

CHALLENGING PERSPECTIVES FOR NORWAY'S TRADE AND SHIPPING

Statement by Mr. Odvar Nordli, Prime Minister
of Norway, The Norwegian-American Chamber of
Commerce, New York, June 13, 1979.

Let me give you a few basic features of the Norwegian economy and of Norwegian economic policy before turning to some aspects of American-Norwegian trade and commerce.

The Norwegian economy has developed in an environment of few natural resources. Therefore we have always been dependent on high imports of raw materials and finished products. Even to-day, when we have diversified the economy, our imports amount to about one half of total domestic use of material resources. On the average every Norwegian imports commodities every year amounting to 3.500 \$, whereas an average American imports only for 750 \$.

- 2 -

This has forced us to develop a very large export to pay our import bill.

Our dependence on foreign markets is a basic feature in our trade policies. Before developing that subject I wish to give a few comments on our economic policies.

Our economic system is known as a mixed economy. Internally we have a mix of private and public enterprises, with the private sector being by far the dominating. Public enterprises have been established in certain key areas of the economy. These include exploitation of natural resources like ^{oil,} hydroelectric power production and related industrial enterprises, for example aluminium and steel. Other areas of public enterprise are within military production and a few industries which are considered to

be of national strategic importance, like the import of grain, import and distribution of medicine and a few others. We practice a system of regulating the establishment of new enterprises, mostly with a view to ensure a fair regional distribution of industry.

Externally ^{Norway} is fully committed to a free market economy. We pursue liberal trade policies, and fight protectionism wherever we meet it.

We are not only in favour of a liberal international trade regime for principal reasons. We feel that small countries with a large foreign trade are more dependent on a liberal regime in international trade than the

large countries.

When we have succeeded in developing a modern, diversified economy ranking among the world's top ten countries, it is also because we have been able to draw the advantage of an extensive international division of labour.

During the last five years we have, as the rest of the world, been confronted with the international recession and the high wave of inflation. Full employment is the basic political objective in economic policy. I am happy to say that we have succeeded in ^{keeping} mass employment out of our country, with an unemployment rate between 1 and 2 percent. Inflation hit us badly in the years up to 1977,

and we lost foothold in export markets. Therefore we have during the last two years pursued rather drastic anti-inflationary policies. With the acceptance by trade unions, business and industry we have introduced a 15 months full freeze on wages and prices and incomes. Only the impact of higher import prices is allowed to result in higher prices. The result so far has been promising. Inflation rate has been cut from almost 10 percent in 1977 to between 4 and 5 percent during the last 12 months. This enables us to regain foothold in export markets.

Traditionally Norwegian exports were concentrated on raw materials and semi finished products within a limited range of areas. Metals, fertilizer, pulp and paper, fish and fish products were the most common products.

In our trade with the United States, these products do still dominate the trade statistics. But during the last decades we have been determined to diversify exports.

Partly because of shortage of resources, partly because the increasing income level makes us less competitive in certain areas, we see the necessity to concentrate more on manufactured goods. As a small industrial producer in a European and an Atlantic context, we cannot establish exports in areas where mass production is essential. Our solution must be found within the areas where our special skills, professional traditions, and our well educated manpower can make products where the ability to compete is based on certain qualitative criteria.

High quality, good design, and the knowledge of the detailed possibilities within overseas markets are the factors which will help us and must help us to expand exports.

To some extent we have succeeded in this venture. In areas like chemicals, electronics, furniture, machinery, sport equipment, maritime equipment, high quality fish products etc. we have established strong and expanding markets abroad, also in parts of the United States.

If somebody is wondering why I have not touched the subject of shipping and maritime industries, I can assure you that here it comes. In the absence of easily exploitable natural resources, maritime transport became early an important industry in Norway. Early in the industrial revolution Norwegian shipping started to establish itself as a carrier not only for the Norwegian foreign trade, but as a carrier between third countries. To-day 9 ships out of 10 do never call on Norwegian ports. At a given period during the second world war about one half of all the petroleum needed in Britain in the Allied war effort was carried by Norwegian tankers.

Our shipping industry goes far beyond the actual

operation of ships. It also includes know-how in all aspects of shipping, skilled manpower on board and ashore, shipbroking firms of a high international standing, competent and specialized ship finance and insurance institutions, a shipbuilding industry, an advanced industry for the production of ship equipment, and last, but not least, first rate research and educational institutions. Up to 1970 foreign exchange earning by shipping amounted to about one half of commodity export revenues. During the last few difficult years in international shipping that rate has declined. We are, however, satisfied to see that even if our shipping companies have been badly hit by the international crisis, we succeeded to retain

the shipping industry as a going concern. Most of the companies are in operation, and they have retained their expert staff. The majority of the fleet has been retained even if up to one third has been laid up. Laid-up tonnage has been well maintained to be ready for new opportunities, and not least to retain its value. I do not think that we are yet through with the crisis in international shipping. But the situation to-day is very different from that of a year ago. In certain trades there has been a significant upturn, in other trades the decline has been discontinued. The value of used ships has started to increase.

In the preceding years Norwegian ship-owners have again seized the opportunity of renewing part of their

fleet in the areas where demand is still high and where the need for first class modern high technology ships is most prominent. I mention areas like the cruise shipping, specialized tonnage for carrying liquid gas, automobiles etc.

The Norwegian Government, along with the shipping industry is confident that we are approaching a more definite upturn in most trades of international shipping, and we have a firm belief that Norwegian shipping still have a part to play.

In recent years we have witnessed a development in international shipping, with restrictive practises that represent serious obstacles to competition. A number of countries have decided to advance their national flag fleet by reserving cargo for national vessels. This is a development that is not only to the disadvantage of Norwegian shipping, but - more seriously , contrary to the need for smooth, efficient and cheap transport of every kind of merchandise in the world trade.

The Norwegian Government is therefore determined to continue to base its international shipping policy in essence on the OECD Code of Liberalization, which reflects

an undertaking by the OECD governments to secure the shippers' freedom of choice of flag.

Cargo sharing systems have also been proposed on the multilateral level. You have undoubtedly heard of the UN code of Conduct for Liner Conferences, that reserves 40% of the transport for the exporting and 40% for the importing country, leaving a 20% share to cross traders.

It seems now that the compromise of UNCTAD V will guarantee the developing countries a share of the liner shipping market, and for the rest maintain a free competition market between the industrialized countries.

I am happy to state that the United States Government in these matters of international shipping policies is in line with our thinking. The United States has an important

part to play in preserving as far as possible a free international freight market. This will not only benefit Norwegian shipping. It will also contribute to keep transport costs low, and the quality of transport services high.

A few words on energy and the offshore oil industry.

Norway is in the happy situation in the energy supply, that we produce all electricity from hydro power. And we have still unused hydro resources.

Moreover, we have struck oil and gas on the continental shelf. A few years ago we entered into being a surplus country in oil production. Norway is the only industrialized country being a net exporter of petroleum. I shall not elaborate into all aspects of the oil industry here. I think I shall have the opportunity to do that when going to Texas.

But I would like to raise a few points from our fifteen years' experience in offshore petroleum activities, and which

also relate to shipping. There is a long term tradition in the Norwegian maritime environment to develop and to produce specialized ships, and specialized equipment, machinery etc. for shipping and fishing.

This includes hydraulic equipment, winches, propellers, electronics, navigational aids etc. These industries have met a great challenge within the new oil industry.

Deep sea technology is a new venture. We are ambitious to be in the vanguard of finding technological solutions to the new problems in that area. This is not only related to the North Sea. In the global aspect I think we shall more and more turn to the sea bottom to find solutions to our requirements not only for oil, but

also for minerals. Development moves fast in this field.

It is a great opportunity for me to meet this distinguished group of representatives of business and industry, and who have a special interest for relations with Norway. I found it important to illustrate to you our ambitions and our results in diversifying the economic base of Norwegian industry.

In the families of nations trade plays an important role in bridging gaps and strengthening ties of understanding and cooperation. Norway has five important trade partners - Great Britain, Sweden, Western Germany, and US and Denmark. These five countries are also our oldest partners, and with only moderate exaggeration we could

say we have had unbroken trade relations with them all since the age of Leif Ericson.

The US has always had a better market in Norway than we have had over here. You are world supplier number four to Norway. But not once during the years after 1945 has Norway had a surplus in the mutual trade.

The United States is the World's biggest market. It is a very competitive market and not easy to penetrate. But I consider the absence of many Norwegian products here not as a defeat, but as a challenge.

The marketing aspect is often the most important in modern industry. I think we have much to learn from American marketing techniques, marketing organization etc. I do hope that the best mobilization of these resources can help us in the future to find outlet for an increasing volume of high quality Norwegian products in this vast country.

I think it is time that we from the Norwegian side now try to take a step forward to increase our business

relations with the United States. It would probably be adviceable to try to make more Norwegian firms establish sales offices or production units on United States territory. The possibilities are here, whether we are discussing fish processing in Alaska, production of pleasure craft in Louisiana, or electronics in Minnesota.

Although more can be done - and what is done can always be done in a better way - nevertheless - may I take this opportunity to express to all businessmen engaged in Norwegian-American exchange of goods and services, my appreciation for the excellent job done so far. And - may I urge you to continue and persist in your efforts for the benefit of our two countries.