Doublethink:
THE TWO FACES OF NORWAY'S FOREIGN AND DEVELOPMENT POLICY

By Mark Curtis

Mark Curtis er rådgiver på internasjonale utviklingsspørsmål og utenrikspolitisk analytiker. Han har skrevet fem bøker om britisk utenrikspolitikk og internasjonal utvikling, inkludert den kommende *Secret Affairs: Britain's Collusion with Radical Islam* og bestselgeren *Web of Deceit: Britain's Real Role in the World* (Vintage, 2003). Han har skrevet flere rapporter for frivillige organisasjoner om næringslivet, mat og landbruk, miljø, gruvedrift, handel og økonomiske spørsmål. Han har ledet World Development Movement, ledet policyavdelingen i ActionAid og Christian Aid, og vært stipendiat ved Royal Institute of International Affairs (Chatham House).

Nettsider: www.curtisresearch.org og www.markcurtis.info.

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FORORD

Av Elin Enge, daglig leder, Forum for Utvikling og Miljø

«Inntektene en stat innhenter, hvordan de innhentes, og måten den bruker dem på, definerer statens natur».

Slik lyder den amerikanske oljestatsforskeren Terry Lynn Karls tese. Hva er så Norges natur? Om den finnes, er den neppe like ren som snø eller våre fjorder. Og langt mindre kjent.

Noen av de største utfordringene i verden i dag er å takle klimakrisen, bekjempe fattigdom og å dempe og forebygge krig og konflikt. Dette er områder hvor Norge anser seg for å være foregangsland. Da utenriksministeren i fjor kom med den såkalte Refleksmeldingen om hovedlinjene i utenrikspolitikken – den første på tjue år – ble slike utfordringer betegnet som "Norges utvidede egeninteresser".

Dette til tross. Norge tjener milliarder på virksomhet som undergraver og står i direkte motsetning til innsatsen for klima, fattigdomsbekjempelse og fred – nemlig olje og våpen. Listen er lang: Norske våpen brukes i Irak og av Israel i Gaza. Statoil skal utvinne skitten oljesand i Canada og olje i okkuperte Irak. Norske selskaper rammer mennesker og miljø i flere land. Og ja, vi gir penger til de fattige – penger vi har tjent ved å utvinne olje som gjennom klimagassutslipp truer eksistensen til mennesker i utviklingsland.

Hvordan kan dette være forenlig med å bekjempe krig, klimaendringer, overgrep og fattigdom? Hva gjør regjeringen for å rette opp skjevhetene? Hva er Norges globale bidrag, vårt avtrykk, og er vi så mye bedre enn andre rike land? Dette var utgangspunktet da vi inviterte britiske Mark Curtis til å skrive en rapport om norske interesser. Gjennom flere år med forskning og gravejournalistikk har Curtis kritisk belyst staters egentlige interesser.

Curtis mener Norge har mistet sin etiske og moralske nisje. Også vi etterlyser denne regjeringens store visjoner. Norge er et lite land, men kan likevel være en moralsk stormakt. Vi har vist vei tidligere, og kan gjøre det igjen.

Vi trenger politikere som tør å ta viktige og riktige veivalg i disse spørsmålene. Regjeringen kan bruke sitt eierskap i selskaper som Nammo til å sikre at salg av norske våpen og ammunisjon skjer etter norske, strenge regler uansett hvilket land fabrikkene ligger i. Den kan bruke sitt eierskap til å sikre at norskeide bedrifter som Statoil ikke får herje fritt i sårbare områder. Den kan velge klima fremfor olje ved å satse på fornybar energi. Og den kan sørge for at Statens pensjonsfond (Oljefondet) prioriterer investeringer i selskaper som ikke undergraver klima, miljø og fattige menneskers rettigheter.

Norge må sette etikk og langsiktige egeninteresser over profitt og kortsiktig egeninteresse.

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SUMMARY

Government officials and ordinary Norwegians tend to see Norway as a small but influential country that often sets international standards for ethical behaviour and that does good in the world. But how real is this benign image and how ethical is Norway's foreign and development policy in practice, both compared to its declared policy and to other countries? This report looks at some key Norwegian foreign and development policies, some of which are controversial in terms of their impacts on poverty reduction and development.

It finds:

- The government's Pension Fund, although having established ethical criteria and excluded some companies from its portfolio, continues to invest in numerous companies abusing human rights and the environment. Neither is the Fund noticeably more ethical than several other investment funds.
- Norway's oil industry, which is contributing massively to domestic wealth, is increasingly active in states abusing human rights. Despite some positive environmental policies, Norway is also a major, and increasing, emitter of greenhouse gases contributing to global warming. Norway's environmental aid is insufficient to compensate for this impact.
- Norway has a growing arms industry which, despite greater restrictions on exports than in other countries, still enables Norwegian arms to end up being used by NATO allies in offensive operations overseas. Norwegian military equipment is still exported to a small number of human rights abusers.
- Numerous Norwegian companies, including state-owned enterprises, are involved in human rights or environmental abuses overseas but the government is failing to clarify or establish legally-binding mechanisms to hold corporations to account for their impacts. The government's faith in voluntary mechanisms to improve corporate behaviour goes against United Nations calls for improved global governance that are being supported by Norwegian aid.
- Norway has taken positive steps to press the World Bank to stop imposing privatisation and liberalization conditions on developing countries, but these have not been matched by a switch away from backing the World Bank's 'private sector development' model. Rather, Norway continues to promote privatization processes from which its own energy companies, in particular, are benefitting.

Norway has taken a genuine and important ethical lead on some international policy issues and it is these that, not surprisingly, its ministers stress and that the rest of the world often notices. But the list of unethical policies is also long and becoming longer. The leitmotif in Norway's unethical behaviour concerns the promotion of business interests and the failure to restrain and direct them towards promoting human rights. In this respect, Norway has become little different to other rich countries exploiting the planet for their own benefit.

Norwegian ministers remain fundamentally more open, and the state much more transparent, than most other developed or developing countries. Yet they face a number of dilemmas and are avoiding hard policy choices. Many seem to think that they can have a large oil industry and at the same time lead the fight against climate change; that they can work in corrupt, repressive regimes and still be seen as champions of human rights; that they can promote Norwegian business interests in the global economy to the same degree as other states but be seen as pioneers of corporate social responsibility; and that they can talk about redistributing global wealth while their pension fund continues to invest in tax havens.

Overall, Norway has lost its ethical niche. During the cold war in the 1960s and 1970s, Norway's 'peace-seeking' stance stood out between the superpowers. In the 1980s and 1990s, during the wave of neo-liberal economic globalization that pushed unfettered liberalization around the world, the successful Norwegian model, with a major role for the state in economic policy, also stood out. Now, Norway's policy-makers have not developed a big idea to give to the world. They need to make some hard decisions and develop new ideas if they are to promote genuinely ethical foreign policies.

INTRODUCTION

Government officials and ordinary Norwegians tend to see Norway as a small but influential country that often sets international standards for ethical behaviour and that does, and overtly seeks to do, good in the world.[1] Norway is widely known as a large aid donor and promoter of international development, a strong supporter of UN peace processes and, along with other Scandinavian countries, as committed to clean environmental policy. But how real is this benign image and how ethical is Norway's foreign and development policy in practice, both compared to its declared policy and to other countries? This report looks at some key Norwegian foreign and development policies, some of which are controversial in terms of their impacts on the prospects for poverty reduction and development.

These issues are important not only in Norway but also internationally, given that many activists and policy-makers often uphold Norway as a standard-setter among rich nations in order to push other governments to improve their policies. Can this argument be justifiably deployed?

Norway's large pension fund, often seen as pioneering and ethical by Norwegians and others alike, is a good place to start.

1. THE PENSION FUND: TRULY ETHICAL?

"Our actions in connection with the fund not only have direct consequences, they also send a signal to the rest of the world". Ministry of Finance[2]

The Government Pension Fund – Global, established in 2006 out of two former funds, invests the country's petroleum revenues in over 7,500 companies in 46 countries. It has accumulated a small fortune, amounting to NOK 2,363 billion by the end of 2008 - around one year's income for the country.[4] The government sees itself as a "responsible investor" and wants the Fund "to encourage companies to respect fundamental ethical standards".[5] It states that the Fund's ethical guidelines (see Box 1 below) will eschew investments in companies that are in "gross breach of fundamental ethical norms". As of late 2009, 28 companies had been excluded from the portfolio, most because of their role in weapons production, some because of the risk that the investment would contribute to serious human rights violations or environment damage.[6]

The government reviewed the Fund's ethical guidelines in 2008 and has introduced some new measures, such as excluding tobacco producers from the portfolio, introducing a "watch list" of companies that are in the "grey zone" in terms of possible exclusion and establishing an environmental programme aimed at promoting investments such as climate-friendly energy.[7]

These changes are all positive, but numerous problems remain in terms of the companies in which the Fund is investing.[8] These include:

Box 1: The pension fund's ethical guidelines

"The ethical basis for the Government Pension Fund – Global shall be promoted through the following three measures:

- Exercise of ownership rights in order to promote long-term financial returns, based on the UN Global Compact and the OECD Guidelines for Corporate Governance and for Multinational Enterprises.
- Negative screening of companies from the investment universe that either themselves, or through entities they control, produce weapons that through normal use may violate fundamental humanitarian principles.
- Exclusion of companies from the investment universe where there is considered to be an unacceptable risk of contributing to: serious or systematic human rights violations, such as murder, torture, deprivation of liberty, forced labour, the worst forms of child labour and other child exploitation; serious violations of individuals' rights in situations of war or conflict; severe environmental damages; gross corruption; other particularly serious violations of fundamental ethical norms."[3]

- numerous of the largest TNCs widely criticized around the world for their impacts on human rights or the environment, such as Coca Cola, Tesco, McDonalds, Pepsi and Starbucks
- various oil companies widely criticized for their human rights, environmental and climate change impacts, such as BP, Shell, Chevron and Exxon
- numerous mining companies long subject to detailed critical reports on their human rights and environmental impacts, such as Anglo American, Newmont, AngloGold Ashanti, Anglo Platinum and BHP Billiton
- several agribusiness corporations playing dominant roles in world commodity chains and the global food industry, several of which have been securing high profits during a global food crisis that is exacerbating hunger for millions of people. These include fertilizer and trading companies such as Mosaic, Potashcorp, Unilever, Nestle and Monsanto.[15]
- several companies that contribute significantly to climate change, in which investments increased in 2008. Around NOK 14 billion is invested in nine companies identified by the US investor group, Ceres, as lagging behind their industry peers in taking climate change seriously, such as Chevron, Exxon Mobil and General Motors.[16] The Fund has invested "almost a hundred times more in fossil industry than in renewable energy".[17]
- companies involved in the Burmese economy, such as Total, PetroChina and Daewoo, although the Fund excludes direct investments in Burma.[18] Norwatch has also revealed that the the Fund invests in two banks in Singapore that administer the accounts of the Generals' regime.[19]
- eight international fertilizer companies that import two-thirds of all phosphate from the territory of Western Sahara, illegally occupied by Morocco. This phosphate is exported from the occupied territory through Morocco's state-owned phosphate company.[20]
- Israeli and other companies (to the tune of NOK 2.7 billion as of end 2008[21]), several of whom are accused of contributing to the occupation of Palestinian territories (see Box 2). Norway's Ministry of Finance notes that "the Israeli equity market is included in the Fund's benchmark and thus the Fund have [sic] been invested in an [sic] growing number of Israeli companies".[22]
- As at December 2008, the Fund also had investments of NOK 278 million in half a dozen tax havens (Bermuda, Cayman Islands, Guernsey, Isle of Man, Monaco and the British Virgin Islands) (see Box 3 next page).

The government's 2008 review rejected a number of calls for reforming the Fund. Notably, it rejected excluding investments in some countries' government bonds (ie, effectively loans to other states) beyond the existing exclusion of Burma, arguing that this would be a "drastic foreign policy step".[23] Yet the investments in government bonds are not subject to the ethical guidelines, even though they amount to around NOK 555 billion, nearly a quarter of the entire portfolio.[24]

Box 2: Investing in the occupation?

In May 2009, over a dozen Israeli NGOs wrote to the Fund's Council on Ethics highlighting 31 Israeli and other companies in whom the Fund invests which they claim are contributing to the occupation. These companies "build illegal Israeli settlements in the occupied Palestinian territory or provide vital services to them; provide specifically designed equipment for the surveillance and repression of Palestinian population through restrictions of movement and collective punishments; or take part in the illegal exploitation of Palestinian nonrenewable natural resources for the needs of the Israeli market."[9]

In September 2009, the government decided to exclude the Israeli arms manufacturer, Elbit Systems, from the Fund due to the company's involvement in the construction of Israel's "security wall" in occupied territory – the Fund had invested NOK 35.8 million in Elbit.[10] Elbit also develops and supplies Unmanned Aerial Vehicles to the Israeli army, which have been used for military attacks, civilian surveillance and targeted assassinations in the West Bank and Gaza.[11] The Fund continues to invest in many other companies associated with Israeli policies:

- The Fund has investments in Africa-Israel Properties Ltd, which has been involved in housing and infrastructure projects for Israeli settlements in the West Bank, considered as illegal under international law.[12]
- In 2008, the Council on Ethics decided not to exclude the Israel Electric Corporation from the Fund even though the company had in February 2008 reduced its supply of electricity to Gaza as a political measure. The Council noted that the restricted electricity supply amounted to 0.5 per cent of that to Gaza from Israel and that "the power supply restriction was discontinued after a brief period of time, and that normal power supply was thereafter reinstated."[13]

In January 2009, Finance Minister Kristin Halvorsen called for the Council on Ethics to assess investments in Israeli companies contributing to Israel's occupation of Palestinian territories, but rejected calls for withdrawing investments from the Israeli government itself, saying that "this would go too far into foreign policy…[and] imply a boycott and that is not acceptable to this government".[14]

Box 3: Investments in tax havens

Table 1: The pension fund and tax havens

	Equities (NOK million) (as at end 2008)
Bermuda	67.5
Cayman Islands	1.1
Guernsey	67.6
Isle of Man	32.9
Monaco	106.4
British Virgin Islands	2.8
TOTAL	278.3

Source: Norges Bank

The government's 2008 review decided to retain investments in tax havens, arguing that exclusion "would have little effect and would entail huge problems of delimitation". It also argued that the Fund should not be in a position of "assessing whether individual companies in the portfolio have legitimate grounds for activities in tax havens".[25]

In June 2008, the government appointed a commission to examine capital flight and tax havens, but said that it was "not mandated" to assess the pension fund's investments in tax havens.[26] This retention of investments in tax havens also stands in contrast to government policy on the need for the international community to combat tax havens, together with its funding a World Bank study into illicit global capital flows. Mari Skare, an advisor to the MFA who is promoting Norway's study of tax havens, has said that "we are particularly interested in understanding the role of tax havens in hiding stolen assets"[27] – such assets could be linked to the companies the Fund is investing in.

1.1 International best practice?

The government claims that the Fund's activities:

> "are regarded by several parties as international best practice as regards ethical guidelines for investments and transparency and that other actors are increasingly being measured in relation to this practice".[28]

Yet a comparative review of sovereign wealth funds, including Norway's pension fund, by WWF and Innovest found that Norway was lagging behind many others in its ethical commitments. In particular, the Fund's failure to include positive screening of companies (ie, actively seeking out companies with better environmental and social performance) and to have established a proactive environment-related portfolio to address climate change (which now may be being addressed by the government) made it worse than four other funds reviewed - the Dutch public pension fund (ABP), the UK Environment Agency's Pension Fund, the UK Universities Superannuation Scheme and the California Public Employees Retirement System (CalPERS).[29]

The report also noted that Norway's pension fund had a high degree of transparency (though less so than New Zealand's Superannuation Fund) and that Norges Bank, the operator of the Fund, has stepped up its dialogue with companies, voting on thousands of shareholder proposals to influence company behaviour. However, it "has yet to engage strategically with a large number of companies to change company behaviour".[30] One reason is that the Fund's portfolio is spread too thinly and its proportion of holdings in individual companies too small to have sufficient influence over company behaviour. The MFA's *Refleks* project analysis notes that the portfolio investment promoted by the Fund "results in very little influence over the enterprises concerned"; by contrast, direct foreign investments, where the shareholdings can account for a substantial proportion of the company's share value, can result in real influence over companies, but this is not an option under the Fund's current regulations.[31]

Overall, the Fund's portfolio cannot be considered genuinely ethical despite the positive steps taken to establish ethical guidelines and exclude a small number of companies. Either the ethical threshold for excluding companies is too high or else the Council on Ethics and government are overlooking the information in the public domain on numerous companies in which Norway is investing and de facto supporting. Together with the failure to actively invest in companies promoting best-practice, Norway is in effect reinforcing unethical corporate behaviour and failing to use all the influence available to it to promote positive change.

2. OIL: THREE DILEMMAS

Norway is the world's third largest exporter of oil and gas (after Russia and Saudi Arabia) which in 2008 provided more than half the country's export earnings, a quarter of its gross national income and over a third of government revenues. Oil has contributed massively to Norway's wealth, helping it to become the third richest state on the planet measured per capita. To the rest of the world, however, Norwegian oil appears much less benign, whether we consider the impact on development, human rights or climate change.

Box 4: Aid – how generous is Norway really?

Compared with other donors, Norway is certainly generous. In 2010, its aid budget is slated to amount to NOK 27.4 billion, or 1.09 per cent of GDP, the highest proportion among rich nations.[32] This has brought Norway back to the level of aid spending of the early 1990s.[33]

However, compared to increases in Norway's wealth through oil revenues and the pension fund, Norway's aid is far less generous. The increase in the market value of the global pension fund in 2007-2008 was NOK 227 billion – 10 times the amount of aid.[34] Over the period 1996-2008 the Fund has grown by NOK 2,142 billion, completely dwarfing the amount of aid provided over that time.[35] Further, the government expects the Fund to show a real return of around 4 per cent a year – this would amount to around NOK 100 billion a year: nearly five times the amount of aid.[36]

Norway's aid programme in 2008 amounted to around half of StatoilHydro's net profits after tax. The company made NOK 43 billion in 2008, which followed NOK 45 billion in 2007 and NOK 52 billion in 2006.[37] Compared to likely future oil revenues, the amount of aid is also small: the government estimates that the remaining petroleum resources on the Norwegian continental shelf are worth a staggering NOK 5,455 billion at current prices.[38]

Of course, the amount of Norway's aid rises as its GNP increases. But it cannot be said to be contributing to a global redistribution of wealth, as the government likes to claim. In fact, the pension fund at end 2008 amounted to nearly half the size of sub-Saharan Africa's entire GDP ($744 billion) – rather than redistributing wealth, oil revenues are further concentrating wealth in one small country.

2.1 Oil prices and poverty

> *"The profits transferred from Africa [from Norwegian oil and gas companies] can easily amount to more than we pay in aid to Africa" MFA's Refleks project book*[39]

A key Norwegian interest in energy is maintaining high oil prices to ensure a "maximum return" from its production.[40] But this immediately puts it at odds with most of the world's poor countries, who are oil importers. While they have been plunged in further poverty by the recent high oil prices, Norway has been profiting handsomely. In 2008, petroleum revenues boosted the value of the government's pension fund by NOK 384 billion – more than 17 times the amount of aid provided by Norway.[41] At the height of the price rise crisis in 2008, the World Bank forecast that the poorest fuel-importing countries would lose 3 per cent of their GDP from increased fuel bills.[42] The oil price reached a record high of $140/barrel in mid-2008 – double the price of two years before - before decreasing to $40 in early 2009. Fuel prices adversely affect poor people in various ways, especially by raising the cost of food to buy (mainly through increases in transport costs) and contributing to the exponential rise in prices of fertilizer, used in farming, which is now beyond an affordable price for millions more of the world's poor farmers.

2.2 Oil and human rights: the new push

> *"Norway earns billions from oil recovery in many of the poorest and most misgoverned countries in the world. Is this kind of activity in our interests and how can we best address the challenges in these countries?" MFA's Refleks project book*[43]

A big change is occurring in the Norwegian oil and gas industry. The gradual depletion of reserves on the Norwegian continental shelf (although, as noted, there are many still left) is encouraging increasing Norwegian activity in countries that have opened their energy resources to international companies and where most of the world's remaining oil and gas is located. StatoilHydro, in which the government owns 67 per cent of the shares, now operates in over 40 countries, including many that are corrupt, undemocratic or abusive of human rights, such as Azerbaijan, Algeria, Angola, Iran and Nigeria. Yet, as the MFA's *Refleks* project states, Norway's oil and gas industry "is completely dependent on succeeding in these markets".[44]

To accommodate the needs of the oil industry, the government is reorienting itself for this new big push. Foreign Minister Jonas Gahr Store told the *Storting* in his foreign policy address in May 2008 that "we have intensified our foreign policy contact with key oil-producing countries in the Gulf" because "it is in Norway's interests to be present where decisions on energy are being taken".[45] Furthermore, Store told StatoilHydro executives in Stavanger in June 2007 that:

> "We stand ready to accompany the oil and gas industry – and the whole supporting industry – in future ventures. We see this as an exciting challenge as many of the new markets are found in complex political and geographical settings where Norway has less experience and is less well known. For the Foreign Ministry, however, this will require a re-evaluation of where we stand at present. It will require a new focus on the capacities and training of our diplomats. It will require improving our ability to establish and develop political relations. And it will require a strong understanding of new and different cultural and political settings – while standing firm of universal human rights norms and standards".[46]

Notwithstanding Store's important last point, the government's willingness to put Norway's diplomacy and foreign policy at the service of business interests is noticeable, and concerning. In this new push, several countries stand out as posing major dilemmas for Norway's professed commitment to promoting human rights and development, alongside its oil interests (see Box 5)

Box 5: Some countries of concern

Angola

In 2008, StatoilHydro paid NOK 10 billion in direct taxes to the government of Angola, sub-Saharan Africa's biggest oil producer.[47] The company operates in nine oil-producing fields and has worked in Angola for 17 years, long enough to judge whether oil is benefitting the population or not. Yet the Angolan government remains one of the most corrupt in the world and a full 70 per cent of Angola's population lives in poverty. Angola is not even a candidate member of the Extractive Industries Transparency Initiative (EITI), which is intended to increase government and company oil revenue transparency. The NGO Global Witness notes that it "has been publishing reports for nearly a decade that document the wholesale looting of state revenues in Angola and the continuing opacity of its oil sector".[48] Another recent study notes that there is an "absence of significant government efforts to use oil revenues to improve the living conditions of the citizens" while "the details of [government] expenditure and procurement procedures remain a murky area, criticism of which is done at one's own peril".[49]

StatoilHydro can justifiably claim to be more transparent than other oil companies, being the first company to commit itself, in 2005, to disclose its tax payments to governments in all its operations. But the bigger point is that its very presence in Angola, rather than contributing to development, may if anything have helped the country's rulers to loot the country.

Azerbaijan

"I am pleased that Azerbaijan has held an election", Foreign Minister Jonas Store remarked in October 2008, referring to the presidential election in which the incumbent dictator Ilham Aliyev won with 89 per cent of the vote, according to official figures.[50] The election was boycotted by the opposition, which was prevented from organizing demonstrations, and involved restrictions on media coverage and freedom of assembly; Norwegian NGO election observers were not allowed to observe the vote. Torture and ill-treatment in police custody, political prisoners and harassment and intimidation of human rights defenders all remain "serious problems" in Azerbaijan, according to Human Rights Watch.[51]

Azerbaijan is StatoilHydro's biggest overseas operation and the company is the second largest investor there (after BP). Unlike Angola, Azerbaijan has been recognized as the first (and only) country to be considered compliant with the EITI. While revenue transparency has greatly improved in recent years, local groups still criticize the government's EITI reports for not making sufficient information available, while some studies suggest that the government provides only "minimal" information to its citizens about the budget. Furthermore, as Revenue Watch notes, "although the state oil fund SOFAZ has… increased access to information about oil and gas revenues, there is little evidence that the fund is designed, governed or managed in a way that ensures expenditures are geared towards poverty alleviation or the delivery of other public services".[52] Indeed, a large proportion of the oil industry's profits are still believed to end up in the hands of state officials - one academic estimated in 2007 that it was up to 90 per cent.[53] Despite the oil boom over the past decade, 20 per cent of the population still lives in poverty.[54] Azerbaijan also ranks 158 out of 180 countries in Transparency International's 2008 corruption perceptions index.[55]

Norwegian officials have in 2008 and 2009 been stepping up their relations with the Azeri regime. Six months before the October 2008 election, Foreign Minister Store made his first official trip to Baku to "make the case… that Norway and Azerbaijan should further deepen their cooperation and form a partnership", and praised Aliyev for joining the EITI.[56] Store also held two meetings with Azerbaijan's Foreign Minister in 2008 and signed a cooperation agreement. The State Secretary in the Ministry of Petroleum gave a speech in Baku in June 2008 noting that Norway was a "longstanding partner with Azerbaijan", which was "a key country in a region with considerable geopolitical importance".[57] Similarly, State Secretary Anita Utseth has said that the two countries enjoy "very close economic relations".[58]

Saudi Arabia

Norway has also been increasing its relations with Saudi Arabia, a country whose repression of women, dissidents and religious minorities is well-known. In December 2008, Prince Saud became the first Saudi Foreign Minister to visit Norway while Store noted that Norwegian companies are "expanding their presence in the Gulf region". Store also praised the "strong partnership" between the two countries, saying that "as exporters of natural resources and capital, Norway and Saudi Arabia also have common interests in solving the current economic turmoil".[59] The Norwegian embassy in Saudi Arabia reports that the two countries have increased their "political dialogue on regional issues together with the on-going dialogue on oil and energy issues". Norwegian exports to Saudi Arabia doubled in 2006 while a petrochemical plant worth $400 million is being completed near Yanbu as a joint venture project between Aker Kvaerner and China's SINOPEC.[60] Currying favour with the Saudis is no doubt helped by Norway's exports of military equipment (see arms section below).

Iraq

StatoilHydro's website has been very coy about Iraq. Until late 2009 there was only one article (a media release) from as long ago as June 2005 mentioning the cooperation agreement the company signed with Iraq's Petroleum Ministry.[61] This is noticeable in light of StatoilHydro's commitments on transparency. This media release quoted a company executive as saying: "We are very pleased with this agreement, which will help position us for development contracts when the situation in the country has stabilized and the Iraqi authorities are ready to enter into suchlike".[62] Thus Norway's flagship company was in effect set to profit from the US military pacification of the country to which the government was opposed. By early 2009, it was reported that StatoilHydro was preparing a joint bid to develop an oil processing plant at West Qurna, one of Iraq's largest oilfields, west of Basra.[63] When Foreign Minister Store visited Baghdad in June 2009, a government press release noted that "the Norwegian business sector is considering increasing its involvement in the Iraqi energy sector, and this will also be a topic of discussion".[64] In December 2009, it was announced that StatoilHydro had won the bid, as part of a consortium led by Russia's Lukoil.[65]

With states such as Angola, Azerbaijan, Saudi Arabia and Iraq as partners, Norway is already, and will increasingly be, implicated in the contribution that oil extraction makes to corruption, poverty and human rights abuses around the world. Knowing this danger, Ministers consistently stress that they will engage in human rights issues and that it is better that Norwegian companies, rather than others, are involved. Certainly, when it comes to oil revenue transparency, Norway has led the field, being the first government to announce that it will implement the EITI principles, similar to StatoilHydro's commitment, noted above. Yet improvements in government transparency, where they exist at all, are not the same as positive development and human rights policies but simply a first step. As in Angola, StatoilHydro's mere presence in some countries, and thus willingness to profit from undemocratic, repressive regimes, means it will continue to be implicated in poor government policies unless the supposed Norwegian engagement with human rights delivers very noticeable results – which are yet to be seen.

Norway's "oil for development" programme, managed by Norad, is an attempt to address some of these concerns, and mainly consists of capacity-building support to oil and gas-producing governments to help them to utilize their revenues to reduce poverty.[66] Yet the programme is tiny, amounting to just NOK 250 million for the five years 2006-10.[67] Many people see the programme as a poorly concealed door opener for the Norwegian oil industry while there are also criticisms that Norwegian companies' commercial interests in the programme are increasing.[68] Moreover, there are concerns over some of the recipients of such aid. Global Witness, for example, has criticized the Oil for Development programme for giving money to Sudan, whose human rights record is so appalling and its oil sector so opaque, it is hard to see how it meets the programme's requirement for recipients to be committed to good government and transparency.[69]

2.3 Oil and climate change

> *"If all countries in the world were to emit CO2 at levels similar to Norway's, we would exceed our sustainable carbon budget by approximately 758%". UN Development Programme*[70]

On the one hand, Norway is a world leader when it comes to clean environmental policy. Nearly all the country's electricity comes from hydro-electric plants and it was one of the first to adopt a carbon tax to address global warming, in 1991.[71] The government committed in 2008 to making Norway the first country in the world to be carbon neutral by 2050. It has pledged to reduce emissions by 40 per cent from the 1990 level by 2020 if other countries make similar commitments and strongly supports an international climate change treaty to surpass the Kyoto Protocol which expires in 2012. Norway's oil industry produces CO2 emissions per unit that are less than half the global average, according to government figures.[72] Norway is also increasing its development aid for climate-related measures, especially to tackle deforestation, a major source of global warming.

But the other face of Norway is that it is a major and increasing environmental polluter with an enormous carbon footprint that far outweighs its aid allocations. Greenhouse gas emissions from Norway account for around 0.3 per cent of global emissions, according to the UN Development Programme (UNDP), although the government argues the figure is 0.2 per cent. However, if emissions from Norway's oil and gas exports are included, the figure is much higher, and perhaps up to 2 per cent of global emissions.[74] The *Refleks* book notes that emissions from Norway's oil and gas exports are probably more than ten times greater than Norwegian emissions reported to the Climate Convention.[75] In the last ten years, Norway has tripled exports from sectors that supply goods and services to overseas oil and gas producers, and are now worth nearly NOK 50 billion.[76] Put bluntly, Norway's increasing wealth is largely based on products that are killing the planet – a major carbon footprint indeed.

Norway's greenhouse gas emissions have increased rapidly over the last two decades. Most of this rise is due to oil and gas, emissions from which have risen by 80 per cent during 1990-2005, according to government figures[77]:

- Norway's share of world greenhouse gas emissions has tripled over 1990-2004, rising from 0.1 per cent to 0.3 per cent.
- Norway's annual emissions rose 11.7 per cent during 1990-2004, more than any other country in the OECD, and the 22nd highest rise of any state in the world, according to the UNDP.[78] The average increase for high-income OECD states was 1.5 per cent – thus Norway's emissions have been rising over 7 times faster than similar high-income countries.[79]

Box 6: Norway's greenhouse gas emissions per capita

- With 0.1 per cent of the world's population, the 0.3 per cent of the world's global greenhouse gas emissions accounted for by Norway amounts to 19.1 tonnes per person – ten times more than an average Brazilian and 21 times more than a Nigerian.
- Measured per capita, Norway is the 7th highest emitter of greenhouse gases of the 30 countries in the OECD and the 33rd highest (out of 177 states) in the world.
- Norway's per capita emissions are 45 per cent higher than the average for high-income countries in the OECD and over four times higher than the average for all countries in the world.[73]

Table 2: Norway's greenhouse gas emissions

	Annual rise in CO2 emissions, 1990-2004 (%)	Share of world CO2 emissions (%)	Per capita CO2 emissions (tonnes)
Norway	11.7	0.1 (1990) 0.3 (2004)	7.8 (1990) 19.1 (2004)
High-income OECD	1.5	44.3 (1990) 41.9 (2004)	12.0 (1990) 13.2 (2004)
World	2.0	100 100	4.3 (1990) 4.5 (2004)

Source: UNDP[80]

Norway's poor performance on greenhouse gas emissions compares unfavourably with most neighbours.

Table 3: Norway's performance compared to its neighbours

	Annual rise in CO2 emissions, 1990-2004 (%)	Per capita CO2 emissions (tonnes)
Norway	11.7	7.8 (1990) 19.1 (2004)
Sweden	0.5	5.8 (1990) 5.9 (2004)
Finland	2.0	10.3 (1990) 12.6 (2004)
Denmark	0.5	9.7 (1990) 9.8 (2004)
UK	0.1	10.0 (1990) 9.8 (2004)

Source: UNDP[81]

In 2008, Norway's emissions decreased slightly, by 2.2 per cent, but were still 7.4 per cent above Norway's commitment in the Kyoto protocol.[82] As the government-sponsored Coherence Commission stated, the country is a long way off achieving the

Kyoto targets without extensive quota purchases from abroad and even further from the more ambitious targets set by most of the political parties in the climate agreement.[83]

2.3.1 Future emissions

Government figures show that greenhouse gas emissions in Norway will, mainly as a result of oil production, rise up to 2010 and then fall slightly, but will still be higher in 2030 (54 million tonnes CO2 equivalent) than they were in 2006 (53.5 million tonnes). Importantly, the government notes that even these projections "assume continued technological progress and a continued shift towards service industries".[84]

The government's commitment to becoming carbon neutral by 2050 goes beyond the EU's commitment to reduce emissions by 20 per cent below 1990 levels by 2020 or by 30 per cent if other countries agree to comparable reductions. But the government has said that it will reduce emissions by the "*equivalent* of 100% of its own emissions" by buying reductions in other countries - half to two-thirds of the emission cuts will be made in Norway, and around a third will be offset by buying reductions overseas.[85] These offsets will be largely paid for by revenues from oil and gas. Thus, as the *Economist* has noted, "Norway is profiting handsomely at the planet's expense, while spending a small share of the proceeds on projects to reverse a fraction of the damage done".[86]

Nnimmo Bassey of Friends of the Earth Nigeria has written in a report for Norwegian NGOs that "the major thrust of carbon trading with the South and carbon offset strategies is to transfer the responsibilities for the impacts of climate change to the South while the polluters reap the profits built upon disasters".[87] Indeed, there is now widespread recognition that carbon offsetting - the centerpiece of the Kyoto protocol and a key plank of Norway's climate policy - is ineffective and unjust and that it allows big industrial polluters to conduct business as usual.[88] Friends of the Earth argues that it is having "a disastrous impact on the prospects for averting catastrophic climate change" since it results in fewer emissions cuts, counts action in developing countries as part of the cuts promised in developed countries, and is causing delays to urgently needed economic transformation in developed countries.[89]

2.3.2 Expansion of oil and gas

There is a strong argument that, if climate chaos is to be avoided, the bulk of the remaining fossil fuels must be left in the ground. However, this policy has been explicitly rejected by the Norwegian government, which is moving in the other direction – expanding oil and gas activities. New exploration activities are under way in the High North, in new fields in the southern Barents Sea, the Norwegian Sea and the North Sea.[90] "It is our responsibility to bring these resources to the market, provided it can be done without causing harm to the marine ecosystem", Foreign Minister Store has said.[91] The government notes that the Norwegian continental shelf still has "huge potential" and that only 38 per cent of its resources have been produced.[92] Pressure from environmental organisations and fishing interests is keeping drilling rigs away from exploration areas in the North Sea islands of Lofoten and Vesteralen and the northern Barents Sea, but there is increasing oil industry pressure to begin activity there and there have already been disputes between the Ministries of the Environment and of Petroleum and Energy.[93]

Store has noted Norway's "ambition of being both a leading petroleum producer and a leading player in efforts to limit climate change", acknowledging that this "is certainly a dilemma."[94] Similarly, the *Refleks* book notes that a key Norwegian interest is to work for an international climate regime that stabilises or reduces emissions but also one that "entails the use of instruments that do not unreasonably affect oil and gas exporters, neither in relation to coal nor in relation to renewable energy sources" and to "make oil and gas more acceptable energy sources in an environmentally friendly future".[95] If this reflects official thinking in the government, the danger is that Ministers believe they can have their cake and eat it, rather than making hard policy choices.

This is certainly not an easy dilemma for Norway to resolve, and there are several arguments against reducing Norway's oil and gas production - that the world still needs oil at affordable prices, that Norway is too small a player to influence the world oil market even if it reduced production and less environmentally-friendly oil producers would take up the slack, and that if oil and gas production were replaced today it would be mainly by coal, which is even worse for climate change.[96] Clearly, these arguments – and their counter-arguments, which are often stronger - should be more widely debated.

2.3.3 Technology and aid

The government is taking some steps to address the environmental challenge. It notes that "its most important contribution"[97] to a low carbon future is carbon capture and storage (CCS) technology, where CO2 is stored in depleted oil and gas reservoirs or in geological formations under water or on land. Since 1996 one million tonnes of CO2 have been stored annually in connection with gas processing from the Sleipner field in the North Sea.[98] The government argues that CCS technology could reduce emissions

Box 7: Norway's aid and the environment

Norway sees the environment as a priority for future aid allocations and is focusing its strategy to address climate change on tackling deforestation, which accounts for up to 20 per cent of global carbon emissions. For 2010, the government has allocated NOK 2.1 billion to this programme.[99] This is a large sum by some measurements but, even including Norway's other environmental aid spending, a drop in the ocean relative to Norway's actual revenues from oil production which are partly responsible for the problem.

There are also concerns whether Norway's environment aid rhetoric matches with reality. According to a 2008 peer review of Norwegian aid by the OECD's Development Assistance Committee:

> "Norway has ambitions to be a leader in the environment and development area, but needs to turn this ambition into action. It has an Action Plan for Environment in Development Cooperation, which makes clear that the environment is both a cross-cutting issue, stating that 'environmental concerns must be taken into account in all development cooperation', and a separate sector with development cooperation targeted specifically at sustainable management of natural resources and environmental protection. It is difficult to assess the extent to which environment is considered systematically in the absence of clear guidance such as impact assessment tools; current requirements leave impact assessments to the recipients. In addition, there are a limited number of environment or natural resource specialist staff positions in either the MFA or Norad, and even fewer in the field. It is, therefore, difficult to envisage how such an ambitious action plan could be fully implemented".[100]

from coal and gas-fired power plants by 85-90 per cent and that it "will have to be installed in thousands of coal- and gas-fired plants worldwide".[101] The *Refleks* book notes that CCS is "potentially Norway's most important contribution to international technological developments in the climate field".[102]

Yet there are several problems with CCS. The UNDP has stated that under planned rates of deployment CCS systems "will arrive on the battlefield far too late to help the world avoid dangerous climate change".[103] The Intergovernmental Panel on Climate Change does not expect CCS to become commercially viable until the second half of the century while Greenpeace argues that the earliest CCS may become technically feasible at utility scale is 2030. Yet serious climate change measures have to be taken now, over the next two decades. There are also concerns that storing carbon underground could present an environmental risk and that CCS is anyway very expensive, diverting investments away from better responses to climate change.[104] CCS could be at worst a distraction and at best just one technology among many others that must be deployed to address climate change.

Despite some efforts, Norway has not made heavy enough investments in a transition to a non-fossil fuel future and in renewable energy; many other countries are far ahead of it.[105] The Norwegian oil industry also continues to receive far more research and development funding than goes to renewable energy.[106] Denmark and Sweden spend 5-6 times as much as Norway on research into renewable energy.[107] Sweden has by far surpassed Norway as a pioneer country in environmental policy, having long had a government target to reduce emissions and objectives for freeing itself from dependence on oil for heating and transport by 2020.[108]

3. ARMS: NORWAY'S LITTLE SECRET

Perhaps little known to most people outside the country, Norway has over the last 30 years been the world's 20th largest arms exporter.[109] Norway exports only a fraction of the quantities sold by, for example, France and the UK, and accounts for only around 0.1 per cent of world arms exports.[110] The MFA also maintains a list of 'Group 3' countries to which no military equipment may be exported at all, a policy that is more restrictive than most of the largest arms exporters. Norway's arms export regime is governed by a *Storting* decision of 1959 which established that "the primary consideration should that Norway will not permit the sale of arms or ammunition to areas where there is a war or threat of war, or to countries where there is a civil war". Norway has also played a leading international role in securing international bans on anti-personnel mines and cluster munitions.

The government has in 2009 committed itself to changing a policy long-criticised by NGOs, and to introduce a requirement for recipients of Norwegian arms to provide end-user certificates. Over 80 per cent of Norway's category A exports (ie, weapons) and 75 per cent of category B exports (other military material) goes to NATO countries. But Norway has not until now required its NATO allies to provide end-user certificates for this equipment. In one case, Norwegian-made high explosives exported to the US for use in 'Hellfire' missiles have then been re-exported to Israel for deployment in the occupied

Box 8: Nammo Group

The Nammo Group, in which the Norwegian government owns a 50 per cent stake, is one of the world's largest producers of ammunition for hand weapons, tanks, navy ships and aircraft. Its latest figures, for 2008, show a "record result" in increasing sales by 14 per cent over the previous year.[113] Nammo has sold over NOK 11 billion worth of ammunition in the past five years (2004-08), around 90 per cent outside Norway: Six percent of exports in 2008 went outside Europe and North America, but Nammo's annual report does not specify where, although it does say that "South East Asian countries have become important markets".[114] The company's 'ethical code of conduct' simply says that Nammo shall comply with the export regime of the countries from which it exports[115]; beyond that, no countries are apparently off-limits, including Israel, as noted above. Indeed, the factories of Norwegian military companies located outside Norway are not required to adhere to Norwegian export regulations.

Nammo, along with other parts of Norway's military industry, is also profiting from the surge in US military spending since 9/11 and the 2003 invasion of Iraq. Thus Norway's arms exports to the US continue to grow, from NOK 1.08 billion in 2005 to NOK 1.5 billion in 2007.[116] Nammo notes of its subsidiary in the US, Nammo Talley, which became part of the Nammo Group in 2007, that it "has continued its position as a key element of the US industrial base and continues to grow in importance to its customers", notably in the area of manufacturing "new battlefield weapons under the sponsorship of the US government".[117]

The Norwegian government is profiting from Nammo. The company paid out a dividend of NOK 133 million in 2008, which presumably means the government earned NOK 66.5 million. Dividends of NOK 459 million were paid out in the five years 2004-08.

Palestinian territories.[111] Another recent revelation is the proposed US transfer to Israel of $89 million worth of "light anti-armour weapons" (ie, rockets) manufactured by Nammo Talley. The US Department of Defence notes that this sale will "provide the Israeli government with a lightweight assault rocket that will enable Israel to maintain its operational capability, and provide greater mission flexibility to deter aggression in the region".[112]

There remain several problems with Norway's arms export policy from an ethical point of view. First, Norwegian arms and military equipment are being consistently used by NATO allies in wars overseas, of most concern in Iraq, a war opposed by Norway. Norwegian arms exports include a range of equipment that can be used in offensive, as well as defensive, operations, such as explosives, ammunition and weapons stations. Military equipment was exported to the US, UK and Australia during and after the 2003 invasion of Iraq while radars and explosives were used there by the US military.[118] Furthermore, just over the last year, it has been reported that:

- The Norwegian company Kongsberg has supplied 'Protector' remote weapon stations* to the US which have been deployed in Iraq and Afghanistan.[119] Kongsberg signed a $1.35 billion agreement with the US army in 2007 to supply 6,500 'Protector' stations up to 2012.[120]
- A surveillance and tracking radar system called 'Arthur', developed by Norwegian and Swedish companies, has been exported to the UK's Royal Marines, which have used it in operations in Iraq and Afghanistan.[121]
- Nammo Talley has won a contract to supply a next generation of portable rocket launchers for the US Marines. The company has sold 40,000 rockets and 1,500 rocket launchers to the US Marines since the 1990s, which are "increasingly being used in Iraq and Afghanistan to take down buildings".[122]
- Nammo Talley is also producing for the US military 3,000 rockets for its Shoulder-launched Multi-purpose Assault Weapon (SMAW), used by US forces in urban conflict in Iraq and which was one of the key infantry weapons used in the brutal battle of Fallujah in 2004.[123]

Second, Norwegian arms are exported to some countries with extremely poor human rights records. Norway has voluntarily adopted the EU Code of Conduct on arms exports, criterion two of which requires human rights to be taken into account in arms export decisions. Also, in 1997, the *Storting* unanimously endorsed a Government statement that "the Ministry of Foreign Affairs assessment [of arms exports] should include consideration of a number of political issues relating to democratic rights and respect for fundamental human rights".[124] However two countries importing Norwegian military equipment presently stand out:

- Most notably, Saudi Arabia has received over NOK 150 million worth of military equipment in the three years 2005-07[125] following around €57 million during 1997-2005[126]. In fact, Saudi Arabia has become Norway's biggest military export market outside of NATO[127], despite its suppression of Shia communities, curbs on freedom of expression and the fact that it "undertook no major [human rights] reforms in

* A remotely controlled station that can be fitted onto any platform, such as a tank or armoured vehicle, to fire light or medium-calibre weapons

2008"[128]. The country's suppression of women is extreme, treating them as legal minors, prohibiting their working in offices or entering government buildings that lack female sections, and generally depriving women of a host of fundamental human rights - a great contrast to the rights secured by women in Norway.[129] Norway's military exports to Saudi Arabia have been mainly communications equipment – not weapons that can kill but which can help militaries counter internal or external foes. It is likely that Norway's increasing arms exports to Saudi Arabia are linked to its oil policy and increased overall trade and 'political dialogue' between the two countries, as noted above.

- Oman, a secretive Gulf fiefdom with significant restrictions on human rights and ruled by its present leader who took power in a UK-backed coup in 1970, has received NOK 48 million of Norwegian equipment, including communication systems (again, equipment easily adapted for use against dissidents).[130]

The MFA is required to grant licences for every Norwegian military export – these sales therefore have the express approval of the government. In 2007, four applications for ammunition and night vision equipment were refused, to Colombia, Bangladesh, Pakistan and Algeria on the basis of human rights concerns or internal war. On the same criteria it is hard to see why exports to Saudi Arabia were, by contrast, granted.

Norway's arms industry is growing. The country exported NOK 4.2 billion worth of military goods and services in 2008, up from NOK 3.6 billion in 2007; of the latter figure, NOK 3.2 billion was goods (ie, mainly arms and equipment such as parts and communications systems).[131] Arms exports have tripled since 2000 and have risen by half since 2004.[132] Norway ranks as the world's largest arms exporter in relation to its population and around 80 Norwegian companies now export military equipment. Some MFA officials say that there is little debate in the government on its arms exports, and rather that "weapons have come to stay".[133] Neither of the White Papers on foreign policy or development say much about arms exports, which are becoming an ever-larger part of the Norwegian furniture. The MFA's *Refleks* project notes that Norway's position as a significant arms exporter, together with its high defence spending (the fifth highest out of 16 NATO countries during 2000-05, for example) means that "the picture of Norway as a peace-loving nation deserves to be nuanced and debated".[134]

4. CORPORATIONS: PIONEERING NORWAY?

"There is a clear connection between Norwegian business activities and conduct abroad and Norway's – our – reputation… Norway is leading the efforts in the UN to clarify the business community's responsibility for human rights. This is pioneering work." Foreign Minister Jonas Gahr Store[135]

For a small country, Norway has a significant number of international companies playing important roles in global markets, including StatoilHydro, Yara International, Storebrand group, Det Norske Veritas (DNV), Grieg Group, Norske Skog and Statkraft. Moreover, Norway's business engagement with the world is increasing; in the years ahead, a steadily increasing proportion of Norway's income will come from other countries, primarily from capital investments.[136]

Yet there are major problems with Norwegian companies' activities abroad in terms of their impacts on human rights, the environment and labour standards. The following table highlights a small selection of some recent cases, far from exhaustive, reported in the media and Norwatch.

The Norwegian government has generally adopted a low key, complacent political stance towards these and other allegations against Norwegian companies. It rarely publicly condemns (or even mentions) such allegations and is not known to be investigating them, with only some exceptions (for example, the Norwegian ambassador in the Philippines has undertaken a fact-finding mission on the Intex case). This is especially concerning since the state has a stake in several of these companies.

In January 2009, a White Paper on Corporate Social Responsibility (CSR) was launched which the government regards as "pioneering work", as noted above. There are some likely positive changes to government policy that flow from the White Paper:

Table 4: Recent allegations of abuses against select Norwegian companies

	Allegations against the company
Aker Kvaerner (now Aker Solutions), Guantanamo Bay	The company's subsidiary was alleged to have been implicated in breaches of international law and human rights, and the Norwegian penal code, by building and maintaining the facilities at the Guantanamo Bay prisons. Following an investigation the Norwegian National Contact Point[♣] (NCP) concluded in 2005 that "the activities that the company has carried out can be said, at least partly, to have affected the inmates of the prison".[137]
Camposol[*], Peru	In a conflict with the local community in two villages in northern Peru, the company is alleged to have taken over land for sweet pepper cultivation, depriving local villagers of farmland.[138]
Cermaq, Canada and Chile	The fishing company, in which the government has a large stake, is accused, in a complaint submitted to the Norwegian NCP, of contributing to the depletion of fish stocks of the Musgamagw Tsawataineuk indigenous people in British Colombia and, in Chile, of unfairly dismissing workers, preventing their free organizing into trade unions and having to pay and bonus systems that discriminate against women.[139]
Fugro-Geoteam, Western Sahara	In April 2009, the seismic exploration company is alleged to have completed a three-month offshore exploration for Morocco, the occupying power in Western Sahara, with the support of the Moroccan navy.[140]
Intex Resources, Philippines	The mining company is alleged, in a complaint to the Norwegian NCP, to be planning to build a factory in the Mindoro area that may cause water pollution and destruction of food production.[141]
Skuld, Zimbabwe and Western Sahara	The marine insurance company was revealed in 2008 to have insured a Chinese ship carrying 77 tons of weapons to Zimbabwe and a Greek ship loaded with phosphate rock from occupied Western Sahara.[142] Previously Norwatch revealed that both the Norwegian-owned shipping company Gearbulk and the Oslo Stock Exchange-registered Jinhui also transported phosphate to Australia and New Zealand.[143]
SN Power, Chile and India	• Indigenous Mapuche groups in mountainous eastern Chile have been protesting against the company's four planned hydroelectric power projects fearing they will reduce water supply and threaten livelihoods. • At the Allain Duhangan project in Himachal Pradesh, India, there has been local opposition to the building of a dam while 11 fatalities and 81 personal injuries have been recorded, believed to be the result of poor health and safety standards.[144]
StatoilHydro, Canada and Ireland	• The company's massive Tar Sands project in Alberta is the subject of a campaign alleging that it will result in huge deforestation, water pollution and contributions to climate change.[145] • Statoil, along with Shell, the project manager, has been engaged for several years in a dispute with people in County Mayo about the routing of a gas pipeline which they claim is a serious environmental and safety risk.[146]
Telenor, Bangladesh	Subcontractors working for Grameen Phone, Telenor's subsidiary producing telecom masts for the mobile network in Bangladesh, employed child labour, breached safety regulations and promoted environmental offences.[147]
Vinmonopolet state wine and spirits monopoly, Occupied Palestinian Territories	Norwatch reported in 2008 allegations that Vinmonopolet was selling wine in Norway made in the occupied Golan Heights which was labeled as produced in Israel.[148]
Yara, Western Sahara	The fertilizer producing company, in which the government owns a stake, was discovered in August 2008 to have imported a shipment of 17,000 tonnes of phosphates from occupied Western Sahara. The Norwegian Ministry of Trade and Industry is reported to have been informed of the shipment, but did not seek to prevent it. Yara has said the shipment was a one-off, related to testing of production facilities in Norway.[149]

♣ The National Contact Points promote the OECD Guidelines on Multinational Enterprises and handle complaints brought against individual companies for possible violations

* Camposol is a Peruvian company registered on the Oslo Stock Exchange. Norwegians occupy two out of five board positions and Norwegian companies, Storebrand and DNB, were small shareholders as of early 2009; www.camposol.com.pe

- It proposes extending the duty of the largest Norwegian companies - which are already required to publicly report on their labour conditions, gender equality and environmental impact - to provide information on what they are doing to implement ethical guidelines and CSR (but without specifying precisely what).
- It proposes revising the OECD Guidelines in the areas of human rights and climate change and strengthening the NCP in Oslo, which investigates allegations of violations.
- It also states that Norway will play a proactive role in "strengthening international CSR guidelines, with a view to establishing more binding frameworks and mechanisms".[150]

Despite these positive proposals, the White Paper is if anything a *backward* international step towards clarifying legally-binding mechanisms to hold companies to account for their activities. Thus the White Paper is explicit in defining CSR as "what companies do on a voluntary basis" and is not even an attempt to define what the duty of government should be in holding businesses to account for their operations.[151] This is a major missed opportunity and possibly explains why there was no protest against the paper from the Norwegian business community – rather, some companies were disappointed that the government did not go further in establishing tighter corporate accountability mechanisms.

The White Paper shows that the government has decided to take very few unilateral steps to regulate its corporations and that policy is largely to leave it to the companies themselves to ensure their good behaviour. The paper is replete with phrases such as the government "expects", "urges" or "calls on" companies to behave ethically. "Companies must make sure that they are not complicit in unethical practices", it notes, and also that they "should ensure that all stages of the supply chain meet the company's standards".[152] Even mining companies are simply "expected" take social and environmental considerations into account in their operations[153] – ignoring the litany of abuses committed by such companies around the world.

In a section on whether companies should work in undemocratic or corrupt countries, the White Paper states:

> "The government does not intend to politicize the engagement of Norwegian companies abroad by recommending their presence in particular countries or regions as opposed to others, by regulating their presence or by exercising ownership rights… It is not the task of the public authorities to regulate an individual company's commercial decisions." [154]

This extraordinary last comment amounts to a denial of the Norwegian economic model, where the state often plays a major role in precisely regulating companies' commercial activities. The White Paper states that Norway will simply follow the UN in judging whether Norwegian companies should engage in a particular country. However, it also outlines two exceptions where Norwegian companies are "advised not to engage in commercial activities" – Western Sahara and Burma. The White Paper does not state why these two territories are the exceptions but the obvious reason is that the UN failed to agree to impose full sanctions on them, which precisely highlights why simply following the UN line is insufficient. Moreover, as Table 4 above indicates, two Norwegian companies (Yara and Fugro-Geoteam) have recently done business in occupied Western Sahara anyway. Government "advice" against doing business in Western Sahara seems to count for as little as following the UN lead.

Especially striking is the failure in the White Paper, and in Ministers speeches and comments generally, to explicitly recognize the essence of the problem. In its over 100 pages, the White Paper nowhere explicitly states that some Norwegian companies may be violating international human rights standards. It coyly outlines that there have been "a number of instances where Norwegian business interests have come into conflict with the use of the environment by indigenous groups"[155]; it also contains a paragraph on SN Power's Allain Duhanganll project in India, referring simply to a "conflict of interest" with the local community.[156] Indeed, the White Paper makes clear that its starting point is not that there is a problem with Norwegian companies as such but that the paper is needed because Norwegian companies are working in countries with poor human rights records, as well as to raise awareness of CSR issues within the business community.[157] At one point, the paper even states that Norwegian companies should "inform the Norwegian authorities about serious violations of human rights and other unacceptable circumstances they learn of through their operations"! [158]

Only a couple of proposals made by civil society groups and others, such as strengthening the NCP, have been taken up by the government, which has argued that it would be wrong to establish specifically Norwegian legislation on these areas. These included:

- establishing binding national guidelines to set minimum standards for corporate activities
- that corporations should be held legally liable under Norwegian law for activities abroad
- that corporations should be required to report on the social and environmental consequences using independent guidelines in the Global Reporting Initiative (GRI),
- that an independent ombudsman be established to monitor and advise Norwegian companies.
- The Coherence Commission's recommendation that state-owned companies be held responsible for the working conditions of those they subcontract (a reference to the Telenor case in Bangladesh) was also rejected; the government is leaving it to companies to "establish good guidelines" to "encourage" their sub-contractors to respect employee rights.[161]

Box 9: Norway versus the UN and its peers

Norway's approach to regulating corporations stands in marked contrast to that of John Ruggie, the UN's special rapporteur on human rights and transnational corporations, whose work is actively supported by the Norwegian government. Ruggie's April 2008 report to the UN Human Rights Council notes that this is a time of "escalating charges of corporate-related human rights abuses…signaling that not all is well". States have a "duty" to protect against human rights abuses by companies, in particular state-owned enterprises (SOEs) which "may be held responsible under international law for the internationally wrongful acts of its SOEs if they can be considered state organs or are acting on behalf, or under the orders, of the state".[159]

In contrast to the White Paper's assumption that existing law is sufficient, Ruggie states that "the legal framework regulating transnational corporations operates much as it did long before the recent wave of globalization" and that overall, governments are "failing to provide adequate guidance for, or regulation of, the human rights impact of corporate activities". In particular, "the parent company is generally not liable for wrongs committed by a subsidiary". Ruggie acknowledges that experts disagree whether international law requires home states to help prevent human rights abuses abroad by corporations based in their territory.[160] But the Norwegian government could have helped to clarify this process by saying it did accept this.

Norway's stance on corporate accountability is no better than most of its major allies and in some cases worse. For example, the intention to introduce legislation requiring companies to provide information on their ethical guidelines is behind legislation in several other countries. Sweden requires its state-owned enterprises to produce independently assured sustainability reports using GRI reporting guidelines. The UK's Companies Act requires Directors to "have regard" to matters such as "the impact of the company's operations on the community and the environment". France requires companies to declare how their foreign subsidiaries comply with the core conventions of the International Labour Organisation.

The White Paper process was a major missed political opportunity not only to set Norway's own house in order but to help push the international debate on the regulation of corporations. Norway's stance may also undermine its own self-interest. For example, the *Refleks* book repeatedly argues that Norway's "primary security policy interest" is "an enduring and robust international community and legal order".[163] Yet there is very little agreed international "legal order" when it comes to regulating corporations to act in the interest of human rights – Norway could have helped shaped this debate by taking a firmer international lead, and indeed greater unilateral action. This failure might also rebound on Norway's international reputation. As Norwegian companies increasingly operate in states abusing international laws, officials recognize that many people draw no distinction between private companies and the state in which they are based; still moreso if they are partly state-owned.[164] StatoilHydro is, to Store, "not just any company", but "Norway's flagship".[165]

Box 10: Too much focus on transparency?

Norway prides itself on being a relatively open and transparent society, which it certainly is. Norway's policy-makers (as with other Scandinavian states) are more open to scrutiny and criticism than in other developed states, and much more willing to engage with civil society groups, academics and others urging alternative policies. These are enormously positive features of the Norwegian model.

However, when it comes to promoting foreign policies, transparency is not everything. The CSR White Paper, for example, holds up the Extractive Industries Transparency Initiative (EITI) as if this is the answer to the problems with the extractive industries, but says very little about mining companies' impact on people and the environment while the Pension Fund continues to invest in numerous mining companies.[162] Norway's hosting of the EITI Secretariat and its championship of the EITI principles are good things, but the EITI has major limits. Technical compliance with EITI's criteria is insufficient to promote the openness that is needed to really hold governments to account, as noted above in the case of Azerbaijan, which is EITI-compliant but still the subject of complaints by local groups. Also, a simple focus on transparency can help legitimize (often repressive) regimes and can do little to ensure that oil wealth is actually redistributed.

5. THE WORLD BANK: THE END OF PRIVATISATION?

The 2005 Soria Moria declaration outlining the government's political platform committed it to "work to ensure that the [sic] multilateral aid is increasingly switched from the World Bank to development programmes and emergency aid measures under the auspices of UN agencies". It also said that "Norwegian aid should not go to programmes that contain requirements for liberalization and privatization". Since then, Norway has taken an international lead in pressing the World Bank to stop imposing privatization and liberalization conditions in lending to developing countries. In 2007, the Norwegian government also announced it would halt its contributions to the World Bank's Public Private Infrastructure Advisory Facility (PPIAF), following an NGO report showing how the PPIAF was pushing water privatization through the use of consultants.[166]

Also positively, Ministers have consistently called for reform of the World Bank and the International Monetary Fund to increase developing country representation on their boards. The government has called for the IMF to focus on its roles on surveillance and capacity building and for its role in low income countries to be subject to a "review".[167] On debt, Norway has also pursued a number of positive policies, unilaterally canceling, in 2006, the debts accrued under the shipping campaign in the 1970s, and funding studies into the concept of illegitimate debt. Norway is the only donor that does not report cancellation of bilateral debt as official aid.

Then there is the other face of Norway:

5.1 Switch towards the UN?

In the replenishment of the World Bank's IDA 14 fund, which provides loans and grants to the poorest countries, Norway agreed to funding worth $346 million over the three years 2005-08.[168] In the following replenishment, IDA 15, concluded in December 2007, Norway agreed to spend NOK 779 million annually for the next three years – an increase of NOK 51 million or 7 per cent. However, the government's 2008 budget had originally proposed an annual increase to the IDA of NOK 81 million; thus the government announced that it had "reduced the increase", which amounted to NOK 30 million a year. The government gave as its reason that "we are still not completely satisfied with the progress of the World Bank as regards adherence to its conditionality principles". [169]

Norway's decision to hold back its planned funding to the IDA certainly contrasted to most other countries, such as the UK, which significantly increased their contribution to the IDA. But Norway's stance was half-hearted. It still increased its funding to the Bank while some of the money not allocated to the IDA was still spent on the Bank, supporting its Poverty and Social Impact Analysis, which is supposed to consider the impact of Bank policies on poverty. The government's press release announcing the changes could still state that "Norway remains among the 15 largest donors" to the Bank.[170] Six days before the announcement on the IDA, the Norwegian government said it would commit $5 million to the Bank's Forest Carbon Partnership Facility – perhaps this was timed to cushion the (mild) blow to the IDA; at the same time, World Bank President Robert Zoellick could still say that "Norway has been an extraordinarily good partner for the World Bank in a number of areas".[171] Norway's stance on the IDA was important in terms of the signal it sent to the Bank, but failing to withdraw significant funds severely weakened Oslo's message and hardly sent shudders though Washington.

Norway is now providing a large sum – around NOK 2 billion - to the World Bank, consisting of its IDA funding plus contributions to the global funds managed or administered by the Bank, such as the Global Alliance for Vaccines and Immunisation and the Education for all Fast Track Initiative.[172] This amounts to around 11 per cent of Norway's aid. Norway still spends more on the UN – it is the world's fifth largest aid donor to the UN, accounting for 16 per cent of Norwegian aid compared to a donor average of 4 per cent.[173] But there is no evidence of a real "switch" away from the Bank, as promised in the Soria Moria declaration. The Norwegian government still sees the World Bank as "a major international partner".[174] Officials describe Norway as a "critical friend" of the Bank, prepared to speak out on conditionality and the need for internal reform, but also prepared to commit significant amounts of funding to the organization.[175]

Far from reducing the influence of the World Bank, Norway has championed its increasing role in some areas. Norad, for example, states that "Norway has supported the idea that the Bank must be more active and relevant in war-affected and crisis-torn countries and must contribute to peacebuilding and reconstruction at as early a phase as possible".[176] Yet the Bank has frequently taken advantage of weaker, fragile states to impose neo-liberal economic policies on governments in the aftermath of war.[177] Norwegian officials recognize that the UN is generally better placed to help fragile states but Ministers are pragmatic in wanting to work with donors who will get things moving more quickly in countries needing support.[178] Similarly, officials recognize that the UN has more legitimacy to address the environmental crisis than the World Bank but believe that the UN's mixed environment record and the fact that the World Bank has secured big funding from other donors to address environmental issues, means that it makes sense to back the Bank's initiatives.

Norway has taken an even weaker approach to changing the IMF than the World Bank. Far from withholding funds from it, in May 2009, Norway concluded a loan agreement with the IMF offering it NOK 30 billion, and without attaching any conditions to the loan.[179] Norway has put very little noticeable pressure on the IMF to curb its promotion of neo-liberal macroeconomic policies in poor countries and, again, to argue for the organization to support alternative economic models.

Overall, Norway's policy towards the World Bank, despite the pressure put on it in some areas, has been to legitimize its increasing role, surely going against the spirit of the Soria Moria declaration. The government is thus failing to use the influence that it could. Norway may hold only 0.63 per cent of the votes on the World Bank board but its influence is greater than this indicates; as a DAC peer review states:

> "Norway's strong core support to multilateral organizations leads to Norway having considerable leverage and impact on the multilateral system… The challenges for Norway…are to develop a performance-based allocation system, and to continue to be a leader in helping the multilateral organizations to increase their efficiency for better development outcomes".[180]

5.2 No more privatization?

Although Norway has opposed the Bank's imposition of privatization and liberalization *conditions*, it has not systematically opposed the privatization and liberalization *policies* that are standard in Bank "advice" to developing countries. Thus Norway has not systematically spoken out against the Bank's promotion of its private sector development model, even though the Norwegian model – with a much stronger role for the state – is quite different. Norway has consistently championed the need for "policy space" for developing countries, but this has mainly been in the context of opposition to formal conditionality, rather than challenging the Bank on promoting a minimal role for the state in economic development. Similarly, while Norway has pursued some positive policies on debt relief, officials still say that the "cornerstone" of Norway's policy is support for the World Bank's HIPC and MDRI processes, which routinely promote macro-economic reforms which, if they do not impose conditionality, promote the private sector development model.[181] Again, Norway's stance has been half-hearted – it has failed to oppose an economic model emanating from Washington that has often been disastrous for poor countries while failing to sufficiently champion a model promoted at home which has been so successful. The issue is of course not one of promoting any one-size-fits-all model, but the Norwegian experience clearly does offer some lessons for policy-makers in Washington.

There are several ways that Norway is actively supporting privatization promoted by the World Bank. One is Norway's support to the International Finance Corporation (IFC), the World Bank's private sector arm whose activities are virtually synonymous with promoting privatization and big business interests. Norway is the world's eighth largest donor to the IFC and over the last five years has funded it to the tune of $24 million.[182] IFC documentation notes that "Norway partners with IFC in Sub-Saharan Africa, East Asia and the Pacific, South Asia and Europe and central Asia to enhance the capacity of the private sector."[183] In the new state of Timor-Leste, for example, Norway has supported the development of a study into "private sector investment opportunities" in agribusiness, fisheries, forestry, offshore oil and gas, tourism and the financial sector. [184]

The IFC is providing loans to a number of projects in which the Norwegian company SN Power (jointly owned by Statkraft and Norfund) have interests. Several of these are privatization processes:

- The IFC is providing a $105 million loan to finance the privatization of the Magat hydroelectric plant in the north of Luzon in the Philippines. The bid for running the project was won by a consortium in which SN Power has a 50 per cent stake. IFC project documentation notes that this is "the first and only privatization deal successfully concluded with significant foreign participation" under the government's electricity privatization strategy, which seeks to privatize 70 per cent of the total power generated in the Luzon and Visayas Islands, comprising the country's main grid system. The IFC sees the project as having other advantages: to "provide proof of concept and demonstration effect of a successful privatization of a large scale merchant hydro power project to other East Asian countries who hesitate to embark in [sic] similar sector reforms".[185]
- Similarly, in August 2008, the IFC agreed to loan up to $100 million to support the privatization of the Ambuklao and Binga hydroelectric power plants, also in the Philippines. The plants are also 50 per cent owned by SN Power. This project is,

according to the IFC project documentation meant to provide a "demonstration effect of a successful privatization".[186]

- The IFC is also providing financing of nearly $100 million to support the completion of the Allain Duhanganll hydroelectric power plant in Himachal Pradesh, northern India, being managed by a consortium in which SN Power has a near-50 per cent interest. The IFC notes that this is one of the first energy projects to sell power "on a merchant basis" and "hence providing a strong demonstration effect for private hydroelectric power development" in India.[193]

Norway has helped established or now contributes to various of the World Bank's global trust funds. In 2002, for example, Norway and the Bank established the Norwegian Trust Fund for Private Sector and Infrastructure (NTF-PSI), which aims to promote "private sector development" and good "investment climates" in the areas of energy, water, transport and the environment. Since its inception, the NTF-PSI has supported 59 projects worth $38 million in partnership with the IFC and the World Bank.[194] It is unclear if the Fund is currently explicitly supporting privatization projects - although one project is entitled "privatization in SSA" [sub-Saharan Africa][195]; what is clear is that the Fund is promoting an increased private sector role in infrastructure and energy provision in line with Bank and IFC priorities.[196] One of the projects supported by the Fund is an expansion of the World Bank's *Doing Business* report – which compares countries' ease of doing business and regulations – to include an indicator on private sector investment in infrastructure; this "will allow for objective measure of regulatory and procurement barriers to access to electricity in 180 countries in order to inform governments, promote best practices and encourage reforms", the NTF-PSI *Progress report* notes.[197] The current call for NTF-PSI project proposals states that one of the "major areas of importance to Norway" is "activities that engage Norway's special expertise and knowledge (the energy sector broadly, and oil and gas in particular)".[198] The NTF-PSI appears to be a method to promote an increased role for the private sector in developing countries from which Norwegian energy companies, in particular, will benefit.

Box 11: Norfund: Aid for business development or Norwegian interests?

The three IFC-backed projects promoting privatization, noted above, are all supported by Norwegian aid in the form of Norfund, which controls 40 per cent of the shares in SN Power (Statkraft controls the other 60 per cent). Norfund, established in 1997, aims to aid the development of sustainable and profitable business activity in developing countries by investing capital in countries that would otherwise not have access to commercial financing due to the high level of risk. The promotion of privatization is certainly a questionable use of aid money. Equally, Norad notes in an analysis of energy aid and SN Power that "Norwegian companies are doing well in the face of international competition for the supply of equipment and services, and are an important resource base for Norwegian development assistance".[187] Norfund's backing of big hydro-electric power projects, which require Northern expertise, complete with IFC loans for privatization projects, appears more like old-fashioned government backing for business. Nearly half of Norfund's entire portfolio (NOK 2.3 billion out of NOK 4.8 billion) is investment in SN Power for renewable energy, consisting overwhelmingly of hydro-electric projects.[188]

There is also the broader issue as to whether the promotion of big hydro-electric projects of the type run by SN Power in six countries (Chile, India, Peru, Nepal, Philippines, Uganda and Sri Lanka) and thus the type of "energy aid" promoted by Norfund are really optimal in reducing poverty. Norfund claims that SN Power's hydro-electric projects provided 7 million people with electricity in 2008.[189] Yet there are concerns that many of these people may already have had access to some electricity and that few people are being newly connected.[190] Much more focus should be given to small-scale forms of energy of direct benefit to the poor, given that, as Norfund recognizes, more than a third of the world's population lack access to electricity.[191] Despite receiving Norwegian aid money, there are no requirements on SN Power to invest in the poorest countries (although 43 per cent of new investments in 2008 were in the Least Developed Countries); Norfund is only disallowed from investing in countries with a per capita GDP above $6,055.[192]

6. DOUBLETHINK

George Orwell wrote in *1984* that doublethink was the ability to hold two contradictory beliefs in one's mind at the same time. Norwegian officials appear guilty of such double standards in several key areas of foreign policy.

6.1 The problem of coherence

The DAC's peer review of Norway in 2008 highlighted that the government "has not yet developed an overall approach" to promoting coherence in government policy and that it "needs to turn the rhetoric into reality". It also criticized Norway for having failed to take up the DAC's previous recommendation to set up a "whole of government" mechanism to strengthen policy.[199] After the government-sponsored Coherence Commission produced a long list of recommendations on improving coherence in 2008, the response by the government was also disappointing. The report was sent for a parliamentary hearing and some recommendations are still being considered, but the MFA did not produce its own formal response while most of the Commission's recommendations were not adopted in the White Papers on development, foreign policy or CSR.

The government has now proposed introducing a system of annual reporting on the coherence between Norway's domestic and development policy. This is certainly positive but it is unclear if it will match, for example, Sweden's more advanced approach to coherence, which involves producing a special policy document on the subject. The key is whether particular policies – including those outlined in this analysis - change as a result.

But the problem goes beyond incoherence between different policies.

6.2 Having your cake and eating it

Norwegian ministers seem to think that they can have a large oil industry and lead the fight against climate change. That they can work in corrupt, repressive regimes and still be seen as champions of human rights. That they can promote Norwegian business interests in the global economy to the same degree as other states but be seen as pioneers of corporate social responsibility. That they can talk about redistributing global wealth while their pension fund continues to invest in tax havens. Although not all these areas are polar opposites, they all require policy choices.

This doublethink goes right to the heart of Norwegian foreign policy, and Norway's alliance with the United States. The MFA's *Refleks* analysis notes that the principal Norwegian global interest is in a strong international legal, social, economic and security order, partly since it is from this that much of Norway's wealth derives (for example from the UN's Convention on the Law of the Sea, enshrining Norway's right to oil and fish). Thus Norway has a strong interest in global peace and the upholding of international law. It concludes: "preventing the erosion of the international rule of law and multilateral systems of governance and regimes should therefore be seen as Norway's *primary* foreign policy interest".[200]

Yet, at the same time, Norway's most important bilateral ally is the United States, which, more than any other state, has been responsible for the construction and maintenance of the present unfair global economic order and which dealt the biggest blow to the international legal system – in the invasion of Iraq – for a generation. Some US policies have improved under Barack Obama but the US is hardly a global champion of human rights or development, as Norway sees itself. Oslo's special relationship with Washington, and the compatibility of this with promoting genuinely ethical foreign policies, should be seen by Oslo policy-makers as a dilemma – sadly, the issue seems little debated.

6.3 Double standards: Protection at home, liberalization abroad

As noted above, Norway has, albeit with some exceptions, joined forces with the World Bank to promote extensive economic liberalization abroad. At home, meanwhile, the Norwegian model means the government owns 28 per cent of the value of shares on the Oslo stock exchange and is a shareholder in around 50 of the country's biggest companies. Its model of strong state participation in the economy, combined with high taxes and high spending on social welfare, a fairly closed domestic economy and the largest public sector in the OECD[201], has made the Norway the third richest country in the world with a per capita income of $52,000 and ranked two on the UNDP's Human Development Index. It is a great shame that Norwegian policy-makers have not brought the benefits of this model more firmly into the minds of decision-makers in Washington. But this double standard appears deeply entrenched, as witnessed in the difference between Norway's policy towards domestic agricultural trade and fish exports (see Box 12).

Box 12: Farming and fish: Different rules apply

Norway's domestic farm subsidies are very substantial, amounting to a massive 67 per cent of the value of its agricultural production.[202] According to the OECD, Norway spent $3.05 billion in 2007 on support to farm producers, amounting to 0.8 per cent of the country's GDP.[203] As a proportion of the value of agricultural production, Norway is the second largest (after Iceland) promoter of agricultural trade protectionism in the OECD, even though the sector accounts for a tiny proportion of employment and GNP.[204] Thus Norway is preventing food producers in developing countries from accessing a potentially important market. Norway has granted the Least Developed Countries, and low-income countries with a population below 75 million, duty-free access to the Norwegian market; however, as the *Refleks* analysis notes, "this concession has not had much practical effect" since either these countries' export potential is limited or else veterinary standards are prohibitively high.[205] Norway's protectionism is also very costly to Norwegians; according to a study by the Institute for Research in Economics and Business Administration in Bergen, the elimination of domestic food subsidies and tariffs would see the economy gain by between 1.2 and 2.7 per cent.[206]

The government argues that large tariff or subsidy cuts in Norway "would mean an end to a viable agricultural sector in Norway" and that "sensitive products" must be protected from such reductions.[207] However, a Swedish peer review of Norway's policy towards sustainable development found that it "is not intuitively easy to understand" how Norway's policies are motivated by protecting the countryside given that, for example, palm hearts, coconuts and bamboo oil are burdened with import taxes even though they do not compete with Norwegian producers! It stated: "one can also speculate on why a tax on 10.75 per cent is imposed on a man's pyjamas whereas the tax for a corresponding garment for women is only 6.9 per cent".[208]

While protecting domestic agriculture, Norway has been pushing for broad trade liberalization in fish. Norway is the world's second largest exporter of seafood, exporting 95 per cent of its fish production, while Norwegian companies control 60 per cent of the world's salmon and trout production. The Ministry of Fisheries and Coastal Affairs notes that "an important task for the authorities is to ensure that Norwegian [seafood] products have as free access as possible to relevant markets" and that "even small changes in tariff rates in important export markets can be crucial".[209] Together with other fish exporting countries, Norway has been pushing at the WTO for "full liberalization of imports tariffs on fish", albeit on a non-mandatory basis and with special and differential treatment allowed for developing countries.[210] As the *Refleks* book notes:

> "The protection of Norwegian agriculture enjoys considerable support in the population, but it does not make it easier to work for open markets where this is in Norway's interests, as for example in aquaculture. It also challenges our relations with many developing countries that are endeavouring to ensure access for their agricultural produce in the rich countries' markets".[211]

7. CONCLUSION

Overall, Norwegian government policy is incoherent in a broad sense. Some policies are conservative (supporting the present international order), some are reformist (offering mild changes) while other declared policy statements are more radical (challenging the powerful and offering alternatives) but not implemented in practice. As a radical, the government can state, in the White Paper on development:

> "Norwegian development policy is designed to challenge the unequal distribution of power within and between countries, as well as the conditions that underpin injustice, oppression and discrimination – at every level".[212]

At the same time, Minister of Environment and International Development, Erik Sohlheim, can state (in April 2009) that "now the challenge is to establish a green capitalism out of this present [financial] crisis and whatever we do should have this perspective".[213]

Norway has taken a genuine and important ethical lead on some issues and it is these that, not surprisingly, its ministers stress and that the rest of the world often notices. But the list of unethical policies is also long and becoming longer. The leitmotif in Norway's unethical behaviour concerns the promotion of business interests and the failure to restrain and direct them towards promoting human rights. In this respect, Norway has become little different to other rich countries exploiting the planet for their own benefit.

Norway has lost its ethical niche. During the cold war in the 1960s and 1970s, Norway's "peace-seeking" stance stood out between the superpowers. In the 1980s and 1990s, during the wave of neo-liberal globalization that pushed unfettered liberalization all over the world, the successful Norwegian model, with a major role for the state in economic policy, also stood out. Now, Norway's policy-makers have not developed a big idea to give to the world. Its large aid programme is less significant in an era with greater awareness of huge capital flight, money hidden in tax havens and the rising power of non-Western sources of finance for developing countries. And this generation's focus on climate change puts Norway's oil production policies under the spotlight much more than before.

Contrary to its self-image, Norway is just another rich country, promoting an overall foreign and development policy that is not intrinsically ethical but simply sometimes marginally better than some other states. Its policies – including the more benign ones – may do more to *legitimise* the current international order than challenge it; they help put a somewhat more benign face on what is often old-fashioned exploitation of the poor by the rich. Perhaps like British leaders who persisted in delusions of grandeur for a generation or two after 1945, Norway's leaders are also living off an ethical reputation that, in reality, has passed. These are not so much problems of image as of actual policy and choices between alternative policies. Norway's policy-makers need to make some hard decisions and develop new, big ideas if they are promote genuinely ethical foreign policies.

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Storgt 11,	www.forumfor.no	Tlf:	23 01 03 00
0155 Oslo	forumfor@forumfor.no	Faks:	23 01 03 03