Norway and the EU – It is expensive to be a non-member

Norway is a member of the European Economic Area EEA, but not of the European Union (EU). This means that it pays a lot of money to Brussels every year without having any say on internal market policies. Not a good deal.

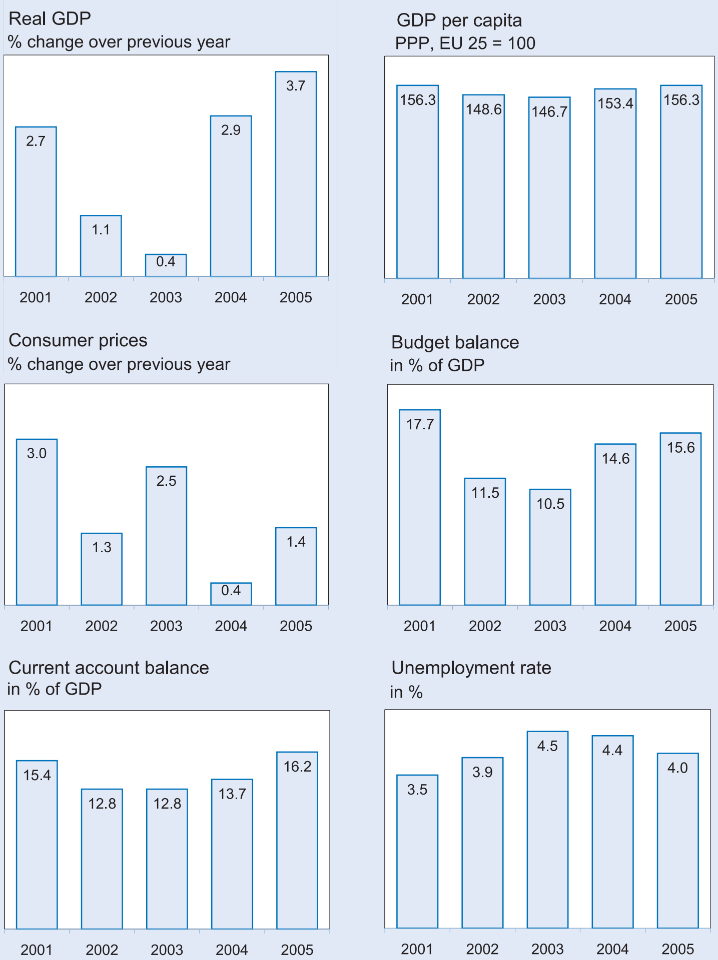
The election of Jens Stoltenberg as the new prime minister from the social democratic camp may move Norway a bit closer to the EU. But he knows only too well that any application for membership must be preceded by a clear "yes" of the population – which said "no" in 1972 and 1994. The Norwegians are in no hurry to join the EU; after all, as a member of the EEA they have full access to the Internal Market. The free movement of goods does not include agricultural products, however. This should have angered the Norsemen recently when the EU imposed anti-dumping tariffs on Norwegian Salmon with the argument that it was being sold in the EU below cost.

Furthermore, membership in the EEA is very expensive: Since 2004, Norway has had to pay close to 227 million euros annually to the EU, about ten times the past amount. This money is primarily to help the new EU accession countries to move up, economically and socially, to the old EU members. Despite this generous participation in EU politics, Oslo must accept the decisions on the Internal Market and implement them in national law. Only by becoming an EU member could the country have a voice in EU decision-making.

The EU, on the other hand, would greatly welcome Norway in its midst, since the country is economically and financially strong (see the charts). In 2004, the Norwegian economy grew by 2.9 percent, and thus above the EU average. And income per capita (at PPP) was 53 percent above the EU average, thanks to oil and gas production. Oil and gas production is also responsible for a budget surplus of 15.6 percent of GDP and a current account surplus of 16.2 percent of GDP. Who would not want to open his doors to such a rich neighbour?

Norway is the third biggest exporter of petroleum after Saudi Arabia and Russia. Oil and gas production contributes one fifth to GDP. Earnings from oil and gas have been feeding a petroleum fund since the 1990s. At the end of April 2005, the accumulated assets amounted to close to 135 billion euros – about 65 percent of Norwegian GDP. Only 4 percent of the assets per year (approximately equal to the interest earned) is allowed to go into the budget. The bulk serves as a reserve for the time when oil will no longer be so plentiful.

Norway: A Rich European



2005: Forecast

Source: Eurostat; IMF.

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