

The Italian-Norwegian Chamber of Commerce  
General Meeting, Milan, 10 May 1990

Ladies and Gentlemen,

You have provided me with an opportunity this morning to deal with a most exciting subject: "Modern Norway in the 1990's - meeting the European challenges".

We are, indeed, heading into a new decade. It is full of promises and of challenges - politically and economically. Europe has again become the main scene of historical change. New opportunities have suddenly arisen. New structures of cooperation are being shaped in a Europe where freedom and democracy are no longer privileges enjoyed only by the peoples of our part of the continent.

I am indeed grateful for your invitation to address this General Meeting of the Italian-Norwegian Chamber of Commerce. It takes place in a city where the traces of a prosperous past and the dynamism of modern industry and trade live side by side. The city of Milan is in itself an eminent expression of one of the most characteristic qualities of our European civilization: the ability not only to adapt to historical change, but to create it. It is a quality we shall need and shall have to make use of today, when the challenge is to shape tomorrow's Europe.

What, then, does "modern Norway" look like?

The Norwegian economy presents a complex picture. Seen from the outside, we are doing very well for the moment. We turned a current account deficit of

almost NOK 25 billion in 1988 into a surplus nearly as large for 1989. But some of this may be temporary. High metal prices may be heading for a downturn. And high oil earnings are - alas - no lasting basis on which to build a strong economy. In saying this, I do not agree with those who see the oil industry simply as a story of steadily depleting resources - of selling the family silver, so to speak. The exploitation of oil and gas fields in the North Sea, frequently under extreme conditions, is the product of engineering skill and inventiveness. Without strong engineering industries, and without very high levels of competence and competitiveness, we could never have taken on the task and developed our North Sea resources.

The most important thing is not - I think - whether you are engaged in semi-manufactures or finished products. It is rather whether you are good at what you are doing. That is: whether you write the bottom line in red or in black.

To me the most interesting industries are those that have the highest positive return on their investments. As I used to say when I was Minister of Industry: even a simple surplus is better than the most sophisticated deficit.

One problem is that, over the years, we have narrowed our range of investments. High costs have forced us out of several of the labour-intensive industries in which we were formerly engaged. It has happened to other industrialized nations, too. But the influx of oil money into Norwegian economy has speeded up this particular development. We have to bring it under control. That is why we must avoid the temptation, now that oil revenues are once more rising, to use them in ways which would increase public spending and inflation. It is a priority objective of my govern-

ment to ensure that Norway does not once more fall into that baited trap. We are now about to create a petroleum fund, in order to save some of these time-limited earnings for the future.

For a country with a small home base like Norway, the world must be our market. We have no other choice. Our only opportunities for growth are to be found in international markets and in increased exports. In order to succeed, we shall have to overcome some persistent problems of the Norwegian economy: We shall have to

- bring down the relative level of prices and costs,
- provide less government, but better government,
- reduce our dependence on earnings from the petroleum sector.

It is all so easily said, and so difficult to achieve. As Henrik Ibsen put it: "To think it, to wish it, will it even: but to do it, that I don't understand!" But we are really doing something about it.

- We are strengthening the supply side of the economy.
- We shall adapt to the EC single market.
- We have started lowering tax rates, and last week we presented proposals for a thorough reform of our whole tax system.
- Public expenditure must increase more slowly than national income.
- We aim at stabilizing the economy both in the short and long term. An important element is that price inflation has been brought down to around 4 per cent. Recent wage settlements both in private and public sector indicate nominal wage increases this year around 4 per cent, which clearly will contribute to keeping inflation low.



My government is making very serious efforts to re-orient our economic policy more in line with mainstream thinking in other OECD-countries. And we can see the first results. Will we be allowed to continue along that path? Those of you who read Norwegian newspapers may have doubts, since they continuously prophesize the breakdown of the coalition. In the meantime, however, the coalition is doing very well. And I cannot resist the pleasure of quoting from a recent survey among leading London stock-market brokers. They all went for the Oslo Stock Exchange. And one of the main reasons for their confidence was: the stability of the Norwegian government!

The business sector and the Government must jointly strengthen our industrial and commercial basis. I have initiated a dialogue to that effect. Our most important task is to create general conditions that provide growth opportunities for capable companies and managers.

The post-keynesians of the last two decades had forgotten that running an economy is not like regulating a river. It is rather to understand why the river flows at all. That is: to understand the driving forces. And the driving force of the economic river is the entrepreneur. Not the macro economist.

Most governments now have learned that lesson. Today even socialists behave as if they were conservatives. And we - the real conservatives, we don't complain.

X That is why we meet here today in a climate of business optimism. And in dealing with problems there is certainly <sup>no</sup> reason to let ourselves be drowned by them. Always remember what Mark Twain said: "Luckily most of my problems never occurred". Norway has a number of advantages and new possibilities. We

need to convince ourselves of their existence and to market them more strongly than before.

The Winter Olympics in 1994 will give us an excellent opportunity. You will indeed be welcome. We will make the olympics as sophisticated as you need them, as prudent as you want them, as friendly as you like them. I think I can say with some of the more exclusive car makers, when asked how many horsepower they have put under the hood. The answer is: "Enough".

Norway enjoys a unique topography and a climate which make special demands on our abilities:

- We are among the world leaders in exploiting hydro-power and in constructing hydro-electric stations. A main out-put is metallurgical products - our most important export products towards Italy.
- We are leaders in fishing and fish farming. Fish and fish products come next in our exports to Italy.
- We produce oil and gas from deeper waters than most other countries. The Norwegian state oil company Statoil is now negotiating an important contract with Italy for the supply of natural gas for the next 30 years.
- We have exciting high-tech products in telecommunications and shipping equipment. Even in this sector there has been a positive development in our exports to Italy over the last few years.
- And Norway has an international reputation as a sea-faring nation.

The potential and the opportunities are there. We need to exploit them, we do exploit them, and we shall do even better.

Norway's relations to the European Community are of a vital importance to us. Nearly 70% of our exports go there, whereas 50% of our imports originate in that area. It should be quite clear, then, that the developments of the Community and the completion of one internal European market inside the Community represent one of the most important challenges facing Norwegian economy as we head into the 1990's.

In 1972 a majority of Norwegian voters chose to remain outside the European Community, and there is still no political majority in Norway in favour of submitting a new application for accession. Together with our partners in the EFTA, we therefore responded positively to the invitation put forward a year ago by Commission President Jacques Delors; to explore new ways of creating a more structured cooperation between the two organizations. Following thorough exploratory talks we now expect formal negotiations to start before the summer recess.

The aim of these negotiations will be the creation of a European Economic Space (EES) of 18 countries. Inside the EES, the "four freedoms" of the internal market should be realized to a largest possible extent. The agreement should also include an extended cooperation on a wide range of sectors more or less directly linked to the realization of the internal market. I am thinking of research and technological development, the social dimension, protection of the environment, consumer policy, education, company law etc.

The creation of a European Economic Space will, hopefully, secure identical legal conditions for the economic operators in the area. It will represent a strong impetus for a further development of the close economic links that already exist between the 18 countries. As you know, the Community and the EFTA



countries - seen as a whole - are each other's most important trading partners. An EES will therefore without any doubt be beneficial to all parties - and in particular, of course, to all of you: You are the economic operators who shall fill this legal framework, this framework of general conditions, with its concrete content!

I am confident that the Italian presidency of the Council of the EC, which will take over as from 1 July, will contribute positively to achieving the goals we have set on both sides. For my part, I can assure you that my government is fully committed to this process. The EFTA countries will do their utmost to reach a satisfactory result. The negotiations should be completed well in time for the agreement to enter into force before the end of 1992, in parallel with the completion of the internal market.

The new EFTA/EC-process was initiated before the recent political developments in Europe suddenly and unexpectedly opened up new perspectives for the future of our old continent. When the iron curtain was thrown aside, some may have felt that the EFTA/EC process could lose its interest and significance. On the contrary, it is more important than ever before to achieve a closer cooperation between the Community and the EFTA countries. A European Economic Space will provide the 18 countries of Western Europe with a common basis for developing trade and economic cooperation with the new democracies in Eastern and Central Europe. It will give us a new point of departure for helping them in developing sound market-oriented economies. The ultimate goal must be an economically integrated Europe from the Urals to the Atlantic, from the Barents Sea to the Mediterranean, where economic cooperation, free trade and - of course - competition will contribute to a develop-

ment that will benefit all of us. That is, you will say, far down the road. Yes, but we must start the march in that direction. As you are well aware of: Markets are like parachutes - they only function when open!

The peaceful revolution and the down-fall of communism in Eastern and Central Europe has led to a totally new political picture of Europe. The post-war period is coming to an end. A long era of division and confrontation is waning. What will this imply for our security policy, and for the security structure and arrangements in Europe?

In a period like this, there will inevitably be the temptation of doing away with everything that formed part of the old order. In my view, this would be extremely dangerous. We still need to ensure our security. The Soviet Union is still a super-power. On the Kola peninsula, only a few kilometers away from the Norwegian border, there is no sign of any build-down of one of the most important military and naval bases in the world.

The situation in Europe is most encouraging and promising. But it is also unstable, and highly unpredictable. We must therefore proceed carefully, and use the instruments we have at our disposal.

NATO is such an instrument. By linking the United States and Canada to European security, it represents a necessary factor of stability, both politically and militarily. I believe that in a longer perspective, the role of NATO will change. President Bush has called for a "new Atlanticism", and I fully agree with him.

A "new Atlanticism" will mean that we maintain close links with North America, but that the role and the



missions of our Alliance are adapted to a new political situation.

The European Community will certainly play a central role in the "new European architecture". We have all witnessed to what extent the Community is a pole of attraction to the new democracies in Eastern Europe. It also seems clear that the Community's own response to these new challenges will be further political integration.

In turn, this represents a new challenge to Norway, a challenge of a political nature to which an EFTA/EC-agreement could hardly provide the whole response. That is also the main reason for what is my personal view and the view of my own party: an EES agreement should not be the terminal station on Norway's road to European cooperation and integration.

But as I have already mentioned, there is no majority in the Norwegian parliament today for an application for membership in the Community. An agreement between the EFTA countries and the Community on a European Economic Space will anyway represent an important and valuable step forward. I am convinced that the effects of such an agreement will be felt directly also in the economic and trade relations between Italy and Norway.

The trade between our two countries has shown a very positive development throughout the 1980's. There is still a Norwegian deficit in this trade, but our exports have tripled over these ten years. There is in Norway an increasing interest for Italy as a market and as a partner in economic and industrial cooperation. And I hope it goes both ways.

The broad presentation of Norway organized here in Milano last autumn was an important expression of

this interest. Many of you were directly involved in that manifestation. I would like to pay a tribute to the efforts made by all of you and by the Italian-Norwegian Chamber of Commerce for the development of our relations. I wish you success in your future endeavours!

Thank you for your attention.