

Statsminister Willochs besøk i Spania
7. - 8. februar 1985. Lunsjtale i CEOE.

Mr. President,
Ladies and Gentlemen,

First of all, I would like to thank you for the kind invitation to be present at this luncheon. I greatly appreciate this opportunity to address such distinguished representatives of Spanish industry.

I am happy to say that, generally speaking, the economic relations between Norway and Spain are healthy. Our mutual trade constitutes a sound basis for strengthening the bonds between our two countries. I would also like to mention that hundreds of thousands of Norwegians have contributed to our rather unbalanced trade in invisible, by visiting Spain as tourists and enjoying the hospitality and lovely climate of your country.

Norway and Spain are both advocates of international free trade, realizing that this is to the benefit of all the countries involved. At a time when protectionist tendencies are often strong, it is important to honour the principles of free trade, keeping these principles in mind in bilateral and multilateral relations alike.

I presume that Spain now stands on the threshold of the EC, and wish you every success in the forthcoming negotiations. Membership in the Community certainly entails great new challenges and opportunities. It also opens new perspectives for the relations between our two countries. Full industrial free trade will in fact be introduced between Norway and Spain as a consequence of Norway's free trade agreement with the Community. Let me add that we hope that, in the process of integration into the EC, Spain will also keep in mind the importance of strengthening the relations with countries outside the Community.

It may be said that the economic development in the OECD-area as a whole is better at present than it has been for many years. The growth in total production in 1984 was the most rapid since 1976, and inflation the lowest since 1972. Employment has risen by 5 million, the largest increase since 1979. Furthermore, the Gross National Product (GNP) in the industrial countries is expected to grow by some 3% in 1985 without any significant rise in inflation.

However, serious problems still remain. The recovery in Europe in particular is fairly modest, and unemployment in Western Europe is expected to rise

above 11 % of the labour force this year, the highest level in the post-war period. The sustainability of the present economic growth in North-America might also be questioned, given the budget and current external deficits in the United States. Furthermore, we have not yet resolved the great problems of the enormous debt burden of the developing countries and still face discriminatory trade measures and policies, which are detrimental to progress.

Thus, in order to achieve sustained economic growth and reduce unemployment, the Norwegian Government feels that improved international economic cooperation is called for. In the OECD and other international organizations we have argued in favour of a joint strategy for economic growth, through better coordination of domestic economic policies and trade and exchange rate policies. We think it would be apropos to have a fresh look at these questions during the important international meetings that will take place this spring, with a view to prolonging the economic upturn and to avoiding a new recession.

As you may know, Norway has a small and open economy and is thus quite dependent on international economic developments. Foreign trade amounts to close

to 50 % of our Gross National Product (GNP). We are in the fortunate position of being a very large net exporter of energy. The production of oil and gas now contributes around 18 % to our total Gross National Product (GNP). Even though oil prices measured in dollars have fallen since the second oil price shock, increased production and a rapidly rising dollar have, at least for the time being compensated for this. Thus, our total Gross Domestic Product (GDP) increased by some 4 % last year, while we had a very significant surplus on our current external account. Employment is growing, and unemployment is some 3 % of the labour force, one of the very lowest in the OECD-area.

However, Norway should not become too dependent on the energy sector. Given the uncertainties of the future course of oil prices and the dollar exchange rate, it is absolutely necessary that our traditional economy be sufficiently strong and competitive to generate expansion in the future.

When the present Government took over in the fall of 1981, inflation has reached a peak of some 15 % in a 12-month period, and nominal wages were rising rapidly. To secure our competitive position and, thereby future employment, we were forced to reduce inflation, which has come down to some 6 % in 1984. Unit labour costs in manufacturing increased by 11 % in 1981. Because of

stronger productivity growth and lower nominal wage growth. the growth of unit labour costs measured in Norwegian kroner is now down to 4 %. Thus, our traditional economy has been strengthened; investment is increasing along with output and employment. At the same time, we have spent some of our oil revenue on expanding and strengthening our welfare society.

Thus, I would say that we are in a strong position to meet future economic and social challenges. On the other hand, we must be acutely aware of the dangers that we may be facing, particularly the danger of renewed inflation as a consequence of our oilwealth.

The Norwegian Government is thus anxious to stimulate growth and innovation in the economy. A prerequisite for a consistent growth policy is to bring the cost development under control. The Government has contributed to this, for instance, by reducing both personal and company taxation, and by showing prudence in public expenditure. This macro-economic policy is accompanied by growth-promoting policies in a number of areas, above all in the fields of industrial research and development, education and finance.

These efforts are now beginning to bear fruit. The growth in industrial production in Norway from 1983 to 1984 was about 2.2 %, the strongest in many years.

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The export industries in particular are showing positive development.

A new type of investor is now entering industry and the stock market. They are demanding more returns on their investments than has been normal up to now. We see restructuring on the part of the owners, creating more powerful units, some of which also wish to go international. This has, for instance, been the case within the pulp, paper and ferro-alloy industries. At the moment there are discussions on this matter going on in the aluminium industry.

The increased activity on the stock market has improved the companies' possibilities of getting new capital and, especially, equity capital. Moreover, the Norwegian Government is willing to support those companies which wish to expand abroad, thus putting some of our ample foreign exchange resources to more profitable use without creating inflationary pressures at home.

Interesting developments can be seen in Norwegian industry today. There is a great deal of innovation, and many promising new businesses are starting up. The Government has tried to stimulate this process in different ways. Together with the Norwegian Council for Scientific and Industrial Research, we have, for instance,

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singled out 4 areas in which special attention will be paid to research and development for the next 5 years. These areas are:

- information and computer technology
- petroleum and offshore technology
- material technology
- marine biological resources

Norway has already a comparative advantage and an international competence in these fields make them promising sectors for the country.

Before concluding, I would like to underscore that we recognize the great importance of Spanish industry - ranked among the top ten in the world. We are confident that Norway, with her important natural, industrial and energy resources, and specialized high quality and high-tech industrial goods and services, could become an even more valuable partner for Spain. The trade potential between our two countries should be exploited more actively. We should encourage Norwegian trade and industry to seize the new opportunities offered by the full participation of Spain in European free trade.

Thank you very much.

