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NORWAY AND THE UNITED STATES - COMMON INTERESTS AND OPPORTUNITIES. THE NORWEGIAN-AMERICAN CHAMBER OF COMMERCE, NEW YORK, TUESDAY SEPTEMBER 25, 1984.

Mr. President,

First, I would like to thank you for your kind invitation to me to be present at this luncheon. I appreciate very much this opportunity to address so many distinguished representatives from such a broad spectre of American society. And I would like to add that we who live in Norway are very happy that there is such a large group of people in the United States with roots in our own country. It means that the very close relations between the two countries in the political, economic and cultural fields are resting on a solid foundation of personal ties of family and friendship. The very importance of this fact should never be underestimated. It may be an important part of the explanation why we have succeeded so well in preserving confidence and friendship between our nations. There are people who do not mind to undermine these friendly relations. They must not and will never succeed.

I would like to present Norwegian policies in certain fields of common interest to Norway and the United States. Knowing that most of you for natural reasons take a particular interest in the commercial aspects of our mutual relations, I shall reserve a reasonable part of my time for various economic matters. However, first I will make some remarks on defence and security.

The United States of America is our most important ally. I will not hesitate in describing the relationship to the United States as a cornerstone in Norwegian foreign policy. The American security guarantee is a part of the United States contribution to the North Atlantic Defence Alliance. During the 35 years since the establishment of NATO we have had peace in our part of the world. And we have been able to secure our peace in freedom.

In the present situation solidarity between the democracies of the West is more important than ever. The Alliance can not maintain the necessary political strength vis a vis the gigantic military power in the East without mutual confidence and loyalty between the member states.

Norway is allied to one of the superpowers while sharing a common border with the other. Our security policy situation will, therefore, be largely influenced by the relationship between the United States and the Soviet Union. In times of East-West detente our situation is obviously more comfortable than in turbulent times.

But also in such periods it is important for us to preserve good neighbourly relations with the Soviet Union.

With the buildup next door to us of one of the largest military complexes in the world, the Kola base, our security problems have increased considerably. It does not imply any moral evaluation of our big neighbour to realize that it would be of great strategic value for him to control Norway. And he has indeed shown willingness to achieve strategic advantages, when that has seemed possible without too heavy cost.

Our objective to safeguard national security, advises us to maintain a situation of low, or preferably no, tension in the North. However, the Soviet build-up unavoidably entails great consequences for our national defence planning. The main part of our standing forces are, therefore, deployed in Northern Norway. But that is no formidable force which can threaten anybody.

We can, of course, not establish any possible regional balance of forces ourselves. This requires a demonstrated Alliance capability and willingness to reinforce our defences in case of crisis. Such allied reinforcements must be planned and exercised in order to be credible. We have, therefore, developed an infrastructure sufficient to receive and support allied forces. We hold regular exercises with Norwegian and allied participation. Allied heavy equipment is being prepositioned. These preparations are necessary also to

give credibility to our established policy of not permitting foreign military bases on Norwegian soil in peace-time.

I am confident that all the allies realize the common interest of maintaining the territorial and political integrity of Norway. The Alliance guarantee is of vital importance to our security and gives credibility and sense to our national efforts, which will always constitute the main contribution to the defence of our country.

All NATO allies have an equal interest in maintaining peace and they all contribute to this end. Nonetheless, criticism is being voiced in the United States against the purported shortcomings in the contributions from the Western European Allies. I believe that this is largely based on a misconception. Most European allies to-day carry their fair share of the common defence burden and their efforts have certainly been increased during later years. When such apprehensions are expressed, Europeans also point to the large imbalance in the arms trade across the Atlantic. Neither should one forget to count in the great contribution given by most European allies at low cost through conscription. If European soldiers should be paid full wages, the defence expenditure to be compared with the American would increase considerably.

As far as Norway is concerned we have met - and in fact exceeded - the NATO agreement for defence spendings with our annual increase of $3\frac{1}{2}$ % in real terms.

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Western security is also closely linked to the social and political stability of our societies, and our ability to achieve renewed growth and an improved employment situation.

The long awaited economic upturn in the Western industrialized countries is now well under way. The economic growth in the United States has given strong positive impulses to the world economy. The recovery has gained some momentum also in Europe. This positive development should give us the necessary incentive to solve more of the serious problems that have been building up during the recent recession: The unacceptably high unemployment, rising protectionism, high international interest rates and the debt problems of developing countries. Through co-ordinated action and with due regard to the interdependence between economies, we should be able to make the necessary adjustments to achieve prolonged and stable growth, without the severe downs of the business cycles, which have created so much hardship to so many people.

It has been a primary objective for the Norwegian government's economic policy to reduce inflation and to limit the rate of growth of public expenditure. At the same time, we have taken measures to combat unemployment, particularly among the young people. We are also implementing a number of measures to increase the supply of equity capital to companies, to strengthen research and development and to stimulate the necessary restructuring of our industries. In this way, we seek to

improve Norway's international competitive position, to create a basis for a further strengthening of traditional export industries and to enable new industries to develop and to prosper. Such an economic policy should also help to secure domestic employment on a permanent basis.

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The petroleum activities on Norway's continental shelf is a new, very important factor influencing our domestic situation as well as our relations with other countries. We recognize our international responsibilities as regards world energy supplies. Norway is already an important supplier of oil and gas to Western Europe. In view of new important gas finds on our continental shelf, Norway will be both able and willing to supply Western Europe with substantial quantities of natural gas for many decades, and thereby reduce Western European dependence on external sources of supply.

The petroleum sector plays an important role in the Norwegian economy. Total production this year will amount to the equivalent of 1,2 million barrels per day. The economic importance is illustrated by the fact that it now represents some 18 per cent of Norway's gross national product, 20 per cent of our gross investments, 20 per cent of total tax revenues and 37 per cent of the gross export value.

But, of course, there is another side to everything. For a small country like Norway, the domestic economy will be exposed and vulnerable to rapidly increasing oil revenues because it may lead to a rapid increase in

the monetary supply, and thereby to inflation. In order to stem such adverse inflationary effects and to strengthen the competitive position of other industries, the domestic use of petroleum revenues must be kept under control. As in the Odyssey, we must try to keep a steady course towards our long-range objectives without being led astray by short-term temptations; in this case the temptation to use too much of the money too quickly.

We realize that the petroleum resources will not last forever and that this sector will never provide employment for the larger part of our work force. It is, therefore, a great challenge to us to uphold a diversified economic structure with the necessary competitive ability.)

Norwegian industries have gradually improved their position as suppliers to the oil companies engaged on the Norwegian continental shelf. A number of Norwegian companies have also developed a considerable potential for exports to international offshore markets. The government will continue to promote this trend. At the same time, I will emphasize the importance of maintaining a truly international environment in the Norwegian offshore sector. Experience and knowledge gained in an open and competitive Norwegian market is a prerequisite to successful internationalization.)

The challenges posed by the development of new oil and gas fields will require advanced technology. It will be essential for Norway to have access to international know how and resources. Of course, we do not gain such access simply by asking. We will, therefore, have to

make it attractive to the international oil companies to share their technology with us. To this end we will encourage joint venture operations with Norwegian companies. We believe that foreign companies will have an important part to play on the Norwegian Continental shelf also in the future.

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Foreign trade accounts for some 50% of our gross national product. The United States is among our most important trading partners. The economic development in the United States will always have a significant impact on the Norwegian economy as well. In 1983, there was a substantial increase in our exports to this market, which will be given high priority in our 1985 Export Promotion Year. In this connection the Norwegian Export Council will open a new, permanent office in San Fransisco. Looking to the future, we are confident that new export products will include i. a. computer equipment, medical products, defense equipment and farmed fish products.

Norway is most dependent upon a system of free international trade. We feel we have an ally in the United States Government, which shares with us the principles of free trade, and which is working with us to stimulate free trade at a time when protectionist pressures are strong. However, the increasing pressure on the United States' Administration to implement restrictive measures is a cause of great worry. National solutions to problems in domestic industries may seem to

be the easiest way out. But they are normally also the most expensive and short-sighted ones. This has been amply demonstrated in several countries.

Shipping makes a substantial contribution to our mutual trade. The Norwegian merchant fleet is heavily engaged in transports to and from American ports. This industry will continue to be an important part of our economy, even though Norwegian shipping has experienced some difficult years. These years have been used for modernization and specialization. Ocean transport is a highly specialized and capital-intensive industry which is also an important part of international trade. Shipping is also more vulnerable to, and more affected by, protectionism than most other sectors. In spite of Americans' dedication to free competition, it is difficult to be completely comfortable with some aspects of your shipping policies and to avoid the word protectionism. But , here again, we are confident that the spirit of mutual understanding and cooperation between our two countries will lead to workable solutions, permitting the access to the markets, which is the only thing Norwegian shipping asks for.

In concluding, I would like to emphasize again that political and economic relations between Norway and the United States are indeed strong and healthy. I feel confident that we will continue to develop further these relations in the future. The friendship between us, and the common democratic values which we share, give us the necessary tools to achieve this important objective.