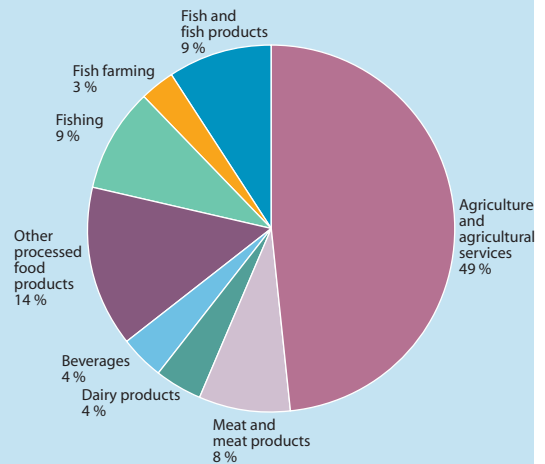
Several of our largest food corporations have established significant operations in other countries. Through investments and acquisitions of food industry companies in the Nordic countries, central Europe and the Baltic countries, these groups have become international. In the same way that Norwegian companies own businesses abroad, large international companies own some Norwegian businesses. Still, most of the food industry is Norwegian-owned. A reason for this is that most of the companies are cooperatives, owned by Norwegian farmers.

Close to half the employees in the food sector work in the industry. The rest of them are farmers, fishermen or employed in fish farming. Food is produced more efficiently, and the number of farmers and fishermen keeps falling. There has only been a small reduction in the number of employees within the food industry. New sectors such as fish farming and the production of fish feed have been among the most rapidly growing food sectors over the last few years. Nevertheless, this growth has not made up for the reduced number of farmers and fishermen.



Employment, Food and beverages

2002



Source: Statistics Norway, ECON

News, knowledge and entertainment comprise an important sector. New production and delivery methods have provided opportunities for growth, but they have also led to more competition between the various media.

Media and Advertising

Number of employees: 49,000

Share of gross product in trade and industry: 2 %

The business sector media and advertising comprises publishing, graphic industry, radio and TV production as well as advertisements and marketing.

26 The publishing and graphic industries have traditionally supplied printed matters such as books, newspapers, advertising and periodicals. Today, many of these products are supplied digitally. A large part of the sector produces newspapers, and Norwegians read more newspapers than any other nation in the world. Due to the downturn in the advertisement market and increased competition from other media, a significant amount of newspapers have developed into media houses with several different products. Over the last few years, the largest market agents, such as Schibsted and Orkla Media, have also expanded abroad.

The publishing business is characterised by a few large publishing houses and many small ones

that specialise in niche markets. The largest publishing houses are Aschehoug, the Gyldendal Group, Cappelen (Swedish) and the Egmont Group (Danish). Publishing houses have always owned the book clubs, but over the last few years several booksellers have also been taken over by the publishing houses. Aschehoug and Gyldendal have established the chains The Norli Group and Ark. Together, the four large publishing house groups have a share of more than 80 % of total Norwegian book sales. The Internet has gradually made it easier for customers to order books from abroad, and this poses a challenge to the Norwegian publishing houses.

Radio and TV have also been affected by digital technology. The number of broadcasters has multiplied, as broadcasts and other information can be transmitted in new ways, and many distribution networks, such as the telecommunications network, can also be used for broadcasting. Competition to attract viewers and listeners has become considerably fiercer.

Schibsted ASA – From Printing Works to Media Group

The history of the Schibsted Group dates back to 1839 when the founder Christian Schibsted started a printing works in Oslo. Today, Schibsted is the largest media group in Norway, and one of the leading media groups in Scandinavia. In 1989, the company had a turnover of around NOK 2 billion, just over 2,000 employees and the business was limited to Norway. The Group consisted of the newspapers *Aftenposten* and *VG*, and the publishing house *Chr. Schibsteds Forlag*. In 1992 the company was listed on the Oslo Stock Exchange. This was the start of a new development, and today, Schibsted has activities within the media such as newspapers, TV, film, publishing houses, multimedia and mobile services. News, information and entertainment are delivered via paper, the Internet, TV, cinemas, videos, DVDs and wireless terminals (such as mobile telephones and PDAs). The Group now has a turnover of NOK 8 billion and 4,760 employees, of which 2,310 are located in Norway. Schibsted's head office lies in Oslo. The main part of the operations is related to Norway and Sweden, but the Group also has activities in 11 European countries, including Estonia, Switzerland, France and Spain.

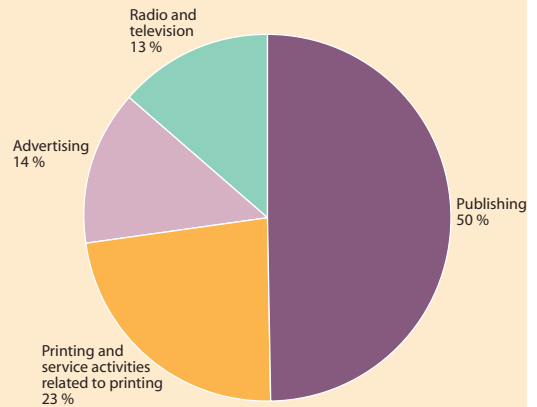
NRK, TV2 and TVNorge are the largest TV companies. In addition, there are a number of smaller production companies that make films and TV programmes for the TV companies. NRK Radio, P4 and Kanal 24 are the largest radio companies. Norkring is the largest distributor of radio and TV signals, and owns most of the radio and TV transmitters.

The advertising business is often described as one of the most creative sectors in the Norwegian economy, and it is an important link between the advertisers and the media. The services vary from large campaigns based on market research and analyses, to simpler production of brochures and other advertising material. Many of the large agencies offer both design and PR services. Advertising sales amount to large sums each year. About half of the advertisements are placed in newspapers, and one fourth is broadcast on TV. The sale of advertisements on TV and the Internet has increased the most.

The advertisement business is characterised by a few agencies that offer very comprehensive services, such as DDB Oslo AS, Dinamo Reklamebyrå, Bates Red Cell AS and McCann AS. Most of the large agencies have foreign owners and the large campaigns are often internationalised. At the same time there is an increasing tendency for smaller agencies and sole traders to form networks and groups for single projects, dissolving them when the project has been completed. The small and medium-sized companies are also contractors and subcontractors to the large agencies.

Employment, Media and advertising

2002



Source: Statistics Norway, ECON

Advertising sales on Internet

Millions NOK



Note: Brand ad and classified ad
Source: INMA

Most consumer goods sold in Norway are imported. Furniture, furnishing products and sports equipment are partial exceptions. Even if the Norwegian consumer goods industry is small in terms of annual turnover and number of employees, the sectors also consist of some brands that are doing very well internationally. The furniture industry in particular has experienced an increase in exports.

Furniture, Fabrics and Consumer Goods

Number of employees: 23,000

Share of gross product in trade and industry: 1 %

The Norwegian furniture and furnishing industry comprises companies that produce all types of furniture and furnishings. Production covers about 50 % of the demand in the Norwegian market, which demonstrates the variety of products on offer.

28 The furniture and furnishings industry has developed from typical handicraft businesses into a modern industry. In order to counter competition from other countries, the sector is focusing on product development, quality and good design.

Structural changes in the furniture industry are creating fewer yet larger companies. The largest furniture producers are located in the areas of Møre og Romsdal and Sogn og Fjordane, but furniture companies are found all over the country.

Traditionally, the furniture industry has sold its products in Norway, but lately we have seen considerable exports of brands, for example office chairs from Håg. The company has received a number of

awards. Today, Håg is a leading supplier of office chairs in the Nordic countries and it is one of the 10 largest suppliers in Europe.

Over the last 10 years, the Norwegian furniture industry has experienced a formidable growth in exports. Sweden and Germany are the largest markets, whereas imports from low-cost countries are increasing the most.

Outdoor life is important to Norwegians and several companies have specialised in sports equipment that has been adapted to demanding customers. Several companies are developing products for mountain climbing and polar expeditions. Well-known Norwegian producers include Madshus and Åsnes (skis), Swix (ski wax, ski poles), Sølvkroken (fishing equipment), Mustad (fishing hooks) and Hamax (sledges and cycling helmets).

Today, Norwegian producers of clothes and fabrics constitute a small sector made up of many small and a few larger companies. The fabric and ready-made clothing industry comprises companies with an extensive range of raw materials, production

Helly Hansen ASA – From Oilskins to Award-Winning Boat Shoes

Helly Hansen was established in 1877, when captain Helly Juell Hansen started producing oilskins to enable seamen to stay warm and dry. Today, Helly Hansen, with its head office in Moss, is an internationally reputable producer of work wear, outdoor clothing and sports clothing. The company also produces a wide range of specialised products, everything from survival suits, oil booms and pavilions to theatre costumes, manure tanks and fish farms.

Internationally, Helly Hansen is best known for its sailing and outdoor clothing. In 2004, the boat and surf shoe Helly Hansen Shorehike was granted the Honours Award for Design Excellence from the Norwegian Design Council. Important activities such as design and marketing still take place in Norway, but actual production is largely carried out elsewhere, such as in Asia. The company has activities in 16 countries, with sales of NOK 1.4 billion per year. Scandinavia is the core market, but growth is increasing most in Central Europe. Today, the Orkla Group owns 30 % of Helly Hansen ASA, with the rest owned by the English company InvestCorp.

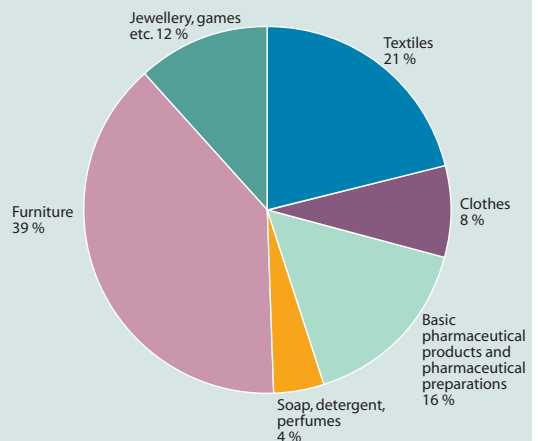
processes and products. They supply everything from clothes and shoes to knitting yarn, upholstery and fishing equipment. Important Norwegian companies include Ricco Vero, Dale, Helly Hansen and Alfa Skofabrikk. Production is labour-intensive and thus exposed to strong competition from countries with lower costs. Today, companies are focusing on new and advanced products that require high technology and top expertise. Between 1970 and 1990, the employment in the fabric and ready-made clothing industry decreased. Following a more stable period, production is experiencing yet another downtrend.

Cosmetic and chemical commodities are also produced in Norway, for instance soap, detergents and pharmaceutical products. The largest producer is Lilleborg, which is part of the Orkla Group. Lilleborg sells well-known washing powders such as Omo and Blenda and the detergent Jif. Most of the medical remedies that are used in Norway are imported from abroad, but there are also a handful of Norwegian producers. Amersham Health is the largest of these, producing pharmaceutical raw materials and products. These businesses have gradually increased their export in relation to the production. Amersham supplies products to more than 120 countries all over the world.



Employment, Furniture, fabrics and consumer goods

2002



Source: Statistics Norway, ECON

The finance industry, which is an important part of the capital market, offers services to private individuals, business and industry and municipalities. Services include loans, financing, insurances and other types of risk relief, payment services, personal portfolio management, consultancy and real estate services.

Finance and Property

Number of employees: 66,000

Share of gross product in trade and industry: 8 %

Through its role as an investment broker, the finance industry is more important to the development of business and industry than what the employment and production figures would indicate. Finance institutions provide important expertise for the customers, and people from business and industry often name their main bank as an important consultant.

30

The finance industry is subject to special rules and public inspection. The rules and regulations have undergone extensive changes over the last few years. Trade with financial services has increased considerably, as has the level of international ownership. Combined with the use of new technology, this has led to changes in the industry.

The number of companies has been strongly reduced, and large groups have been established which offer more or less the entire range of financial services and real estate services. Some of the

largest companies are financial groups, such as DnB NOR, Storebrand, Nordea and the Sparebank1 Group. Even though the same groups offer both banking and insurance services, these services are very different. Whereas the banks' main products are financing and personal portfolio management, the insurance companies offer risk relief services. As the population becomes wealthier and the number of elderly people increases, there is a rising demand for insurance and saving schemes that will secure a pleasant retirement.

Today, many of the financial institutions' services are supplied electronically, giving them scale advantages. However, market trust and knowledge about customers, local environments and markets are created by proximity, and the institutions therefore have an extensive office network.

Investment companies mainly take charge of equity. As opposed to banks, investment companies normally take high risks by having a relatively large share of ownership in just a few companies. They are often part of the controlling bodies of these

SpareBank1 Gruppen AS – Scale Advantages Combined with Local Ties

SpareBank1 Gruppen AS is a good example of important developments and challenges in the finance industry. The holding company is mainly owned by 19 savings banks and the Swedish FöreningsSparbanken. The Group manages the SpareBank1 brand and owns insurance companies; trust management companies, a real estate company and a bankcard company. These companies' products are mainly sold via the Norwegian banks that own the public limited company. At the same time, these banks operate as independent units in their local markets. The idea behind this organisational form is to combine the local ties of the savings banks with the top expertise and scale advantages of a public limited company.

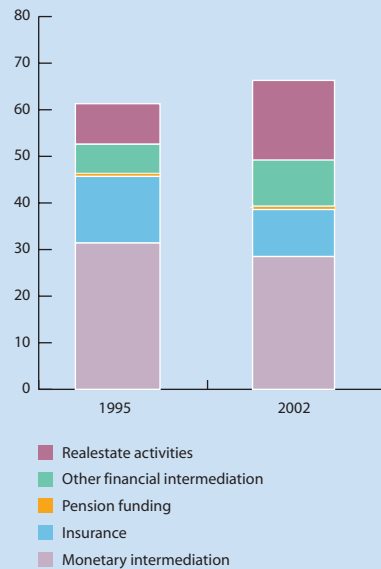
companies. In addition to contributing capital, investment companies also add expertise. The investment companies also comprise companies that specialise in which phase of the company's life span they choose to invest the capital (seed financing companies and venture companies). They can also specialise in relation to which sectors or geographical areas they focus on.

Whereas the number of employees in the banking and insurance sector has decreased, more and more people are working in companies that offer financial help through stock broking, stock exchange organisation and leasing.

Real estate services are expanding and, along with property management and operation of housing cooperatives, this sector employs the main part of the employees in the property business. Companies that offer property management and services related to running and maintaining properties have also grown considerably over the last few years. Increasing demand for real estate services is basically the result of how important a well-functioning building is to trade and industry. Both in the public and private sector, there is a tendency for property management and the running of properties to be carried out by specialised companies.

Employment, Finance and property

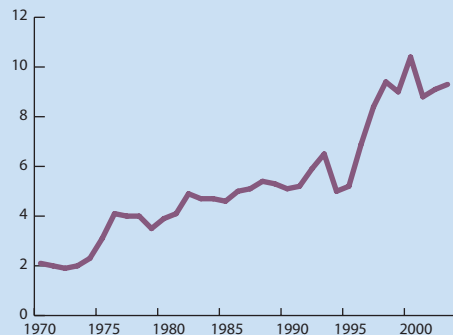
Employees in 1000



Source: Statistics Norway, ECON

Exports of financial and business services

Share of exports excl. oil and gas



Source: Statistics Norway, ECON

We are travelling more than ever; the freight of goods has become more efficient and the transport sectors have grown rapidly over the last few years. As a result of increased competition and new and improved products, transportation productivity has also increased substantially. The development has had a significant impact on industry, retail trade and travel.

Transportation Services

Number of employees: 146,000

Share of gross product in trade and industry: 7 %

Traditionally, the sea has been our most important mode of transport. The sea is still essential for goods transportation over long distances. When it comes to passenger traffic and goods transportation over shorter distances, road transport is significant, and air travel has become a part of daily life for most people. Norwegian companies are found within shipping, land transport and air transport.

32

For more than 150 years, Norway has been a great power in international shipping and Norwegian shipping companies control one of the world's largest merchant fleets, which represents nearly 10 % of the world's total loading capacity. The shipping companies focus heavily on oil tankers, chemical tankers and freight of compressed liquid gas. Norwegian shipping companies control a large part of the world's dry bulk ships, i.e. ships which transport grains, coal, ore or other loads in bulk. Norwegian shipping companies also have one of the

largest offshore fleets in the world. Significant Norwegian companies include Color Line, Farstad Shipping, Leif Høegh & Co, Torvald Klaveness & Co, Knutsen OAS, Odfjell, Fred Olsen & Co, Anders Wilhelmsen and Wilh. Wilhelmsen.

A wide range of businesses have sprung up around the shipping companies in fields such as ship classification, ship building, marine equipment, ship broking and charter broking, ship financing and insurance. This variety provides the companies with mutual benefits. There are very few countries in which the maritime sector means so much to the wealth creation and export as it does in Norway.

More than most other sectors, international shipping is characterised by global competition. More than 90 % of Norwegian shipping takes place between foreign ports. Nevertheless, shipping is important both to the transport activities in Norway and to the transport of export products.

Several companies in the inland-based freight traffic market have also established operations

Wilh. Wilhelmsen ASA – By Land and By Sea

The shipping company Wilh. Wilhelmsen ASA was established in Tønsberg in 1861 and is a company with long traditions. Today, Wilh. Wilhelmsen is one of Norway's leading environments for maritime expertise. In total, the company has more than 15,000 employees, 250 ships and 264 offices in over 64 countries.

Wilh. Wilhelmsen ASA offers transport and logistics services all over the world, from the producer and all the way to the customer. The company's main focus is on the maritime aspect, but the company no longer regards owning ships as a prerequisite. A considerable part of the shipping companies' activities are found within the framework of the company Wallenius Wilhelmsen, which is one of the largest vehicle transport companies in the world. The company is also a world-leading supplier of maritime services, including operating ships.

internationally, and this contributes to efficient logistics for trade and industry. Norwegian freight transporters carry fish, chemicals and other products to and from Norway. Many of them offer door-to-door deliveries all over the world.

Freight traffic over large distances often requires close cooperation between various companies and transport methods, such as ships, trains and road transport. The companies offer a wide range of products, from transport of small packages to large containers. Large companies are Linjegods, DFDS/Tollpost, DHL and Posten/Nor Cargo.

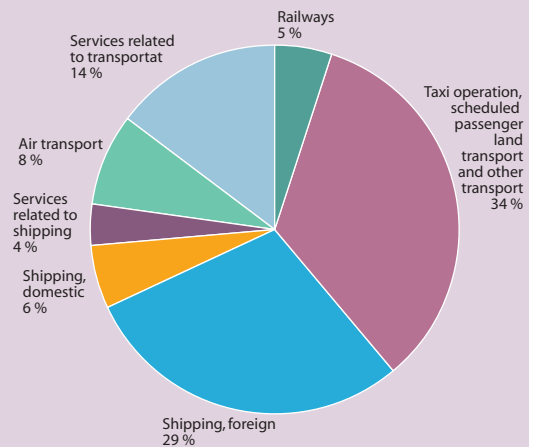
A well-developed network of public transport is vital for an efficient journey to work. In large parts of the country, ferries and high-speed passenger boats are an important part of public transport. Regional bus companies compete for transportation tasks. In addition, there are taxis and trains. The markets for inland transportation and air transportation have been opened up for both national and international competition, and competition between different types of transportation is encouraged. This has had significant consequences for the Norwegian railway company NSB, which has faced tough competition on long-distance express routes.

Air traffic, which has grown rapidly over the last few decades, will probably continue to grow. At the same time, the market is characterised by fierce competition, and the prices are so low that the companies could easily lose money. This has resulted in mergers, and a vast number of low-cost airlines have been established. The merger of Braathens SAFE and SAS is an example of this. The low-cost airline Norwegian and other small companies contribute to the competition, both on domestic and international destinations.



Employment, Transportation services

2002



Source: Statistics Norway, ECON

The use of information and communication services has grown strongly in the last decade, and today it is an important part of nearly all trade and industry in Norway. ICT suppliers now constitute a medium-sized sector in Norway. The new technology helps increase capacity and creates opportunities in most sectors.

Telecommunications, EDP and Postal Services

Number of employees: 78,000

Share of gross product in trade and industry: 5 %

The framework for telecommunication and postal services has changed considerably over the last few years. The monopoly of state-owned companies has been lifted, thus opening the market for other agents. The development in the telecommunications market gained speed at the end of the 1990s, whereas the liberalisation of the postal market has been more gradual.

34

Technological changes have provided new opportunities for transferring and processing electronic data, as well as new areas of application for information technology. Services that were previously carried out manually are now performed automatically. Employment figures for both the telecommunication and postal services have therefore fallen. At the same time, many new agents have started up and new products and services have been created.

The telecommunication market is characterised by a few large and many small companies. Telenor is

the largest market agent in Norway and the company's international activities are significant. The challengers have gradually become more competitive, with NetCom as the strongest competitor in the mobile telephone market. Both companies have their own mobile telephone networks. In addition, a number of service suppliers have sprung up, reselling services through Telenor and NetCom's networks.

The diverse information and communication services cooperate closely. The development of IP telephony is an interesting example of how the markets for landlines and data communication are fusing together. Since 2000, the development of the broadband network has been based on the fact that new technology makes it possible to transfer large amounts of data via the telephone network. Today, there are more than 115 active registered broadband suppliers, such as Telenor, UPC, NextGenTel and Tele2. Over the next few years, opportunities will probably arise for fusing the mobile telephony and data communication networks.

Technological developments make the division

NextGenTel – From Zero to One Hundred in Just a Few Years

NextGenTel was established in 2000, and at the end of 2004 it was the second largest broadband supplier to the private market. Initially the company focused on broadband supplied via ordinary telephone lines. Today, the company also offers telephony services, films and radio via broadband to the private market. The company also offers transfer capacity and Internet connection to the corporate market, preferably as a subcontractor to companies that produce IT services for small and medium-sized companies. NextGenTel has acquired licences to enable the company to compete in the mobile telephony market in the future.

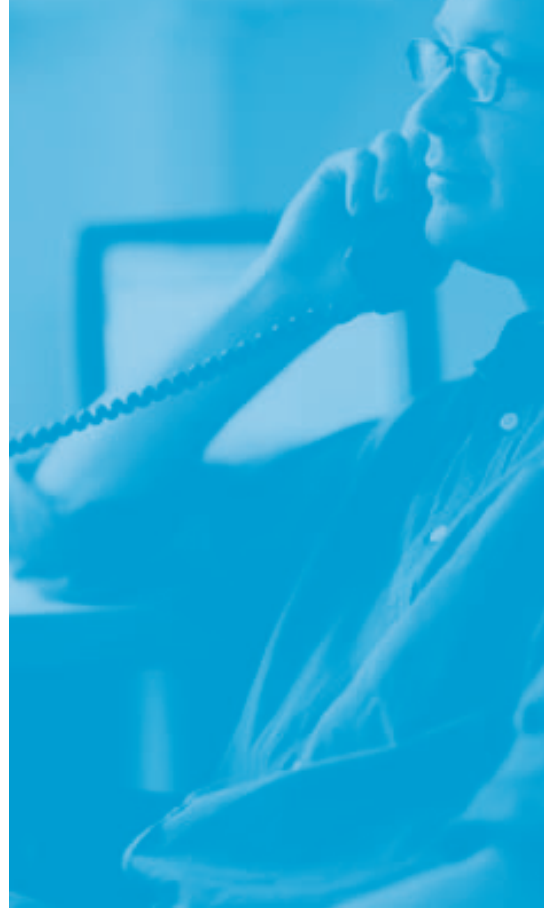
NextGenTel has developed into a profitable company, and in 2004 it was listed on the stock exchange. Over the course of that year, the share price doubled.

between telecommunication, broadcasting and ICT services less clear-cut. This is often referred to as convergence. Sectors that were formerly separated are becoming increasingly dependent on each other. This is true for telecommunication and media, for instance. Telecommunication groups can get involved in broadcasting and media groups can get involved in both daily press, broadcasting and the supply of information via web, wap and SMS.

In business and industry, the use of telecommunication, data processing and postal services is important both to the development and design of new products and services. The companies' internal systems and communication are becoming digitalised, and buying and selling products and services are increasingly carried out electronically. In the public sector, more and more services are digitalised. Many small and medium-sized companies and municipalities choose to leave their IT operations to specialised companies. Employment within the computer services sector is now more than seven times higher than it was 20 years ago.

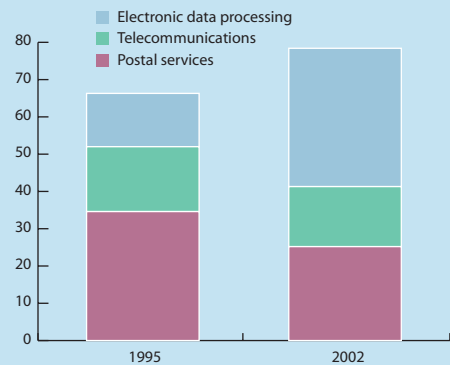
Several new companies have received international attention within the software field. One of them is Opera Software, which develops browsers e.g. for advanced mobile telephones. Another company is FAST Search & Transfer, which develops search engines as an alternative to conventional databases. Fronter supplies platforms to schools and universities for electronic interaction between the school and the pupil/student.

Changes in the postal services are not as comprehensive as in the telecommunication market, but new technology has also generated new opportunities. A large part of the central mail sorting has already been automated. At the same time, Posten



Employment, Telecommunications, EDP and postal services

Employees in 1000



Source: Statistics Norway, ECON

has allowed significant clients, for instance the finance industry, to sort their own letters, thus saving money on postage. Posten also has a large need for adjusting their services to competition from the Internet and e-mail.

The adventure industry is considered to be one of the fastest growing industries in the world. Increasing affluence has led to an increase in the holiday and leisure market. People spend more time on their leisure activities and tourists are seeking more entertainment, often in an active way.

Holiday and Leisure

Number of employees: 83,000

Share of gross product in trade and industry: 4 %

We demand a total product or an adventure for our holidays and leisure, composed of many products and services from the hotel and restaurant sector, entertainment industry, culture, sports and other leisure activities. In addition, there are travel agencies and companies who deal with marketing, product development and sell Norwegian travel products. Tourist attractions such as the Holmenkollen ski jump, the Trollstigen mountain road, the Fløybanen cableway, the Norgesparken Tusenfryd theme park and North Cape are important driving forces in the holiday and leisure market.

Some companies are characterised by significant fluctuations in demand during the year. This is particularly noticeable in regional Norway, which is highly dependant on the holiday and leisure industry.

The adventure industry is facing significant and increasing competition from abroad. Norwegian price levels are high in relation to many other coun-

tries and this makes it difficult to attract both Norwegian and foreign tourists. Norwegians represent 70 % of overnight lodgings at Norwegian hotels. The exchange rate of the Norwegian krone and other measures that contribute to lowering prices are therefore imperative to these sectors.

A hallmark of the adventure industry is that the customers increasingly collect information from the Internet. This means that businesses, areas and countries with a presence on the Internet could be the future winners in the battle for customers.

There are many small and medium-sized companies in the adventure industry, but throughout the 1990s it has undergone considerable changes, including the formation of chains and other types of alliances. Developments over the last few years indicate that the large companies are strengthening their positions in the holiday and leisure market.

The adventure industry has a great impact on the rest of society – especially in the regions. Even if the main part of the wealth creation takes place in cities and towns, the industry is most important in

36

Trysil – From Forestry to Holiday and Leisure

Trysil is a village that went from making a living from forestry to making a living from the holiday and leisure industry. When forestry and agriculture was rationalised, the village had to find new sources of income. This was the start of a large-scale development of cabins and ski slopes. In 1971, the 23 landowners in the Trysil Mountain joined forces and formed the Trysil Fallow Association. Cooperation between the landowners enabled the village to swiftly develop a complete service instead of a handful of non-cooperating hotels and cabin villages. Tourists from all over Europe travel to the Trysil Mountain, and today it is Norway's largest skiing resort. In the 2002/2003 season, Trysil surpassed Holmenkollen as Norway's most visited tourist attraction. Trysil is an excellent example of a destination that has succeeded, among other reasons because local investors managed to join forces.

the regions, as it provides jobs and income in local communities that have limited employment opportunities. There are already many connections between the travel industry, leisure activities and the primary industries. With regards to the large changes that are expected to take place in agriculture, this interaction will probably become even more important in the future. This could mean that the interest for developing and making use of cultivated landscapes and local food will increase.

In order to make products accessible, the adventure industry is dependent on well-functioning transportation services within Norway and to Norway. Even if air transport is increasing, motor transport still dominates travel and tourism in Norway. Some transport routes, such as the coastal voyage with Hurtigruten and the Flåm Railway, have developed into tourist attractions in their own right.



Employment, Holiday and leisure

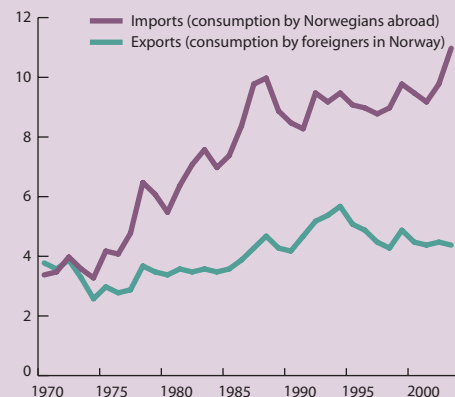
Employees in 1000



Source: Statistics Norway, ECON

Exports and imports of travel

Percent of imports



Source: Statistics Norway, ECON

Distribution services constitutes a significant part of the Norwegian economy.

An increase in turnover has led to many start-ups and a doubling of the employment during the last 25 years. From being a typical sector for small companies, protected from international competition, the development has gradually led to larger companies that compete internationally.

Distribution Services

Number of employees: 331,000

Share of gross product in trade and industry: 12 %

The sector consists of several intermediaries such as agents, wholesalers and retailers. They all find themselves in a co-dependent relationship. As a distributor of commodities between the producer and the consumer, the intermediaries play an important role in the economy. This makes the product flow more efficient and the products more accessible.

38

Measured by number of employees, supermarkets, grocery shops and shops that sell clothing, shoes, lighting, kitchen equipment, electrical appliances, furniture, hardware and building products are the largest categories within the distribution services. Whereas the grocery shops and supermarkets have experienced a large growth over the last few years, the trade from specialised food shops has decreased. This is probably due to the extensive structural changes and the fierce price competition, in which the largest food chains, and not the

specialised shops, have been the leading actors. However, the downtrend for the specialised food shops seems to be coming to an end.

The clothing industry has grown rapidly over the past few years. Despite prices having fallen by almost 30 % since 1998, actual turnover has risen due to an increase in the number of garments sold. Low-cost chains have taken control over a growing part of the market and sales of luxurious clothes have decreased.

A structural change has taken place in the distribution services over the past few years, with the grocery business as the driving force. An important development trend is the mergers or close cooperation between companies. This mainly happens through voluntary chains, centrally governed branches or franchising. This is particularly obvious in the grocery sector, where four large groups together control a considerable market share. Development towards large-scale operations in all parts of the chain gives the retailers more power at the expense of producers and wholesalers. Closer

The Varner Group – From East Oslo to an International Clothing Empire

In 1962, Frank Varner opened his first menswear shop at Grünerløkka in Oslo. From the start, he focused on selling cheap menswear. Since then, the Varner Group has built a clothing empire consisting of Dressmann, Cubus, BikBok, Carlings, Varners, Vivikes and Wearhouse. The focus on large quantities and low prices has been very successful. Today, the Group is Norway's largest clothing shop chain, with a net turnover amounting to NOK 3.8 billion in 2003 and 860 shops in 8 different countries. The first shop to open outside Norway was in Latvia, back in 1995. Today, the Group has shops in Sweden, Iceland, Poland, Finland, Denmark and Germany. The Varner Group now has more shops abroad than in Norway. Dressmann is larger in Sweden than in Norway – both in terms of turnover and number of shops.

The Varner Group is family-run. The idea behind the business is to have total control over all parts of the production, from design to finished clothes in the shops.

integration between wholesalers and shops has been an important means of increasing efficiency in trade.

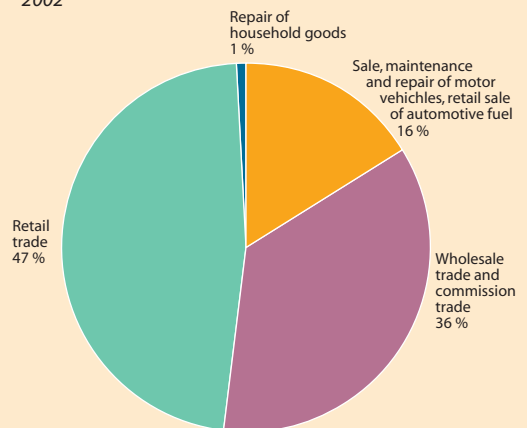
Another development trend is the fact that people are moving from the regions to towns and cities. Many shops in the regions are closing down and shopping centres are located in proximity to where people live.

The typical Norwegian trading company mainly operates in the home market, although this has changed rapidly over the last few years. As the trading companies become larger and stronger, there is an increase in the establishment of trading groups across national borders. Large companies, such as the German grocery giant Lidl, are now establishing themselves in Norway. Correspondingly, the Norwegian companies Rema/Narvesen and Varner have opened shops in other countries. The trade is about to change from being a sector focusing on the national market to an international industry that is subject to fierce competition.



Employment, Distribution services

2002



Source: Statistics Norway, ECON

Businesses that supply legal, financial and strategic consultation have experienced significant growth over the last 20 years. Many large companies choose to buy advice from others, instead of basing themselves on their own consultancy units. It has also become more complicated to operate business activities and this had led to a heightened need for specialised consultancy services.

Consultancy Services

Number of employees: 72,000

Share of gross product in trade and industry: 4 %

Among the consultancy services, we find lawyers, accountants, auditors, tax advisors, market and opinion polls, business consultants, architects and technical consultants. The business sector also includes research and development carried out by independent research institutes.

40

The large increase in demand for legal and strategic advice must be seen in connection with the international social development. Globalisation, the degree of legalisation of our daily lives and a growing tendency to make use of lawyers in the negotiation of and entrance into agreements has led to a greater market for consultancy services and in particular for legal advice. At the same time, the ability and willingness to pay for such products and services have increased in both the public and private sector, leading to an increased demand for legal assistance and other consultation services.

Furthermore, restructuring has taken place

over the last few years, particularly within the legal sector. Nearly half of the members of the Norwegian Bar Association still work in companies with less than ten employees, but during the last five years a number of large mergers have led to the formation of some large companies.

Architecture and design are other sectors that have experienced growth in the last few years. These are areas in which Norway has gradually made its presence felt internationally. Norwegian companies, such as the architecture company Snøhetta, have won international prizes, which have paved the way for growth outside Norway's borders. Another example is the Norwegian-owned company Unitor ASA, which supplies technical products and services to the merchant fleet and shipbuilding industry in approximately 1,000 ports all over the world.

There are also Norwegian international businesses with activities within technical consultancy services. The companies Det Norske Veritas and Nemco's activities include technical tests and

Snøhetta – Around the World

The architect Kjetil Trædal Thorsen founded the Norwegian architect company Snøhetta in 1987. Since then, the company has consisted of eight partners and today it has 47 employees. In only a few years, Snøhetta has doubled its turnover, from NOK 22 million in 2000 to NOK 45 million in 2003. At the end of 2004, the company had won nearly 40 projects in Oslo and Akershus and more than 20 throughout Norway and abroad. Snøhetta has won many prestigious international jobs. Among these is the competition to design the museum that will be located at Ground Zero, the location of the former World Trade Center in New York. Snøhetta has previously won important international architecture competitions, such as the library in Alexandria, the Nordic Embassy building in Berlin, the Turner Contemporary Museum in England and the new opera house in Oslo.

analyses for customers within the offshore and onshore industry, oil, gas and process industry all over the world.

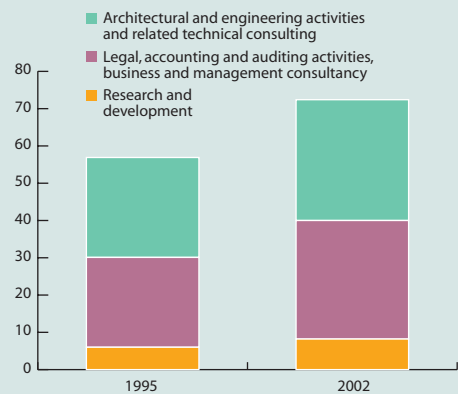
Due to being very knowledge-intensive, the sector's future potential for growth will depend on having good access to well-educated employees. There is reason to believe that new technology will change both services and production in all the service areas. Everything from drawings to analyses and consultations can be delivered via the Internet and may be downloaded anywhere. Internationalisation, scale advantages and electronic trade contribute to heightened competition among providers of consultancy services, even if the sector largely sells its services and products on the local market.

In the future, we will probably also see a stronger internationalisation of ownership, more international partnerships and increased exports. Consultancy services are often part of international value chains. For companies that manage to stand out amongst international competition, both technology and international agreements that contribute to non-discriminatory competition will provide a foundation for international growth.



Employment, Consultancy services

Employees in 1000



Source: Statistics Norway, ECON

Many of the most rapidly growing service sectors supply specialised services to the corporate market. More companies have started to buy cleaning services, security services, recruitment services and employment services, rather than producing such services themselves.

Specialist Corporate Services

Number of employees: 101,000

Share of gross product in trade and industry: 5 %

The suppliers of these services consist of many small companies. There are also several large market agents, such as Hafslund that supply guard and security services, and ISS that deal with cleaning services. Nearly half of these companies are located in Oslo and Akershus.

42

Growth has been solid, especially in employment services and hiring out manpower, investigation services and security services. There are several possible reasons for the strong growth in hiring out manpower. It could be due partly to the liberalisation of the regulations for such activities, and partly to the fact that many companies are more inclined to handle peaks in demand by hiring in staff instead of taking on their own employees.

A large part of the growth in hiring out manpower has arisen within guard services, where the number of employees has doubled in just a few years. In addition to guarding and securing valu-

ables, homes and properties, the guards are also placed in receptions, tollbooths and within other service functions. An important reason for the growth could be the increase in crime and insecurity, combined with a limited access to police resources. From 1 July 2004, new requirements were placed on the security companies to increase the quality of guard services and strengthen public control. Similarly to many other sectors, the security sector has experienced many changes over the last few years. The large companies are becoming increasingly dominant in the market.

Cleaning services are also developing fast. Second to shop assistants, cleaners are the largest occupational group in Norway. Each year, we spend around NOK 15 billion on professional cleaning services and today there are approximately 700 cleaning companies with employees in Norway. In addition, there are an equally large number of self-employed cleaners. The attention surrounding the importance of cleaning for the indoor environment has increased. Whereas cleaning was a cheap serv-

Rengjøring & Vedlikehold As – Quality-Assured Cleaning

Kjell Sjølstad established the Rengjøring & Vedlikehold Company as in 1972. The company has slowly and steadily grown to become one of the largest Norwegian-owned cleaning companies in Norway. In 2003, the Group had a total turnover of approximately NOK 53 million and more than 200 employees. The emphasis is on stable manpower and full-time employees who work within normal working hours.

The company supplies various types of cleaning services to trade and industry in Southeast Norway. In addition to regular cleaning, the company offers services such as carpet cleaning, floor treatments, window cleaning, facade cleaning and antistatic treatment of fabrics and technical equipment. Rengjøring & Vedlikehold as is one of the first Norwegian cleaning companies to be certified with the quality assurance system in terms of quality, the environment and HSE (health, safety and environment). The certification ensures that the services are carried out in accordance with international standards.

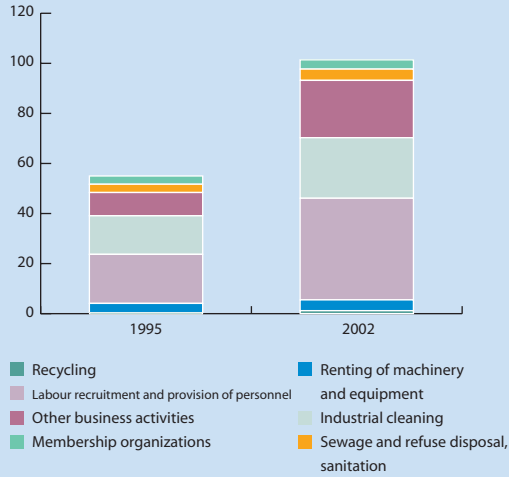
ice a few years ago, it is now the largest item of expenditure in the running of a building. The cleaning services have undergone major changes over the last 20 years. More efficient methods have been developed, and the expertise requirements have increased. Norwegian and Nordic standards for description and control of the quality of cleaning services have been set out.

Parallel to growth and restructuring, we are experiencing an increased internationalisation of companies that supply specialised company services. This applies to both security services and cleaning services. The Danish company ISS is an example of an international service group that has expanded rapidly all over the world. ISS Norge AS supplies cleaning, waiting staff and property services to the public and private sector.



Employment, Specialist corporate services

Employees in 1000



Source: Statistics Norway, ECON

With our growing wealth, we spend more and more money on services that free up our time, give us a feeling of well-being or cover other personal needs, such as hair care, cleaning and exercising. Simultaneously, the demand for health services, care-giving and educational services are rising. In this context, private suppliers play an increasingly important role.

Welfare and Health

Number of employees: 87,000

Share of gross product in trade and industry: 2 %

Person-targeted services include laundry and dry-cleaning services, hairdressing, beauty care and gyms. The sector also includes paid employment in private households, such as cleaning. The production of these services is labour-intensive. Suppliers are often small and medium-sized companies, but the development is headed towards more significant, nationwide chains. A good example of this is the growing number of large gym chains such as the SATS company.

There are several reasons for the steadily increasing demand for welfare services over the past decades. This is partly due to more people demanding these kinds of services and partly to the fact that the proportion of the population that require these services is increasing.

The main part of Norwegian welfare services is carried out by the state. Privately owned companies and non-profit organisations are nevertheless

important suppliers. Non-profit organisations run hospitals, nursing and care-giving services. It has become increasingly common for municipalities and the state to buy services from such organisations. Over the last few years, many private health, care-giving and educational services have been developed, partly in competition with the state and partly as suppliers of supplemental services.

Employment within welfare services has increased strongly from 1980 and up to today. This is basically due to increased activity in the municipalities. The employment of private suppliers of health, nursing and care-giving services is still relatively small in Norway, but it is clearly growing. There is a similar development in schools and other private educational services. The number of private market agents has increased, whereas there has been a decline in the number of voluntary organisations and institutions. Nevertheless, voluntary organisations carry out important welfare services and employ nearly 25,000 people, in addition to mobilising a significant unpaid effort.

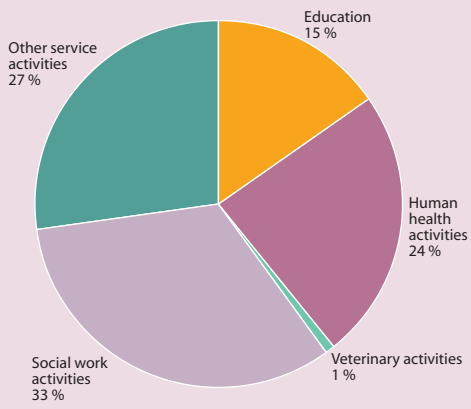
Nikita Frisør – From Bodø to Tenerife

The hairdressing chain Nikita Frisør was established by entrepreneur Inger Ellen Nicolaisen. The first Nikita salon outside Bodø was set up in 1984. Since then, the business has expanded and by the end of 2004, the company had more than 60 salons, 450 employees and a turnover of NOK 180 million. Nikita has also developed its own range of hair care products. The first seven products were launched in the autumn of 2001 and more products are being developed. Nikita Frisør is one of the companies in Norway with the highest number of female managers. Most Nikita salons are branches that are owned and run by the chain, but there is an increasing tendency to focus on franchising. This means that salons can be run on a licence. The manager of each franchise-based salon is a hairdresser and the General Manager. The chain is also branching out and has opened 3 salons in London and one in Tenerife. The emphasis on England also includes the Nikita London Academy, which is Nikita's own training centre in London. All employees who hold a Certificate of Apprenticeship can come here to further their education.

The criteria by which services are organised by the state, by the private sector or by volunteers are changing. One reason for this is that not all services can be financed through public budgets. Another reason is that resourceful consumers make more use of private health care and educational services.



Employment, Welfare and health 2002



Source: Statistics Norway, ECON



Part 3 Industrial Policies

The government wishes to promote increased wealth creation. Wealth creation in business and industry ensures a supply of goods and services, wages for employees, surpluses enabling new investments, as well as tax revenues to the state. Increased wealth creation thus creates a basis for improved public welfare schemes and increased personal welfare, security and opportunities. Wealth creation takes place in all kinds of businesses, and all sectors consequently play a vital role in industrial policy. This means that many policy areas are vital to wealth creation, and they are thus important elements in creating a comprehensive industrial policy.

Innovation, Entrepreneurship and Simplification

To maintain a high level of wealth creation in Norwegian economy, industrial policy must look to the future and contribute to increased competitiveness – which requires a high level of skills when it comes to restructuring and innovation. A large part of welfare development is dependent on the creation of new products, new companies and new jobs. Paving the way for such innovation is an important part of industrial policy.

Innovation is created through interaction between different agents in the economy. The following comprises the policy elements targeted at strengthening the ability for innovation.

- Expertise is vital to innovation, and a high quality education is an essential political goal. Furthermore, the education itself must be of practical use to companies and other businesses. The Quality Reform will improve the quality and utility value of both research and higher education. Innovation Norway (see p. 51) will contribute to raising the level of expertise in small and medium-sized companies.
- Research is an important source of innovation, and in recent years the government has increased research grants. Research can contribute to a high level of wealth creation through results that are useful to the entire economy. In order to achieve this, research results must contribute to new products and jobs. This requires that the research must be of a high quality and that business is capable of making use of the research results.
- Compared to our neighbouring countries, Norwegian companies spend relatively little money on research. SkatteFUNN is a scheme that seeks to stimulate business to spend more money on research and innovation.
- New companies are often established in connection with testing out new ideas. This is why entrepreneurship is an important part of innovation policy and the government has presented a strategy for entrepreneurship in schools. Furthermore, one of Innovation Norway's objectives is to coordinate the instruments aimed at start-ups and innovation.
- Regulations that are easy for companies to follow will promote entrepreneurship. The better the regulations – and the public executive authority – the more time and effort the companies can spend on production and development of new ideas. Simplifying laws and regulations is therefore a main point in the industrial policy.
- Many entrepreneurs and employees in companies who deal with innovation have shares in their own company. Paying capital tax on shares and share options could result in people having to sell shares or spend money from their assets – i.e. means which otherwise could have been invested in further development of the business. This could make it less desirable for people to start up their own company. Phasing out capital tax is an important long-term goal in the work with a new tax reform.

Trade and Competition

The national and international division of labour is important to maintain a high level of wealth creation. By enabling those companies that are most suited to perform a task serve a large market, we could all increase our standard of living. This requires well functioning competition and open international trade. Competition and trade policies will ensure this by achieving the best possible competition conditions between Norwegian companies, and between Norwegian and foreign companies. Below, we will describe some important institutions and political instruments in this policy.

50

- The Norwegian Competition Act, which came into force on 1 May 2004, is the most important instrument in Norwegian competition policy. The Norwegian Competition Authority will enforce this law. The new law entails a harmonisation of Norwegian competition legislation and the competition regulations in the EU/EEA legislation. The competition regulations in the EEA agreement (see next point) apply alongside the Norwegian Competition Act, but the Norwegian law must yield if it is in conflict with the EEA regulations. EFTA's Surveillance Authority (ESA) enforces the competition regulations in the EEA agreement. In the autumn of 2001, the Norwegian government presented an action plan for competition policy.
- The EEA agreement, which came into force on 1 January 1994, regulates the EU countries and the EFTA countries of Iceland, Liechtenstein and Norway. The agreement is based on the inclusion of the EFTA countries in the internal market of the EU. The basic pillars are joint rules for trade with goods and services plus free movement of people and capital across the borders. These pillars are often called "the four freedoms". To ensure this principle, a set of cross-sector regulations has been drawn up, including a joint set of competition regulations, restrictions for using state subsidies and equal opportunities for all market agents when it comes to public procurements.
- Norway is a member of the World Trade Organisation (WTO). Within this organisation, the member states negotiate the reduction of trade barriers and harmonise global regulations, including state aid to industries. A binding and predictable set of trade regulations which cover many countries is vital to the financial development in Norway, which has a small and open economy.
- As mentioned above, the European Free Trade Association EFTA consists of Iceland, Liechtenstein, Switzerland and Norway. EFTA promotes free trade and integration in the EFTA area. The organisation will safeguard the countries' interests and participation in the EEA cooperation via the three institutions - the EFTA Standing Committee, the Surveillance Authority ESA and the EFTA Court. EFTA also negotiate bilateral trade agreements with countries outside the EEA area, and today the organisation has trade agreements with the following countries: Bulgaria, Romania, Croatia, Macedonia, Turkey, Israel, Jordan, the Palestinian Self-Governing Areas, Lebanon, Morocco, Chile, Mexico, Singapore and soon also with Tunisia. Negotiations are in progress regarding trade agreements with Canada, Egypt and SACU (Southern African Customs Union, consisting of South-Africa, Namibia, Botswana, Lesotho and Swaziland). Negotiations have also been initiated with South Korea.

Taxes and Fees

Taxes and fees should mainly secure an income for important public tasks such as the judicial system, defense, schools and health services. At the same time, these taxes could have a negative effect on the economy by making otherwise profitable production or transactions unprofitable and preventing them from being implemented.

For Norwegian policy on taxation, it is important to avoid the negative effects of taxation. Globalisation also places restrictions on the tax level, on fees and on the structure of the tax system itself. The free movement of capital and manpower across national borders requires the total tax burden to be in line with our most important trade partners. This is reflected in the Norwegian tax system:

- What we call an ordinary income covers income from work and capital, and is taxed with a flat rate of 28 %. In addition, social security contributions and surtax is paid on income from work that exceeds a set minimum level. The employer must also pay payroll tax. The tax on capital is kept relatively low to reduce the number of businesses that move out of Norway.
- Regulations mean that income and capital are taxed differently. Resources have therefore been spent on tax planning as well as on developing an extensive and complicated set of regulations that prevent tax evasion. One of the main goals of the tax reform is to reduce these differences. The shareholder income tax, *Aksjonærmodellen*, was adopted by the Norwegian Parliament Stortinget in November 2004. It states that dividends from limited companies, beyond a deduction for invested capital (protection deduction), will be taxed privately by 28 %. At the same time, it is suggested that the surtax on income from work be reduced, in order to reduce the difference in the marginal tax between work and capital. Proposals have been put forward to change the taxation of sole traders and participating companies that have a similar model for taxation to limited companies.
- Norway is one of the few countries in the OECD that has wealth tax. Wealth tax may reduce the desire to start up your own company and to invest in Norwegian companies in general. One of the tax reform's objectives is to phase out wealth tax.

Human Capital

The workforce is the most important resource in the Norwegian economy. It is therefore important to develop a policy that promotes a high level of occupational participation, movement of manpower between businesses and sectors, as well as high and relevant expertise.

Current elements in the workforce policy include:

52

- The educational policy should ensure that the population receives the high level of expertise required by business. The government will also arrange for an improvement in pupils' ability to meet the challenges of a society founded on knowledge. The target for the Knowledge Policy for primary schools and sixth-form colleges is to create a better culture for learning. The Quality Reform in higher education will bring the students into working life quicker and ensure a higher degree of accordance between the educational choices of our youth and the requirements of business. The goal of the Expertise Reform is to provide adults with better opportunities for training and skills upgrading.
- Occupational participation and movements in the workforce have been affected by social security contributions. For instance, a high level of absence due to sickness and a rising number of disability benefit recipients is connected to how the social security contributions are structured. In order to shape this policy in a more comprehensive way, the responsibility for labour market policy, social policy and social security policy was placed with the new Ministry of Labour and Social Affairs in 2004. The aims of getting more people in employment, less people on social benefits and an improved user-orientation will hopefully be achieved through coordinating responsible bodies and financial benefits.
- Secure employment, equal opportunities and employee involvement are vital to a well-functioning working life. The goal for the new act on the working environment will be to ensure that more people are working and fewer people are rejected from the labour market, thus providing a secure safety net for everyone.
- One of the main goals in the forthcoming pension reform is to create a durable pension system. In the public study NOU 2004:1, the Pension Committee believes that there should be a greater degree of concordance between the employees' acquired pension and their income throughout life. This should motivate people to stay in employment. The proposal of the Pension Committee is followed up in the white paper Stortingsmelding no. 12 (2004–2005) *About the pension reform*.

The Norwegian Government Petroleum Fund and The Fiscal Policy Guideline

As the petroleum reserves are reduced, Norway's large revenues from oil and gas production will decrease. If we use all this income to build up a service sector aimed at domestic demand, this could be at the expense of businesses aiming towards the international market. When petroleum activities become less important, a competitive industry and commercial sector will be essential.

It is important to maintain revenues from oil and gas for future generations. This is why the Norwegian Government Petroleum Fund was established, and the fiscal policy guideline was established to determine how the state should spend this money.

- Revenues from the petroleum industry that are not used in the state budget are deposited in the Petroleum Fund. Norges Bank administers the Fund and the means are placed in foreign securities. These investments should ensure that the competitive power of Norwegian companies is weakened as little as possible by petroleum revenues. At the end of 2004, the Petroleum Fund was worth approximately NOK 1000 billion.
- Fiscal Policy states that the state each year should spend revenues generated from the petroleum industry equivalent to 4 % of the value of the Petroleum Fund at the beginning of the year. The state may deviate from this rule if significant fluctuations in the international capital market permit such deviation. If the unemployment rate is high, more money may be spent, with correspondingly less money being spent if the unemployment rate is low. The rule regarding spending 4 % of the Fund each year is based on the prognosis that the average future yield of the Petroleum Fund is expected to be 4 %. If these assumptions occur and the rule is respected, the Fund can maintain its value when revenues from the petroleum industry end. In this way, future generations will be able to benefit from the Fund, even after our petroleum revenues have come to an end. This will contribute to stable financial development.

Information about Norwegian Trade and Industry and Industrial Policies

General Information

Statistics Norway www.ssb.no

Norges Bank www.norgesbank.no

Public sector information in Norway <http://english.norge.no>

Business Statistics

www.odin.dep.no/nhd/norsk/tema/forenkling/orakel/foretaksstatistikk/024081-260025

Trade and Industry Information

Association of Norwegian ICT- and knowledge-based enterprises www.abelia.no

The Federation of Norwegian Construction Industries www.bnl.no

The Company Association www.bedriftsforbundet.no

Norwegian Electricity Industry Association (EBL) www.ebl.no

Norwegian Financial Services Association (FNH) www.fnh.no

Norwegian Seafood Federation (FHL) www.fhl.no

Federation of Norwegian Commercial and Service Enterprises (HSH) www.hsh-org.no

The Norwegian Federation of Craft Enterprises (HBL) www.hbl.no

ICT Norway www.ikt-norge.no

Federation of Norwegian Meat Industry www.kiff.no

Norwegian Association of Pharmaceutical Manufacturers www.lmi.no

National Association of Logistics and Transport Workers www.ltl.no

Norwegian Media Businesses' Association www.mediebedriftene.no

Norwegian Shipowners' Association www.rederi.no

Confederation of Norwegian Business and Industry www.nho.no

Federation of Norwegian Food and Drink Industry www.nbl.no

Norwegian Oil Industry Association (OLF) www.olf.no

The Federation of Norwegian Process Industries (PIL) www.pil.no

The Norwegian Aggregates Producers Association (PGL) www.pgl.no

The Federation of Norwegian Coastal Shipping (RLF) www.rlf.no

The Norwegian Hospitality Association (RBL) www.rbl.no

The National Federation of Service Industries (SBL) www.sbl.no

Norwegian Forest Employers' Association www.skogbruk.no/wwworg/skogbruk.nsf

National Association of Technical Entrepreneurs www.telfo.no

Federation of Norwegian Manufacturing Industries (TBL) www.tbl.no

Federation of Norwegian Transport Companies www.transport.no

Federation of Visual Communications Enterprises (VISKOM) www.viskom.net

Industrial Policies

Innovation

Innovation Norway offers products and services within areas such as risk financing, internationalisation and marketing of Norwegian trade and industry, expertise supply, international technology cooperation and consulting. The services are specifically aimed at entrepreneurs and small and medium-sized companies.

www.invanor.no/default.aspx

Tax relief to innovation and research

SkatteFUNN is a financing scheme for work within development and research. www.skattefunn.no

Entrepreneurship

Bedin provides information about starting up and running a company. www.bedin.no

Young Enterprise Norway is a national meeting place for cooperation between schools and trade and industry. Here, children are given the opportunity to run a business through concepts such as pupil companies, youth companies and student companies. www.ue.no

Simplification

Altinn is a joint electronic reporting channel to The State Educational Loan Fund *Lånekassen*, The Brønnøysund Register Centre, The Tax Administration, Statistics Norway and The Norwegian Competition Authority. www.altinn.no

Business and industry has an opportunity to report challenges facing companies in their day to day operations. www.dep.no/nhd/norsk/tema/forenking

Competition

The Norwegian Competition Authority has the main responsibility for implementing the Norwegian competition policies. www.konkurransetilsynet.no

Export

Eksportfinans, the Norwegian Export Credit Agency, is a joint agency for banks and the state which develops and offers competitive long-term financial services to export sectors and the municipal sector.

www.eksportfinans.no

GIEK, Garanti-Instituttet, provides guarantees and credit insurance of export credits. www.giek.no

EEA information

The European Portal provides information about Norway's cooperation with Europe.

www.europaportalen.no

The Euro Info Centre has five regional offices and provides fact-based advice about the EU. www.eic.no

Solvit is an EEA network where, on behalf of its companies and citizens, a state addresses problems they are encountering when approaching public administrations in one of the other EEA states.

www.dep.no/nhd/norsk/regelverk/eu/024021-200005/index-dok000-b-n-a.html

www.europa.eu.int/solvit/

Tax agreements

The document entitled Tax administration in Norway - Competent Authorities provides an overview of which Norwegian authorities have the authority to make Norwegian tax agreements with other countries.

www.dep.no/fin/norsk/tema/skatteavgifter/skatteavtaler/006031-990399/dok-bn.html

Labour market

Aetat offers services in relation to recruitment and seeking employment. www.aetat.no

Working in Norway provides information about job opportunities, work permits, import and export regulations and tax payment. www.norway.no/tema/working.asp

The Norwegian Government Petroleum Fund and the fiscal policy guideline

The Petroleum Fund www.norges-bank.no/petroleumsfondet

About the Petroleum Fund www.odin.dep.no/fin/norsk/tema/statens_petroleumsfond/bn.html

About the Petroleum Fund www.ungokonomi.no

About the fiscal policy guideline www.odin.dep.no/fin/norsk/tema/norsk_okonomi/006071-990150/dok-bn.html