

Madrid, 28 June 1990

Prime Minister Jan P. Syse

LUNCHEON SPEECH AT THE SPANISH-NORWEGIAN CHAMBER OF COMMERCE

Ladies and Gentlemen,

Europe is changing, not only the Eastern, but certainly also the Western part of the continent. In that change Spain has played a vital role. In the 1980's you joined NATO and the European Community with great determination. In the 1990's you will be one of the driving forces in shaping a new Europe. For all your efforts I should like to express my very sincere admiration.

I am indeed grateful for this opportunity to address the Spanish-Norwegian Chamber of Commerce. You are all directly involved in the economic relations between our two countries. Thanks to you, there is now a very positive trend in these relations. Their further development will also first of all depend on you. Governments must play their part, by creating the conditions and the legal framework you need. But it will be a little like a football game; when the rules have been established, the results will depend on you. The only difference is that in this game we can all hope to come out as winners.

The rapid growth in the Spanish economy is impressive. Spain has for several years been the focus of foreign industrialists and investors. That is a compliment to Spanish achievements.

And, let me add, it is not only a matter of using natural advantages. After all, the Tasmanians lived for thousands of years by the sea and never thought of sailing. It is a question of combining natural advantages with determination, creativity and talent. I am pleased to note that Norwegian industry is also increasingly aware of the importance of Spain as a partner in trade as well as in economic cooperation.

In 1989, the Spanish government took the peseta into the exchange rate mechanism of the EMS. In its latest issue, The Economist wrote that "the peseta, once chronically weak, is now one of the system's strongest currencies. Therein lies a lesson for Britain." And a lesson for Norway, I should add. Norway has a fundamental interest in stable exchange rates. In January - during my visit to the European Commission - I emphasized the interest of my Government in a closer Norwegian cooperation with the EMS. Since then, work has been undertaken to clarify possibilities and conditions for such closer links. As a further follow-up the Norwegian Minister of Finance, Mr. Arne Skauge, this week held talks with officials in Brussels.

What, then, does the Norwegian economy look like? It presents a complex picture. In several respects we are doing quite well. We turned a current account deficit of almost NOK 25 billion in 1988 into a surplus nearly as large for 1989. The GNP growth rate is moderate - the 1990 estimation is 1.5 per cent - but the trend is clearly positive. Inflation is low:

for the first time since the -60's we are now below 4 percent.

But our export earnings depend too much on shifting oil and metal prices. Growth and investments are too much concentrated on the petroleum sector.

When seeking solutions to our problems, we must always remember that for a country 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;

- bring down the relative level of prices and costs,
- provide less, 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 are adapting to the European Community single market.
- We are lowering tax rates.
- We have presented proposals for a thorough reform of our whole tax system.
- We will make sure that public expenditure increases more slowly than national income.

- We aim at stabilizing the economy both in the short and long term. Nominal wage increases this year will be around 4 per cent, and contribute to keeping inflation down.

My government is making serious efforts to re-orient our economic policy. And we can see the first results. 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! Of course, some Norwegian newspapers speculate about the imminent fall of the Government. They will probably continue to do so - for years and years. But it is interesting that the London stockbrokers have observed the stability of my Government and the serious efforts we are making to reinvigorate the economy. They are reacting favorably. So should you.

We do have important work ahead of us; 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 the conditions that give capable companies and managers opportunities for growth and expansion.

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. That is: to

understand the driving forces! And the driving force of the economic river is the entrepreneur. It is you - present here today. Not the macro economist. Most governments have now learned that lesson.

That is why we meet here today in a climate of business optimism. Of course, there will be problems. But we will deal with them, and not let ourselves be drowned by them. We will always remember what Mark Twain said: "Luckily most of my problems never occurred". Norway has a number of advantages and new possibilities. Our challenge will be to exploit them and to market them more strongly than before.

The Winter Olympics in 1994 will give us an excellent opportunity. Here in Spain, you are two years ahead of us in planning your summer games. I am sure we will learn a lot from you. And I hope that our winter games will match the games of Barcelona - in every respect except one; the temperature! You will indeed be welcome to Lillehammer!

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.
- We are leaders in fishing and fish farming.
- We produce oil and gas from deeper waters than most other countries.

- We have exciting high-tech products in telecommunications and shipping equipment.
- And Norway has an international reputation as a sea-faring nation.

The potential and the opportunities are there.

Trade between our two countries is developing positively. And it is now fairly well balanced. Norwegian exports were up more than 50 per cent in 1989. They will certainly continue to grow. Export of Norwegian natural gas, which will start in 1993, will represent an important expansion.

Spain is a priority area in our short term export strategy. We are now preparing the Norwegian participation at the World Exhibition in Sevilla. But of course, the outcome of these efforts will mainly depend on business and industry themselves.

In the years to come, the development of economic relations beyond traditional trade will certainly become more and more important. There is a growing awareness in Norwegian industries of the need for internationalization. Cooperation is already established in a number of fields where Norwegian competence matches Spanish needs. Areas like hydro power equipment, aquaculture, shipping gear and cement production are just a few examples. And the potential for further expansion is very clearly there. New and interesting fields

could be telecommunications, automotive parts and - believe it or not - space industry.

Our bilateral economic relations must obviously be seen in the broader context of Norway's relations to the European Community. These are of a vital importance to us. Nearly 70% of our exports go there, whereas 50% of our imports originate in that area. We are, in fact, more dependent on the Community market than some of the Community members are themselves. It should be quite clear, then, that the completion of the single European market represents 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. 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 by President Jacques Delors a year and a half ago; to develop a more comprehensive and ambitious cooperation between the two organizations. The formal negotiations started in Brussels last week.

The aim of these negotiations will be the creation of a European Economic Space, a space embracing 19 countries. Inside this space, the "four freedoms" of the internal market will be realized to a largest possible extent. But the

areas. I am thinking of education, research and technological development, the social dimension, protection of the environment, consumer policy, education, company law etc. Our common objective is that the agreement must enter into force before the end of 1992, in parallel with the completion of the internal Community market.

The creation of a European Economic Space should secure identical legal conditions for business and industry in the entire area. It will stimulate a further development of the close economic links that already exist between the 19 countries. It will be a strong impetus for trade and cooperation between Spain and Norway. An EES will therefore be beneficial to all parties - and in particular, of course, to all of you.

Our economic space will open up for a mobilization of economic resources and creativity embracing all of Western Europe. It will encourage trade and competition. We will lift barriers. We will stimulate technological progress. We will combat inefficiencies. A dynamic European Economic Space will demonstrate that the secret of competitive advantages is to compete. Cooperation among governments will help create the framework. Competition between companies must create the values. One of my favourite Europeans, Helmut Schmidt said: Markets are like parachutes. They only function when open. A European Economic Space will secure that the parachute is



open.

For the first time, the process of integration will now also reach meaningfully across the old barriers that used to divide our continent. The ultimate goal must be an economically integrated Europe from the Atlantic to the Urals, from the Barents Sea to the Mediterranean, where economic cooperation, free trade and competition will contribute to a development that will benefit all of us. That is, you will say, far down the road. Yes, but the first steps have now been taken.

With these broader perspectives in mind, I should like to wish you success in your endeavours to develop Spanish-Norwegian relations. Your contribution and your commitment will be essential. In the present European situation, there are a number of worries, in the economic as well as in the political field. I have, however, always learned that the reason why worry kills more people than work, is that more people worry than work. You are all more concerned about the work than the worry. So, let us go to work together. Thank you for your attention.