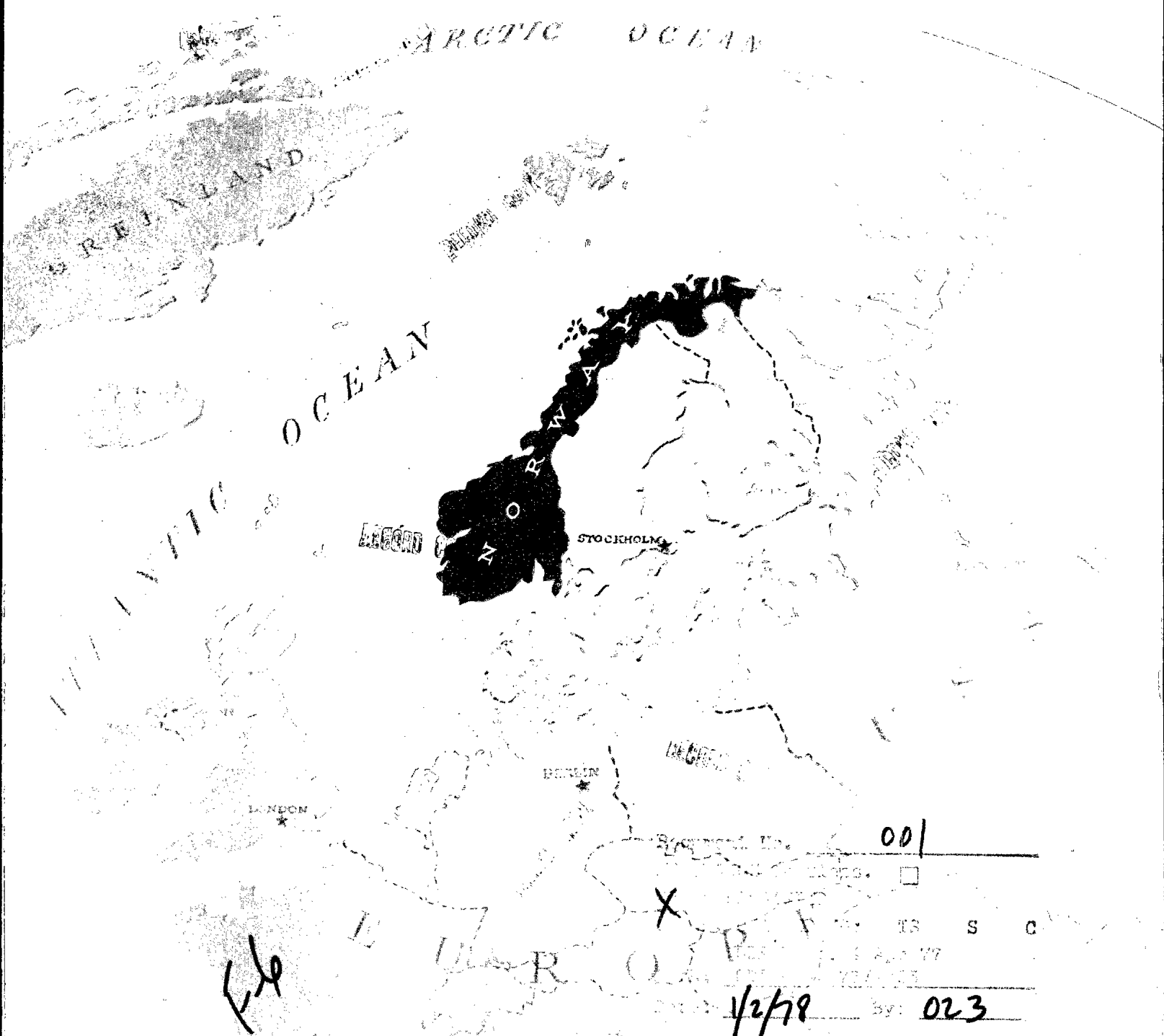


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NORWAY



CENTRAL INTELLIGENCE GROUP

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1 SEPTEMBER 1947

SR-5

NORWAY

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SUMMARY

Norway's political influence, economic resources, and military strength are negligible from the point of view of United States security. Its strategic significance lies in its geographical location as a potential base for operations in the North Atlantic and northwestern Europe.

The government of Norway is one of the most stable in Europe. The present Labor Government, with an absolute majority in parliament, is likely to remain in power until at least 1949. Though the majority party favors eventual government ownership or control of the sources of wealth, it will not be led into the Soviet orbit through the process of socialization.

Despite extensive government control and regulation, Norway's economy is at the present time still essentially one of free enterprise. It was not extensively disrupted by the war or the German occupation but wartime shipping losses and inflation of the currency have hampered recovery. The government controls enforced since the liberation have forestalled serious inflation and the gradual recovery of Norway's foreign trade virtually assures continued economic stability. Norway will not be able to contribute substantially to European recovery, but neither will it make any heavy demands for economic assistance. The disruption of European markets for Norwegian trade has caused a temporary shift in Norway's trade, mainly toward the United States. The increase in Norwegian-Soviet trade is based on experience and does not indicate a trend toward the East.

Norway is not a military power and has no expectation of becoming one. Realizing this the Norwegians aim at maintaining a neutral position between the East and the West and actively participate in the United Nations to promote world peace. Military occupation of the country would afford some advantages in geographical location but the economic advantages would be relatively minor, principally the production of explosives by the fertilizer industry and the production of aluminum.

The USSR has revealed a desire to control the Spitzbergen Archipelago, a Norwegian possession under the Svalbard Treaty, and therein lies a potential source of international dispute. Renewed Soviet demands for base privileges on the Archipelago would be of concern to the United States because the US is a signatory to the Svalbard Treaty, and because the establishment of Soviet bases there, closer to the major industrial centers of the United States than any now possessed by the USSR, would constitute an additional threat to the security of the United States.

In spite of the proximity of the USSR to Norway, given reasonable Western support, the Norwegians will remain friendly to the Western Powers and a minor deterrent to any expansion of Soviet influence in Northern Europe.

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Any threat to peace arising from Norway's actions, either unilateral or in concert with other Scandinavian states, is extremely remote and can almost be dismissed.

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SECTION IPOLITICAL SITUATION1. Genesis of the Present Political System.

From the days of the Vikings to 1814, Norway was variously independent, ruled by Denmark or Sweden, or part of a union with one or both. In 1814 the Danish king was nominal ruler of Norway, but when the treaty of Kiel (incident to the Napoleonic Wars) transferred Norway to the sovereignty of Sweden without the knowledge or consent of Norway, the Norwegians refused to accept the decision. They framed a constitution based on those of the US and of Revolutionary France, and finally declared themselves "a free, independent, and indivisible kingdom, united with Sweden under one king." In 1905, the union with Sweden was dissolved by mutual consent. In 1907, Norway became the first European nation to adopt universal suffrage, by giving the vote to women. At the beginning of World War I, Norway was an unusually liberal constitutional monarchy with a century's tradition of democratic government.

The nation was able to maintain neutrality from 1914 to 1918, and enjoyed the temporary prosperity common to neutral nations. In 1920, under the terms of the Svalbard Treaty, Norway acquired the Spitzbergen Archipelago and Bear Island. The abrupt termination of wartime prosperity, complicated further by a prohibition law which shut off avenues of trade with wine-producing countries, led to economic crisis and a political swing toward the Left. This leftist movement was centered in labor groups which were at first inspired by Leninism and joined the Communist International; then broke with it in 1923. In the early '20's there was a period of agitation and strikes which were suppressed by the Conservative government. The trend continued left, however, and in 1927 a Labor government came into power, declaring that it must prepare the country for socialism but stayed in power only two weeks and was replaced by the Liberals. The Labor Party gained strength in 1933 and 1936, but it was not until 1945 that it attained an absolute majority of seats in Parliament.

When the Nazi army invaded Norway, resistance was not effective, but an effective underground movement was organized during the occupation. After the invasion, when the government of King Haakon went into exile, the Germans made a brief attempt at continuing normal Norwegian government through the use of infamous Major Quisling; but under the real dictator, a German named Terboven, Norway was plundered of two billion dollars and about 14% of her merchant fleet. Her reconstituted government, therefore, was faced with a serious problem of reconstruction.

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2. Present Governmental Structure.

All Norwegian citizens over 23 years of age who have resided in Norway for five years may vote for members of the Parliament (Storting). Elections to the Storting are free and unencumbered by tax or property qualifications. Representation is proportional, the voters actually cast their ballots, not for individuals but for parties or groups. The parties then send to the Storting the number of representatives to which their proportion of the total vote entitles them. It should be borne in mind, however, in analyzing the strength of parties by their representation in the parliament, that this system, as presently constituted, favors the larger parties, so that they usually have a membership in the Storting out of proportion to the actual number of popular votes cast for them.

The actual votes received in a district by each Party are divided by 2, 3, or if necessary 4, the resulting quotients and the actual votes then being arranged in a single list in descending numerical sequence. Vacancies are then filled from this list, the first seat going to the Party with the largest number of votes, the second to the Party with the next smaller on the list and so on until allotted seats for the district are filled.

The Storting is elected as a unicameral legislature. After it convenes, it divides itself into two chambers by electing one-fourth of its membership to act as an upper house (the Lagting) while the remaining members form a lower house (the Odelsting). The constitution provides that the Odelsting shall initiate legislation and that the Lagting shall criticize and revise it. Both groups must approve all bills before they become law. In practice, the Storting has found it efficient to act unicamerally whenever it is constitutional to do so, as in the case of financial, political, and organizational resolutions and budget plans.

Executive power normally belongs to the king, but is exercised by the prime minister who is chosen by the majority party in the Storting and approved by the king. The king has no power to dissolve the Storting.

Norwegian law stems from the constitution adopted in 1814 which was influenced in part by the French and American constitutions, but was largely indigenous. The Judicial system is similar to that in the United States, there being a Supreme Court and inferior courts of appeal. Cases are originally brought to a Conciliation Council and may then be appealed in successive steps to the Town or District Court, Lagmansrett (Norway's only jury court) and finally the Supreme Court. Judges are appointed by the king after nomination by the Cabinet. They serve for a life term but may be retired for age (usually at 70) or dismissed for cause.

3. Political Parties and Current Issues.

The history of organized political parties in Norway covers a relatively short period and only a small number of parties. Formal parties were first

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organized in 1884 when the Conservative and Liberal parties were established. Although the Labor Party was established three years later, in 1887, the Liberals and Conservatives had the field largely to themselves until 1927. The Liberal Party was generally the stronger but the reins of government alternated or were held jointly thru a coalition of the two. The Labor Party gained in stature following World War I and became the largest party in 1927, a position which it has since maintained. The Agrarian Party was organized in 1920, the Communist Party in 1923 and the youngest party, the Christian People's, was formed in 1933. At the last election (October 1945) their relative strength was as follows:

<u>Party</u>	<u>Alignment</u>	<u>No. of Seats</u>
Labor	Left	76
Conservative	Right	25
Liberal	Center	20
Communist	Left	11
Agrarian	Right	10
Christian People's	Center	8

The trend of the first post-war election was to the left. The Labor Party, and also the Communists were able to maintain their organization somewhat intact during the war through the underground and the trade unions, and hence were better prepared to embark upon the electoral campaign than the non-labor parties. This partly accounts for the Labor Party's success in obtaining an absolute majority of seats in the Storting. The Labor Party also benefited from the fact that the non-labor vote was distributed rather equally among the opposition parties, a condition which, under Norway's system of proportional representation favors the more powerful party. The Labor Party was thus able to secure a majority of Storting seats while polling only 42% of the popular vote. Since the Labor Party has, and presumably will have at least until 1949, an absolute majority of seats in the Storting, it should be able to control the government fully during that time.

a. Political Parties.

Following is a brief description of the present political parties:

(1) Labor.

Support: In general the political instrument of the trade unions to which the factory workers belong. Enjoys considerable support from middle-class groups and from small farmers.

Platform: The Labor Party has always stood for socialization of the Norwegian economy. While retaining this socialist program in principle, it has now moved further to the Right and has taken over much of the ground formerly occupied by the Liberals. Prime Minister Gerhardsen has

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publicly stated that the Party's immediate objective is reconstruction, and that meanwhile, the attainment of a socialistic system is being held in abeyance. The record so far seems to support this statement, evidently reflecting an awareness on the part of Labor leadership that if a full-fledged socialist program were implemented now, Labor would lose a large share of its middle-class support.

The gist of the Party's present policy is reflected in its program for reconstruction and a planned economy through price control (see Price Control Law, p. II-7). The Labor Party aims at a planned economy through increasing government control of industry, commerce, production and distribution. Eventually it contemplates gradually increasing government ownership and operation of communications and banks.

History: Founded in 1887; attained first parliamentary representation in 1905; real growth came after World War I. In 1919 affiliated with the Third International, but broke with it in 1923. In 1927 became strongest party in the Storting, which position it has held ever since. In the 1945 elections, while polling only 42% of the popular vote, it received an absolute majority of seats in the Storting.

(2) Conservative.

Support: Represents vested interests and has its main body of supporters in Oslo, the larger cities, and the richer agricultural districts of the eastern and southeastern area. Popular vote in 1945 was 17% of the total.

Platform: Traditionally supports a strong executive authority, minimum taxation, and a balanced budget. Favors individualism and free enterprise; opposes all forms of socialism, and resists tendencies toward state monopolies or controls. It has always been foremost in the advocacy of adequate national defense. Presently urges that reconstruction be achieved through increased production based on free enterprise.

History: Founded in 1884. From 1905-1924 the Conservatives, although only half as numerous as the Liberals, were often in office alone or in a coalition with the Liberal Party. Since 1924, when the Labor Party has been in the ascendancy, the Conservatives have held second place. Their present representation of 25 seats in the Storting is their lowest since 1918.

(3) Liberal.

Support: Has a membership of about 20-30,000 principally in the western districts and among fishing interests, the small industrialists, and smaller urban communities. Some of its strong religious element has joined the Christian People's Party.

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Platform: Middle-of-the-road. More receptive than the Conservatives to social reform, the idea of state controls, and to the more moderate features of the planned-economy program. Will not join Conservatives in wholehearted opposition to the Labor program, but will not wholeheartedly support it. Desires industrial development on the basis of private initiative with sufficient controls to protect consumers. Backs state control of public utilities.

History: Founded in 1884; strongest in the last quarter of the 19th century, alternating in power with the Conservatives until the rise of the Labor Party in the 1920's. There is considerable uncertainty as to the Party's future. Most of its original "radical" policies are now programs of the Labor Party. The fight against Communism has often served to unite the Conservatives and Liberals, but a merger is considered unlikely.

(4) Communist (NKP).

Support: Main strength among the more radical elements of the laboring class chiefly concentrated on trade unions in the larger cities.

Platform: The Party did not formulate a platform in 1945 but endorsed a program similar to that of the Labor Party. The Party's real program has become more apparent through its various resolutions and lines of agitation such as: severance of relations with Franco Spain, distribution of bank-owned lands, extension of the cooperative movement, working class unity, and nationalization of waterpower and industry. While supporting the Labor program, Communists maintain that socialism is necessary to recovery and must not be relegated to second place. Party made substantial contributions to the Resistance movement, and now urges purging of all former Nazis and collaborationists.

History: Founded in 1923 by elements of the Labor Party that disapproved severing relations with the Third International. Held a few Storting seats in the 1920's but none in the '30's. Strength has increased materially since the war, but these gains were expected by all parties and can be attributed to (a) popularity through activity in the Resistance; (b) a revolt against the old order and a tendency to turn to Communism in a period of unrest; (c) reflected prestige of Soviet military achievements; and (d) better party organization maintained during the war.

Present party strength is reliably estimated at about 30-40,000 members. Besides Storting representatives, has over a thousand members of City Councils. Supports six to seven hundred branch organizations in the Provinces, but its greatest strength is found in the cities. (In Oslo and Trondheim, for example, Communists obtained over 30% of the total vote, and in eight cities, polled over half as many votes as did the Labor Party.) As this city strength, in turn, is found mainly in the trade unions, it is within the unions that the main Communist-Labor struggle goes on. The Labor

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Party has been partially successful in removing Communists from the trade unions, but in some unions Communists are still strong. The Communist Party has been active in pressing for union with the Laborites, but negotiations have broken down, and Labor leaders see no imminent possibility of union.

Recently there have been signs of disunity among the Norwegian Communists. A "unity" proposal, presented by certain local elements of the Communist Party was accepted by the Labor Party, but it was rejected by the National Communist headquarters. The fact that the local groups had acted contrary to orders marked the first time in the history of the Norwegian Communists that the leaders had not been able to exercise absolute control over the rank and file. This disregard for party directives, although not of serious proportions at present, indicates a smouldering discontent which may become serious to the Party.

The Norwegians are basically distrustful of the USSR and Soviet Communism. In spite of Communist Party Secretary Ornulf Egge's statement that since the dissolution of the Comintern the Norwegian Communists have not maintained contacts with the USSR, Norwegian Party members are reported to be in close touch with the Soviet Embassy in Oslo. The general assumption in Norway that there is close Communist liaison with Moscow is a strong factor in preventing a more rapid growth of the Party.

(5) Minor Parties.

Of the other two parties in the Storting -- Agrarian and Christian People's -- the first, representing the larger farming interests, follows no particular line in politics but throws its weight behind any legislative faction that seems to favor its immediate interests. On the basis of election losses in 1945, it is believed possible that this Party may disappear entirely as a unit.

The Christian People's Party, under the leadership of clergymen and prominent lay members of the church, derived much of its support from young students and graduates voting for the first time and from people who emerged from underground activities with increased religious fervor, a dissatisfaction with the old political order, and a desire to establish greater political unity. It follows a vague political and economic line emphasizing Christian principles. It was established only in 1933 and showed gains in 1945. With a more definite platform, its influence might well continue to increase.

b. Current Issues.

The most important post-war issue has been reconstruction of Norwegian economy. In order to repair the damage done during World War II and the German occupation, the Storting has passed a Price Control Law (see p. II-7) which

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implements the plan to reconstruct Norway's economy through extensive Government control. All parties readily agree to the need for reconstruction, and the plan originally elicited a union of all parties on the issue, but conservative parties (Conservative, Liberal, Agrarian, and Christian People's) who were willing to accept temporary controls fear far-reaching implications of a socialization that is more thorough than they would find acceptable under normal conditions.

Two other topics of recent interest -- Franco Spain (see p. III-2). and Spitzbergen (see p. III-3) -- have now been at least temporarily settled as political issues, the former when the Storting voted to maintain trade relations on a barter basis and refrain from unilateral action outside the UN; the latter when the Storting voted against further bilateral defense negotiations with the USSR. Relations with Spain recently showed further improvement when Norway agreed to accept a Spanish Chargé and also to negotiate a trade treaty.

4. Stability of the Present Administration.

The government of Norway is one of the most stable in Europe. The present king, Haakon VII, brother of the late king of Denmark, who has reigned since the modern kingdom of Norway was formed in 1905, and is an important stabilizing force in the Norwegian government. Crown Prince Olav, the heir apparent, is extremely popular and would presumably continue his father's influence.

The relatively long tenure of the Labor group (since about 1930) would suggest that the gains labor made in 1945 were not simply indicative of post-war anti-conservatism, but rather a normal political development. So far, reconstruction -- which has been the government's main problem -- has in general satisfied a majority of the people. If the program suffers no severe setback before the next election, the complexion of the Norwegian government should continue unchanged for some time in the future.

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SECTION IIECONOMIC SITUATION1. Genesis of the Present Economic System.

Norwegian economy is largely dependent upon foreign trade. For example, three-fourths of Norway's pulp and paper, fish and fish products, and electrochemical and electrometallurgical products are normally produced for export while in 1938, before wartime destruction had depleted the fleet, net receipts of the merchant marine were equivalent to 53.5% of the commodity exports. For industrial requirements, Norway imported over half of its textiles, most of its ships, most of its coal, iron and steel, a large part of its machinery and durable consumer goods and all of its mineral oils. Norway must also import food because her limited arable land (3% of the total land area) produces only half of Norway's total food requirements.

The economic advantages which Norway exploits in order to compete in foreign trade are (1) natural resources: waterpower, fishing grounds, and forests, and (2) human resources: accumulated experience and skill in the operation of merchant ships.

Prewar foreign trade resulted characteristically in an excess of merchandise imports over exports. The resultant deficit was normally more than offset by invisible income, most of it from shipping; the rest from tourist trade.

Destruction of shipping from all causes during the war deprived Norway of nearly 50% of her merchant marine; but other wartime losses were less serious; there was considerable physical destruction in the north; the livestock population was depleted; industrial plants had suffered somewhat from unreplaced deterioration and the Germans had also inflated the currency. On the other hand, the Germans had kept industry going, and in some cases, notably in aluminum plants, had actually expanded capacity.

When the Government-in-Exile returned in May 1945, however, it was faced with difficult internal problems. In addition to the inflated currency, there were a budgetary deficit brought about by the need of funds for reconstruction, and increased costs resulting from the German policy of raising prices and wages in the fishing, forestry, and building-construction industries.

Eighteen months after the Government returned, Norway had shown a notable economic improvement. Total industrial production was slightly ahead of pre-war (production index December 1946 = 108; (1938 = 100); foreign trade had increased; agriculture had improved, and shipping losses had been partly replaced. The progress made was largely attributable to intelligent application of Government controls which had been agreed to in principle by all parties as temporary necessities under post-war conditions.

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Wartime decrees of the government which contributed materially towards this progress went far beyond the traditional degree of control. The Price Director was given extensive regulatory powers over prices, profits and production; and foreign trade was controlled through licenses on imports and exports. The newly passed Price Control law has in effect extended the duration of these controls.

2. Description of the Present Economic Situation.

a. Natural Resources.

Norway has rich sources of wealth in minerals, waterpower, forests, and fish, but is deficient in such equally important natural resources as arable land, native coal, and petroleum.

The major mineral deposits are iron, copper, titanium, and nickel, but zinc, lead, molybdenum, magnesite, mica, tin, tungsten, cadmium and chromite are also mined. Pyrites and iron ore are the chief products of the mining industry. In 1938, production of pyrites was 1,130,000 tons and of iron ore 1,425,000 tons. Almost all of the 1938 ore production was exported, 70% going to Germany. The destruction of the concentrating plant at Kirkenes during the German withdrawal stopped almost all ore processing until late 1946, and difficulties in finding a replacement for the German market will further retard the recovery of the Norwegian iron mining industry. The 1946 pyrites production was 60% of 1938; mining output is now approximately 35% of prewar normal.

There are no commercial deposits of coal in Norway proper, but the mines in Spitsbergen supply about 15% of Norway's requirements. (Norway owns 87% of the coal deposits on Spitsbergen from which are produced about 350-450,000 tons of coal in a normal year.) The Spitsbergen mines suffered some war damage which the Government is repairing in an effort to utilize the supplies to the fullest. Additional coal must be imported from foreign countries; Norway has no petroleum resources whatever nor any pipe lines to bring oil in from outside.)

One-fourth of the total area of Norway is forested, with soft-wood predominating. Forest resources are estimated at 9,216 million cubic feet of coniferous trees and 2,178 million cubic feet of deciduous trees, with an annual growth estimated at 296 million cubic feet and 73 million cubic feet, respectively. The annual increment now, as it was before the war is greater than the annual cut. During the occupation, however, the Germans cut the timber nearest to the roads and railroads and thus reduced the percentage of accessible timber.

b. Agriculture.

Intensive cultivation of Norway's limited agricultural land results in high yield of cereals, vegetables, and fruits. There is limited production above the Arctic Circle of barley, turnips and potatoes, but the bulk of the farming is necessarily done in the South. The Norwegians are normally self-sufficient in production of vegetables, meat and dairy products, hay, potatoes, and oats, and they produce about half their overall requirements in human and animal

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food. During 1946, however, only about one-fourth of requirements for bread, animal feed-grains, and protein concentrates were domestically produced.

The Nazi invaders, seeking to gear Norwegian agriculture to their own needs, put an abnormal acreage into grain at the expense of pasture and hay land, thus restricting livestock production. As a result not only is meat in very short supply but the 70% of gross prewar farm income derived from livestock has diminished. Livestock numbers are presently increasing, but 1946 production of pork, beef, and mutton was only 50% of prewar. Milk production was only 73%, and egg production only half the prewar figure.

Over-all agricultural output is about 82% of the prewar level. Crop production has exceeded 90% of the prewar level. The Norwegians are fortunate in that the world-wide shortage of fertilizers has not seriously affected them, inasmuch as the nitrates, manufactured within the country provided a generous ration. Phosphate and potash, however, have been scarce.

3. Industry.

Norwegian industry is of a specialized character conditioned by such factors as kinds of domestic ores, abundance of waterpower, extensive forests and fishing grounds, and a maritime tradition which has led to the development of the skills necessary for the operation of a large merchant marine. The main industrial export items are pulp and paper, electrochemical and electrometallurgical products, and seafoods. Because the Norwegian shipowners had the ability to operate ships efficiently, this industry expanded until the prewar merchant fleet was able to supply a substantial part of the nation's income.

Industrial plants in Norway are more dispersed than those of most other nations, factories having been built in rural areas near hydroelectric developments. Primary urban industrial areas are Oslo, Kristiansand, Stavanger, Bergen, Trondheim, and of secondary importance, Narvik. Concentrated near Oslo are chemical works, iron, steel and other metal foundries and power plants. Because of this industrial development and its location, dominating two important valleys, Oslo is also the heart of the railway and road system. Kristiansand is an engineering center with shipyards, foundries and nickel refineries, with aluminum and ferro-silicon works nearby. Stavanger and Bergen are both shipbuilding centers with a variety of small factories and foundries in the vicinity. In the North, Narvik is the terminus of the railroad bringing iron ore from Sweden's important northern fields.

Norwegian industry does not have as serious a problem of post-war recovery as many other countries do. Norway's most serious losses were in ships, and mining facilities. Labor appears unwilling to put forth their normal productive effort. Despite still insufficient replacement of worn out industrial machinery, the country's present industrial production is in excess of the 1938 volume. The output of industries producing mainly for domestic consumption is well ahead of industries producing primarily for export principally because of

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labor shortages, scarcity of certain imported raw materials and diversion of materials into products for home consumption.

Production for domestic consumption includes construction materials, textiles, leather, and shoes. Although domestic production is more than 30% above the 1938 level, it is still inadequate to satisfy the accumulated demand. Within the next year production will be adequate in several lines to meet the demand, but over-all production will still be short.

a. Electrical and Chemical Industries.

The existence of a large industry based on electric and chemical processes reflects the availability of an abundant supply of cheap electric power. Nitrogenous products are manufactured chiefly for fertilizer during peacetime; the fertilizer plants are available for production of explosives in case of war.

The metallurgical industry produces about 35,000 tons of ferro-alloys and 50,000 tons of electric pig iron annually, primarily from imported raw materials and almost solely for export.

To attain a greater degree of self-sufficiency in iron and steel, the Norwegian government now plans to build an electro-iron and steel works at Mo-i-Rana in northern Norway, accessible to iron ore deposits and low-cost hydroelectric power. It is to have an initial annual production capacity of 220,000 tons of steel plates, flat sheets, angles and other basic products. Completion of the plant will require 4 to 5 years.

Before the war, Norway was the world's sixth greatest producer of aluminum, with an output of 33,000 tons. The aluminum reduction plants depended entirely on foreign supplies of bauxite and alumina. During the occupation, the Germans undertook a huge expansion program to increase Norway's productive capacity of aluminum. Exports for 1946 totaled 12,000 tons. The Norwegians plan to undertake completion of the aluminum plant started by the Germans at Aardal (planned ultimate yearly capacity 26,000 tons) though it is felt that the present discrepancy between supply and demand for aluminum throughout the world may render the project unprofitable. Of the five plants in Norway which use alumina as their raw material, only one is now operating, its product going to France. The Norsk Aluminum Corporation, which uses bauxite, is operating at full capacity and exporting its products to Denmark, Sweden, and Portugal.

Norway's electrochemical industry centers around the process of fixation of free nitrogen. Current production of nitrogen is about equal to pre-war volume. The Norsk Hydro Corporation controls 90% of Norwegian nitrogenous output, the principal products being cyanamide, calcium nitrate, nitric acid, nitrate of ammonia, liquid ammonia, and sulphate of ammonia. Because of the post-war demand for nitrogenous fertilizers, Norsk Hydro is planning to expand, and to increase production by 22,000 tons of nitrogen annually.

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The Norsk Hydro plant at Rjukan, which produces fertilizers and allied products, also produces heavy water, 99 plus percent concentrated, at the rate of 4½ gallons per day. Heavy water is isolated merely as a by-product of the basic process used in the production of fertilizer. The current demand for heavy water for use in atomic research has increased the importance of the Rjukan plant out of proportion to the monetary value of the heavy water production as compared with the value of the fertilizer, which still remains the basis for the plant's operation.

Prior to the war, the French owned a majority of Norsk Hydro's capital stock but the Nazis acquired 75,000 of the French-owned shares and also increased the company's capital shares by 50%. After the liberation the Norwegian Government through the Directorate for Enemy Property took possession of the Nazi-held shares. The French interest has been reduced to 36.2% of the total. The Norwegian Government now owns 44% and other Norwegian shareholders 7.8%, thus giving Norway the controlling interest.

b. Fish, Pulp and Paper Industries.

More than 80% of Norwegian paper and pulp products are exported. Nearly one-fourth of Norway's total exports are accounted for by this. The quantities available for export in 1946 were less than half those available before the war, shortages of pulpwood being the principal cause. Difficulties that have led to the underlying shortages are being corrected, and the 1948 production of the pulp and paper industry should approximate the 1938 total. Production in 1938 was 889,000 metric tons of mechanical pulp, 445,000 metric tons of chemical pulp and 364,000 metric tons of paper and cardboard.

Fish and fish products comprise 16% by value of all Norwegian exports. Because of the world demand for food, Norway this year has had no difficulty in disposing of her catch, but with expansion of Icelandic, Canadian, and Portuguese fisheries, and high prices of Norwegian fish, future markets are of serious concern to the Norwegian Government.

Whale fishing is in effect separate from the regular fishing industry. Operations are concentrated in Antarctic waters where, during the period 7 January to 7 April each year, floating "whale factories" produce whale oil. In 1938 the Norwegian catch, about one-third of the world's total, yielded 192,000 metric tons of whale oil. Due to wartime losses Norway's fleet of floating factories was reduced from 12 to 6. With 7 such factories participating last season the 1946-7 production of whale oil was 155,000 metric tons. In a normal year Norway required 48,000 metric tons for domestic consumption, and sold the remainder on the world market. Three more whaling factories are under construction now, two of which may be completed before the coming season. Production during the 1947-8 season should equal the prewar level given favorable fishing conditions.

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c. Shipping and Shipbuilding.

The prewar Norwegian merchant fleet was the fourth largest in the world comprising 4,756,000 GRT, and including the world's largest tanker fleet of 2 million tons. During the war, 2,400,000 tons of Norway's shipping were destroyed. Replacement is being undertaken at greatly increased costs and under circumstances which make imported materials harder to obtain. As of 1 March 1947 it is estimated that the fleet consisted of 3,500,000 GRT. (At present, Norway has the world's third largest merchant fleet.) Before the war, Norway was dependent on the foreign exchange earnings of the merchant fleet as indicated by the net receipts from shipping which were substantially equal to the excess of imports over exports. In 1938, for example, the adverse commodity balance was \$50 million but there was an excess of receipts of \$21 million in the balance of payments. Because the receipts from shipping were so important in the balance of payments the merchant fleet was of greatest importance to Norway. 90% of the fleet's business was with foreign customers who could be profitably served because of low rates resulting from efficiency of operation. Despite shipping losses, Norway has so far been able to maintain her place in world shipping, and because of the increase in ocean freight-rates, it has been possible for only one-half of the prewar fleet to earn over 100% of its prewar income.

Before the war, the Norwegian shipbuilding industry produced about 50,000 tons of shipping (vessels 1,000 GRT and up) but no vessels larger than 7,000 tons. Larger ships of the merchant fleet were purchased abroad, primarily from Sweden and Denmark. Current plans for expanding the shipbuilding industry indicate a possible future annual production of 280,000 tons and vessels up to 20,000 tons. Post-war demands for repairs to the Norwegian fleet are taxing present facilities to capacity. The inability of the industry to supply new tonnage to replace war losses rapidly enough is evidenced by the more than 1.8 million tons of shipping ordered from foreign shipyards by Norwegian shipping interests.

4. Finance.

The German occupation forces inflated Norway's currency by drawing funds from the Bank of Norway to pay occupation expenses. At first, the Government met the inflationary problem by currency conversion. All bank notes in denominations from 5 to 1000 Kr. ceased to be legal tender after 8 September 1945, and limited amounts of new currency were released, no individual being permitted more than 5,000 Kr. All bank accounts, demand accounts and savings accounts exceeding 800 Kr. were blocked, and withdrawal was prohibited until after the accounts had been registered by their respective owners. These restrictions have since been gradually removed, but their immediate effect was a considerable reduction in the amount of currency in circulation.

Various other forms of price and monetary control were imposed, but these were soon abandoned in favor of an easy money policy in order to finance the

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budgetary deficit at a cheap rate. The policy was successful to the extent that the increased economic activity more than offset the increases in monetary mediums. High level of production and external borrowing to finance imports probably will prevent inflation from becoming more serious than it is now.

National income in 1946, in terms of 1939 Kr., was about 4,938,000,000 compared to 4,800,000,000 Kr. in 1939. The 1946/47 budget was of record proportions (2,517 million Kr.) and involved a \$155,000,000 deficit. A 2,117 million Kr. (\$425,600,000) budget was introduced for 1947/48 showing estimated operating expenditures of 1,886 million Kr., \$39 million less than the 1946/47 budget. Operating income has been estimated at 1,650 million Kr. (\$330,000,000), 82 million Kr. below the 1946/47 budget. Major cuts in the budget are in the Defense, Commerce, Supply and Reconstruction Departments, price control subsidies, and occupation and liberation expenses. The deficit of 463 million Kr. presumably will be covered by new financing. The Government has recently issued two relatively short-term state loans at low rates of interest, thus carrying forward its easy-money policy. Those offerings were favorably received by the public, and additional loans up to a total of 350 million Kr. may be offered in the near future.

Currency in circulation continued to increase and in December 1946 amounted to 1.9 billion Kr., compared to 574 million Kr. in 1939 (presently about 1.8 billion Kr.). Part of the increase reflects higher business volume, but it also emphasizes the need for vigilance to check inflationary forces.

Norway has \$50 million to her credit with the Eximbank. This has not been used because of Norway's objection to the stipulation that all goods purchased with this credit should be transported in US flag ships. This stipulation has since been modified to permit 50% of the goods purchased to be transported in other than US flag ships and it is thus probable that Norway will soon avail herself of a portion of the credit. Her dollar credits have also been recently augmented by the highly successful sale of \$10 million worth of Norwegian bonds in the New York money market. Since the Storting has authorized borrowing up to \$50 million, the success of the first offering probably indicates additional bond offerings in the near future.

5. Government Controls and the Price Control Law.

In Norway, commerce and industry have long been influenced by two types of control: control by Government and control imposed by private business monopolies. Three government monopolies in liquor, fuel, and grain, directly control the operation of domestic and foreign trading in these commodities. The Government owns and operates the railways, telegraphic services, and about 75% of the telephone system. In most of the hydroelectric plants, the State holds a substantial if not a controlling interest, there are private combines which fix prices, establish sales and production quotas, and determine business practices. In acting as referee between these combines, the Government exercises a degree of control over them. In spite of government controls

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however, most Norwegian business is privately owned, and Norwegian economy is basically one of private enterprise.

Wartime decrees of the Labor government, which have now been substantially translated into the so-called Price Control Law have gone beyond the traditional degree of control. Under the decrees, the Price Director was enabled to (1) regulate and control prices and profits; (2) regulate and control production, sales and other business activity in order to prevent harmful competition; (3) forbid businesses to limit or stop production; (4) require them to produce certain goods or do certain work at prices or under conditions determined by the Director; (5) prevent new businesses from being further developed. In addition, imports and exports are strictly controlled by license.

The decision reached in the matter of the Price Control Law will have much to do with the future structure of Norwegian economy. Present indications are that it will probably result in increased government control of private enterprise beyond the time that such control can be justified on the basis of an existing emergency.

The Price Control Law extends the effective period of the wartime decrees but in modified form. It is of a temporary nature, however, as evidenced by the Prime Minister's proposal that it be replaced after a year by two laws, one dealing with price control and the other with general controls for business. A national labor law also has been passed which, in effect, gives the government power to allocate labor on a compulsory basis.

The labor law was termed by the government as necessary in order to implement the provisions of the Price Control Act.

6. Foreign Trade.

Despite import restrictions, Norway's 1946* foreign trade resulted in an excess of imports over exports of 995,000,000 Kr. (\$199,000,000). This import excess is still increasing. While imports are only about 70% of 1938 by volume, they are 234% of 1938 by cost. The net income of the merchant marine covered 600,000,000 Kr. (\$120,000,000) of the deficit, leaving Norway with a total deficit of \$70,000,000. Decline in net revenue from shipping was the principal cause; the rest resulted from the failure of export industries to resume full production.

* The export price index for 1946 is 190 (1938 - 100). This ratio should be borne in mind in considering 1946 foreign trade as compared with 1938 figures.

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Post-war changes in world trade have brought about at least temporarily a shift in Norway's chief markets and sources of supply. Prior to the war, Norway was dependent on European countries for about three-fourth of her imports; at present, while 60% of her imports are still received from Europe, the US is her greatest single source. Germany has dropped from an important to an insignificant position; the UK exported less and imported less. New trade agreements have been concluded with the USSR, Sweden, Netherlands, Denmark, Belgium, Luxembourg, France, Portugal, Switzerland, Italy, Hungary, Yugoslavia, Finland, and Poland. The duration of most of the agreements is one year.

PRINCIPAL SOURCES AND DESTINATION OF NORWEGIAN IMPORTS AND
EXPORTS BY PERCENTAGE OF TOTAL

	<u>1938</u>		<u>1946</u>	
	<u>Imports</u>	<u>Exports</u>	<u>Imports</u>	<u>Exports</u>
US	10	7.7	21.7	5.3
UK	16.2	24.6	19.3	10.4
Sweden	11.5	8.8	10	12
Belgium-Luxembourg	3.5	3.3	5.9	5.3
Germany-Austria	18.4	15.4	5.6	5.2
Denmark	3.5	4.3	5	10.8
France	3	6.6	2.9	7.5
USSR*	1.5	1.1	.4	1.5
Other European Countries	13.9	16	12.3	20.5
All Others	<u>18.5</u>	<u>12.2</u>	<u>16.9</u>	<u>21.5</u>
Total	100	100	100	100

* (Not a "principal" foreign trade partner)

The agreement with the USSR is to run for two years and provides for automatic one-year extensions if neither government indicates a desire to terminate it. Norway is to receive from the USSR principally grains, coal, and pyrites, and is to ship aluminum, whale oil, and fish and fish products. The original list of commodities to be exchanged provides for an import of approximately 65,000,000 Kr. (\$13,000,000) for 1947. The agreement provides that payment of balances credited in either the Bank or the State Bank of the Soviet Union may be demanded at any time and are payable in gold or US dollars. (Prewar annual imports from the USSR were valued at about 20 million Kr. (\$4,000,000) annually.)

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7. Economic Stability.

The stability of the Norwegian economy will depend upon events difficult now to predict. The foreign exchange available at the end of the occupation will have been virtually exhausted by the end of 1947 and the need for foreign exchange to finance imports for reconstruction of the merchant fleet and industry will be greater than ever.

Norwegian financial and monetary policies have, however, been sound, its foreign debt is small and the demand for its products is relatively stable. Efforts are being made to rationalize Norwegian industries and adopt new developments in industrial technology. Orders have been placed for new ships to replace wartime losses in order to reconstitute the merchant marine and increase shipping receipts so necessary to her economy. The question remains of how the Government can continue a reconstruction program that calls for large imports of capital when the shipping industry, which is the usual means of obtaining such capital, is in a deteriorated condition which itself calls for exceptional capital imports. It is almost certain, therefore, that the present government will continue its control of foreign exchange expenditures so that the essential needs of the reconstruction program will be provided with minimum possible effects upon the country's economic stability.

Normally, Norway's economic stability is tied to that of her leading customer, Great Britain, and the relationship is still strong enough so that any further deterioration of the economic situation in the UK could have an adverse effect on the Norwegian economy. With the decline of Britain's ability to provide the type of goods Norway needs, Norway has had to seek other sources of supply. Recovery of the European economies and the expansion of world trade, however, will enable Norway to overcome her major post-war economic problems and thus contribute to the maintenance of her democratic institutions. Basically, the economic system should continue to be capitalist with a continuation and probably an increase in certain governmental controls.

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SECTION IIIFOREIGN AFFAIRS1. Genesis of Present Foreign Policies.

Since the latter half of the nineteenth century, Norway has followed a policy of strict neutrality which was forcefully interrupted in 1940 but has now been resumed. Norwegian foreign policy in general springs from an acute awareness that (a) Norway is a small maritime nation facing the Western Powers in one direction and the USSR in the other but without defense against either; (b) the nation cannot ultimately deal with the Great Powers on an equal basis; and (c) the only practical means of achieving national security for Norway lies in worldwide collective security. Norwegian voting in the UN already reveals a hope that Norway can help maintain a balance of power in the organization. Norway has sought to prevent the formation of powerful blocs, attempted to serve as an East-West political bridge, and done all in her power to build the UN as an effective instrument for preserving world order. Future policies will be predicated on a determination to avoid friction for herself, and to minimize friction between other nations whenever possible.

2. Significant Relations with Other Nations.a. Scandinavian Bloc.

The possible formation of a Scandinavian defense bloc composed of Norway, Denmark and Sweden has been discussed in and out of Scandinavia ever since the League of Nations proved to be ineffective in maintaining world order. The discussion still goes on and seems to have been making some progress, particularly since President Truman's speech on aid to Greece and Turkey. There are several obstacles in the way of such a treaty, however, which make it unlikely in the immediate future.

In the first place, among Scandinavians who believe any such bloc would necessarily be oriented East or West, there is a feeling that the Scandinavian countries should try individually to maintain good relations with both sides rather than enter any regional bloc. The Scandinavian countries are apprehensive of Soviet reactions to the formation of a Scandinavian bloc so any progress is covert and necessarily slow. Soviet objections have reportedly not been officially submitted to the Scandinavian governments but the Communist press in Scandinavia has voiced vigorous opposition to the idea thus clearly defining the Soviet views. Secondly, there was considerable resentment in Norway against the Swedes which has not entirely died out. A Norwegian White Paper maintains that although the Swedish Government sent aid during the German Occupation, it was not enough and denounces as detrimental to Norway frantic Swedish adherence to international principles which enabled Sweden to avoid complications with Germany. Norway is also naturally jealous of the material benefits that neutrality brought Sweden. White books published simultaneously by Norway and Sweden have done much to eliminate the resentment and restraint in both countries, notably Norway. Finally, consideration of common military defense is retarded because of individual

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pre-occupation with post-war economic problems and by the present confusion and indecision in the military planning of each country.

b. The USSR.

The Norwegians are necessarily apprehensive as they face a USSR far more powerful than the old Russia and still ambitious to acquire an ice-free Atlantic port. Norwegian policy, under such circumstances, attempts to find a modus vivendi with the USSR that will also permit normal continuation of Norway's relationships with its Western friends. In cultural activities, the Norwegians have shown a friendly attitude toward the USSR, but in relations that might provide an opportunity for actual Soviet penetration, they have been more cautious. A Norwegian-Russian Society counts among its members such non-Communists as Foreign Minister Lange; sports contests are held between the two countries, and Russian language is taught in some private schools and to a few officers in the Norwegian armed forces. On the other hand, in negotiating a trade treaty with the USSR last year, the Government insisted on yearly revision of commodity exchange lists for Norwegian-USSR trade and authorized trade on a barter basis, thus setting a block in the way of Soviet economic penetration.

c. The UK.

Norway's ties with the UK were very strong during the prewar period, and trade relations were extensive. Good relations were not impaired in the war period, because the British failure to prevent Nazi occupation of Norway was a minor factor compared with war-time collaboration and the friendly UK relations with the Norwegian Government-in-Exile. Military cooperation continues at present through a British Military Mission which is assisting in the rebuilding and training of Norwegian defense forces. A source of friction existed in the large sterling credit which accrued to Norway during the war through "Nortraship", a government agency for operation of the Norwegian merchant fleet. England and the sterling area could not immediately provide consumer goods of the type desired or to the extent of Norwegian needs but orders for future delivery of shipping tonnage have been placed and the balance will probably be liquidated by UK-Norwegian trade during 1947.

d. Spain.

Norway's relations with Spain reached an almost critical stage during February 1947. Norway's implementation of the UN resolution denouncing the Franco regime coupled with Norwegian trade restrictions and refusal to accept Spanish diplomatic officials so angered the Spanish government that it hinted at reprisals. On 19 February, the Spanish Foreign Office told the Norwegian Charge in Madrid that Spain might close her ports to Norwegian shipping in view of Norway's anti-Spanish policy. The prospect of losing her trade with Spain (export of fish and import of materials used in the fishing and paper industries) caused the Storting to reconsider its stand and resume trade relations on a moderate scale. Relations between the two countries now are considerably improved.

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3. Significant International Issues.

The seemingly innocuous sovereignty over Spitsbergen and Bear Island given Norway in the Svalbard Treaty of 1920 took on a new and potentially dangerous complexion with the universal post-war realization of the strategic importance of arctic bases. The USSR has made demands for defense rights on the islands and in doing so, has placed Norway in the embarrassing dilemma of having either to offend the Soviets by refusing the demands or possibly to alienate the Western powers by acceding to them. Norway is now attempting to arrive at a compromise agreement.))

Prior to 1914, at least five countries had a basis for historical claims to the archipelago, but no country had established them. The question arose again following World War I in the League of Nations as to what nation might exercise control with a view to maintaining the neutrality of the territory, and the issue was decided in the Svalbard Treaty of 1920, signed by fourteen nations including the US, UK, Norway, Germany and several of her later satellites. The treaty, in effect, gave Norway the privilege of exploiting the islands' coal and other resources but at the same time the obligation of guaranteeing that no fortifications or installations that could be put to warlike uses would ever be established in the archipelago by any nation.

The USSR, because it was not recognized by most of the signatories in 1920, was not asked to participate in the treaty, but in a note on 16 February 1924, the Kremlin recognized Norwegian sovereignty over the territory, and in 1935 adhered to the Svalbard Treaty without reservation.

Soviet demands on Spitsbergen and Bear Island are based on the assertions that (a) Bear Island was Soviet territory prior to its relinquishment in 1924; (b) the Svalbard Treaty was concluded without the knowledge or participation of the USSR; (c) some signatories fought against the Allies, and consequently the treaty cannot retain its force; and (d) the treaty was concluded without recognition of the USSR's economic and strategic position. The contentions of Norway and other Svalbard signatories opposed to the Soviet view are that (a) the USSR adhered to the treaty with reservations and is thus bound by it; (b) because Norway agreed to guarantee against fortification by any power, bilateral negotiation with the Soviets, except on economic exploitation, is impossible; and (c) no changes can be made in the treaty without agreement of all signatories except those that adhered to the Axis.

The first move indicating a new Soviet line on Spitsbergen came in 1944 when Molotov informed Trygve Lie (then Foreign Minister of the Norwegian Government-in-Exile) that the USSR wanted an outright cession of Bear Island, which he considered to have been Soviet territory since 1899, as well as a condominium with Norway over Spitsbergen. Inasmuch as Soviet troops were then occupying northern Norway, Lie, with British approval, proposed that negotiations for joint military defense of the islands be initiated, with final plans to be submitted to the Allied Governments. In agreeing to this proposal, Molotov further suggested

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that negotiations be carried on at the same time regarding the exploitation of coal deposits and other resources on Spitsbergen, and about the possibility of abrogating the Svalbard Treaty.

The Norwegian Government accepted the Soviet position but with four qualifications: (a) the Storting must approve the final agreement; (b) any defense measures adopted would be on an equal basis between the two states and should be designed to fit whatever international security organization was to be established; (c) additional information was to be furnished regarding Soviet views on the exploitation of resources; and (d) abrogation of the Svalbard Treaty should be carried out in accordance with international law, with consent of all signatories except former adherents to the Axis. In April 1945, Norwegian Ambassador Andvord further presented Molotov with the draft of a joint declaration on Spitsbergen stating that neutrality was impractical and expressing the desire of the two nations to utilize the island as a link in an international security chain and as a means of protecting their own interests. To this latter proposal, the Norwegians have as yet received no reply.

Molotov brought the Spitsbergen matter up twice verbally in 1946, once in August at the Paris Peace Conference when he suggested to Foreign Minister Halvard Lange that they meet to settle the matter, and again at the November meeting of the UN General Assembly when he repeated the suggestion. After the second request, Lange informed the British Ambassador in Oslo that Molotov had changed his demands, insisting that the USSR be given economic preference in the exploitation of Spitsbergen's natural resources, and giving the impression that the USSR would now expect exclusive ownership and control of any airbases to be established in the islands.

The Norwegian-USSR talks were secret until 10 January 1947 when a convenient "leak" in London newspapers disclosed them and forced both sides to bring them into the open.

On 15 February 1947, the Storting voted 101-11 against further bilateral military negotiations with the USSR on Spitsbergen and Bear Island, and this resolution was formally transmitted to Moscow. US Ambassador Bay was confidentially told by Foreign Minister Lange at this time, however, that (a) Norway might favor certain changes in the economic aspects of the treaty but that she is satisfied with the existing demilitarization provisions, and (b) Norway has offered to continue bilateral discussion with the USSR on economic aspects of the treaty, the latter move being regarded as a friendly gesture designed to soften the Storting's relatively harsh refusal to discuss military aspects.

As matters stand, eventual revision of the treaty seems to be indicated, and the entire problem will probably be referred to the UN if the USSR again presses for negotiation.

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SECTION IVMILITARY SITUATION1. Genesis of Present Military Policies.

Norway could be easily defended against conventional attack since fortification of its mountainous coasts and interior would make penetration from the outside extremely difficult. Implementation of a national defense based on this favorable topography, however, is hampered by deficiencies in material resources and in manpower. Though some of the emplacements left by the Nazis, who fortified the coast against Allied attack during the war, are intact and still usable the small Norwegian population cannot furnish the personnel needed to man them. The country will therefore be left relatively without defenses.

In recognition of these facts, Norwegian military policies will be based upon cooperation in UN plans for international military security, or maintenance of a force large enough to stave off invasion until hypothetical allies could come to Norway's aid.

The military force at present is still in the state of comparative deterioration to which the occupation brought it and its development is subject to planning still in the inconclusive state. (See P. IV-2)

2. Strength and Disposition of the Armed Forces.a. Army.

The Army has a strength of 15,000 men, 5,000 of whom were called up in September 1946. About 4,000 of the new conscripts were trained for occupation duties in the British Zone of Germany and are now serving with the Norwegian Occupation Brigade. Reserves number about 100,000 men, about 80% of whom had only one brief period of conscript training prior to the German occupation and have had no training since 1939.

The Army is handicapped by a shortage of trained officers. Many of the officers now holding important assignments were POW's during the entire war and have therefore had little actual military experience. A few young officers were trained in Sweden and England, but a considerable time will elapse before their influence will be felt.

Army equipment is being purchased, principally from Great Britain, but at present only enough for two reduced-strength infantry divisions has been received. Armored vehicles are limited to a few light tanks used for training, and no armored units are included in the proposed future organization.

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b. Navy.

The Navy is small, but, contrasted with the Army, it is well trained and has had the benefit of war experience with the British Navy. Its present strength is 4,450 men, including 1,300 men in the Coast Artillery.

Its current effective combat strength, excluding coastal and auxiliary craft, consists of one division of large fleet destroyers, two divisions of escort destroyers and a division of small, sea-going submarines. The vessels are all modern, most of them of British construction. Their good material condition and generally standardized British equipment make these ships first-class fighting units.

c. Air Force.

The Air Force has 2,500 men and 56 first-line combat planes of British and US design. Between lack of equipment, the effect of demobilization and low morale among the pilots, current combat effectiveness is very low. A goal of six squadrons has been set, but it cannot be attained until additional pilots have been trained. Furthermore, the low rate of pay for Air Force personnel is driving skilled technicians to the commercial air lines and private industry to such an extent that the allotted number of conscripts is far short of supplying the needed manpower.

The entire air defense system is being reorganized, but at present, no real resistance could be offered against air attack. Though the Home Guard will eventually be trained as a defensive force against airborne invasion, the program is still in the early stages of organization.

3. War Potential.

Norway's military manpower consists of approximately 150,000 men subject to active service and an additional 150,000 in the age groups subject to service in the Home Guard. Approximately 30-35,000 men of the above total have had sufficient training or battle experience to qualify as trained reserves. The remainder are either untrained or received their training so long ago that they would not meet present standards. In the event of mobilization, probably 70,000 men could be equipped from the available supplies of small arms, ammunition, and personal equipment. An additional 35-40,000 men could be mobilized, but equipment would be inadequate.

The absence of indigenous sources of petroleum and coal makes it impossible for Norway to maintain an armed force without foreign aid. Industry and industrial expansion are governed by the same shortages, and although wood and electricity can partially replace coal, the supply of wood is limited by available manpower and of electricity by the number of hydro-electric plants.

Norwegian scientific potential is generally limited by Norwegian economy in that industry is not sufficiently extensive to support large-scale research and

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development. The government made no significant provisions for financial support of Norwegian scientists until 1946, when the Storting appropriated \$300,000 to establish a Defense Forces Research Institute. An equivalent amount was provided in the 1947-48 budget. At the present time, the information available on the proposed program of the Research Institute, indicates that it will consider development of scientific weapons in the rocket, atomic, bacteriological, chemical and electronic fields. Two appropriations of one million dollars each have been made for rocket production and the construction of an experimental atomic pile.

A recent report indicates that Norway has now formulated plans to conduct nuclear research, and a 14-man atomic commission, headed by Professor Svein Rosseland, has been appointed as coordinator. Oslo and Trondheim will each have a betatron, and professorships are to be established for Dr. Lise Meitner and Professor Eduardo Amaldi, both eminent nuclear physicists.

4. Military Policies and Capabilities.

Norway's military policy at present is characterized by indecision regarding the size and nature of the defense force best suited to future needs. The possible requirements which may be imposed by virtue of Norway's membership in the UN, economic limitations, lack of popular support for the defense program, and conflicts between the Defense Minister and the service chiefs, all are retarding establishment of definite policies.

The military policy being implemented by Norway now is essentially one of keeping currently informed on world military developments and of building within her financial and economic capabilities a defense force of sufficient strength to induce probable allies to come to her assistance in case of attack.

Norway's armed forces could offer only slight resistance to an attack by a major power.

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SECTION VSTRATEGIC CONSIDERATIONS AFFECTING US SECURITY

Norway's political influence, economic resources, and military strength are negligible from the point of view of United States security. Its strategic significance lies in its geographical location as a potential base for operations in the North Atlantic and northwestern Europe and for control of the entrance to the Baltic. Further strategic importance stems from Norway's possession of the Spitsbergen Archipelago and Jan Mayen, the former with potential bases closer to the major industrial centers of the United States than any now possessed by the USSR, and the latter a small arctic island which affords an excellent location for a radio communications or weather station.

Access to Norwegian terrain, in the event of a major conflict, would provide significant advantages such as airfield sites, fjords and harbors offering access and protection to large sea-going vessels, terrain features which, although offering obstacles to overland support, tend to canalize overland movements and thus afford definite advantages to the defender.

The economic resources of Norway would be of only minor advantage to an occupying power, because the country's industrial development has been very limited and because of continued dependence upon foreign sources for essential capital equipment and raw materials to facilitate industrial expansion.

The collaboration between Norway, Sweden and Denmark on matters of mutual concern does not include a mutual defensive alliance and there is little probability that such an alliance will be formed in the near future. Norway is, therefore, of minor importance in the international balance of power, but in the event of a major conflict significant advantages of location would accrue to a military power in occupation.

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SECTION VIFUTURE DEVELOPMENTS AFFECTING UNITED STATES SECURITY

There are no signs at present that Norway's present westward orientation will change.

Norway's armed forces are being improved and trained along British lines and, although it has no prospect of becoming a significant military power, the segment of world military might represented by Norwegian armed forces will probably become increasingly westward oriented.

Norway's continued economic stability is assured. Though its economy cannot contribute substantially to the recovery of other European nations, Norway, as a participant in the Marshall Plan, will not itself make any heavy demands for economic assistance.

The renewal of Soviet demands or implied continuing interest in bases on Spitzbergen is a probability, if only for the purpose of keeping the issue alive as a pressure point in Norway's resistance to Soviet attempts to extend the influence of the USSR in Scandinavia. Norway can be relied upon, however, to resist any Soviet westward expansion but will seek moral support for its actions in resisting Soviet demands.

Any threat to peace arising from Norway's actions, either unilateral or in concert with the other Scandinavian states, is extremely remote and can almost be dismissed.

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APPENDIX ATOPOGRAPHY AND CLIMATE

Norway is bounded on the north by the Barents Sea, on the east by Sweden, Finland and the USSR, on the south by the Skagerrak, and on the west by the Norwegian Sea. Norway proper has an area of 115,556 square miles. An additional 9,000 square miles of territory are distributed among 150,000 islands and skerries along the coast, while some 30,000 square miles are contained in the Spitsbergen, Bear Island, and Jan Mayen.

The Norwegian-Swedish frontier, established in 1751, is 1,025 miles long. From its southernmost point on the Skagerrak to latitude 60 degrees N. the boundary is entirely artificial; north of this point it runs approximately along the main watershed of the peninsula. The boundary with Finland starts at the junction of the boundaries of Norway, Sweden and Finland and follows the watershed to the Pasvik River. Along this river, with a few deviations, the border is contiguous to that of the USSR. This latter frontier was re-established in August 1946 by a Norwegian-USSR agreement which recognized that the USSR had acquired the 28-mile wide Finnish corridor to the Barents Sea as a result of the Soviet-Finnish War.

Most of Norway is mountainous and agriculturally unproductive. The mountains were formed by erosion of rolling plateaus, which are over 3,000 feet high. The valleys are deep and generally narrow. The terrain is highest in the southern third of the country, where a few peaks exceed 8,000 feet. Areas above 6,000 feet are usually covered by glaciers. The plateau is highest near the Atlantic coast and slopes rather gently toward the southeast, ending in rolling country around Oslo, adjoining Central Sweden. The eastern slope of the southern plateau is densely forested. The rest of the plateau surface and its western slope are generally bare of trees.

In the 400-mile strip of central Norway, between Trondheim and Narvik, the mountains form a coastal ridge behind which a series of valleys make a corridor parallel to the coast for four-fifths of the distance between the two cities. The interior plateau is low east of Trondheim and permits easy communication with Sweden. South of Narvik, Norway narrows considerably. Movement through this sector is very restricted as the deep, steep-sided valleys run at right angles to the coast. The area surrounding the Trondheim fjord is well forested, but the rest of the district is bare. In the northern part of the country, the high plateau follows the coast as far as the North Cape. The area east of the North Cape to the Finnish and Russian borders is an undulating plateau, less than 2,000 feet high.

Almost the entire coast is rocky. It is protected by a vast ridge called the skjergaard which has been broken through by the sea to form

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innumerable islands and outcroppings. Many of the fjords which cut into the tablelands, particularly Trondheim, Oslo and Sogne, are sufficiently wide and deep to shelter large, sea-going vessels. The only area suitable for major landing operations is a stretch 28 miles long south of Stavanger. Land invasions from the east could be accomplished most readily over the rolling terrain of the south, in the Oslo area where the road system is well developed; or, farther north, in the Trondheim and Narvik areas.

The unique feature of Norway's climate is the presence of the largest positive temperature anomaly on the surface of the globe which results in higher average temperatures within the Arctic Circle than in places farther east and south. This condition is a consequence of the warm water and air-drift across the Atlantic Ocean. Although Norway stretches from south to north through more than 30° of latitude, there are no great climatic differences between the northern and southern extremities. The west winds and Atlantic drift prevent freezing along the west coast all the way to the North Cape. These winds also increase the supply of moisture, thus causing Norway to have a moderate climate, particularly in winter.

As the fjords are not penetrated by cold water from the open ocean, they normally provide ice-free harbors the year around. Inland, in the mountains, lower temperatures prevail than along the coast; compared with other regions of similar latitude and elevation, however, even the inland areas have mild winters.

February is the coldest month, at which time southeast Norway has a mean temperature below freezing. Average summer temperatures range between 50°F. in the extreme north and 60.6° F. in Oslo.

Along the west coast, precipitation is very heavy and quite frequent. In general, the heaviest rains are in August and September; the lightest, in April and May. There is no dry season. In the highlands much of the precipitation is snow. Along the coast, as far south as the Lofotens, snow is possible any month. In the south, snow falls on the average of 30 to 40 days a year.

Prevailing winds are usually southwest, but in winter the high-pressure area over the land causes outflowing winds. The winter wind directions at the Skagerrak are northeast, along the west coast south and southeast, and along the north coast southwest.

Part, at least, of the sun's disc is above the horizon at the North Cape continuously from 12 May to 29 July. At Trondheim there is practically no night from 23 May to 20 July, while the long twilight gives the extreme south of Norway no real darkness from the end of April until the middle of August. In winter, the sun does not rise above the horizon at the North Cape for over two months, and at midday there is only twilight. In the extreme south, mid-winter nights are 17½ hours long.

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APPENDIX BSIGNIFICANT COMMUNICATIONS FACILITIES

Coastwise shipping is the principal form of communication and transport, but interior communications must be by other means because except for the waterways provided by the fjords, there are no significant navigable waterways in Norway.

The road net is not extensively developed because of the sparse population and the extreme difficulty of building roads. There are, however, hard surfaced roads (concrete, macadam, stone, etc.) connecting all the larger towns and cities. In the north, ferries rather than bridges are common. Norwegian roads are narrow (average 10-13 feet wide) and not able to carry heavy traffic for long periods. A further limitation on the road net's capacity is imposed by narrow bridges, many of which have a load capacity of ten tons or less.

The rail net has been restricted by the same obstacles as the highways and is most extensive in the southeastern part of Norway. A north-south rail line extends from Oslo to Mo, south of Narvik. Connections with the Swedish rail net are possible at four points: two from Oslo, one from Trondheim, and one from Narvik.

Norwegian civil airlines have been extensively developed since the war, and overseas routes are flown by the "Scandinavian Airlines System" of which Norway is a partner with Sweden and Denmark. Gardermoen, 35 miles north of Oslo, is the present terminal for overseas lines, and Sola, at Stavanger, is being developed because Gardermoen is mountainous and the weather there is frequently unfavorable.

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APPENDIX CPOPULATION STATISTICS AND CHARACTERISTICS

Norway, with its 3,123,000 inhabitants (according to official 1947 estimates), is the least densely populated of the European states. An extremely favorable factor in relation to Norway's population is its homogeneity. The common heritage of the Scandinavian peoples is an additional stabilizing factor influencing all of Scandinavia. About 20 different dialects are spoken in the various districts of Norway, but their variance is not significant, and isolation due to language barriers is nonexistent. The inhabitants of Finnmark (Lapps) are about 1% of the population and constitute Norway's only significant racial minority.

More than a century of freedom and peace (prior to 1940) has so tempered their Viking heritage that the Norwegians are now definitely not a war-like people. Norway has, however, produced for centuries a people of great physical hardiness and self-sufficient temperament. A tremendous interest in outdoor sports from a participating rather than a spectator standpoint further adds to their vigorous existence. The lack of interest in work which has been prevalent since liberation is an outgrowth of the deliberate slowdown and sabotage practiced during the German occupation as is the wave of thievery of youths brought up under Nazi domination. It will be some time before such effects of the occupation are eliminated.

The latest official figures available (1930) show a population distribution between rural and urban areas of 2,013,680 and 800,000, respectively. There has been a significant shift in population since 1930 toward the larger towns and cities, but the predominant rural aspect is not changed.

Educational standards are high, especially in the colleges and universities, and compulsory education has almost eliminated illiteracy. Since universities are subsidized by the State, poorer members of the community can acquire an education. Completion of a secondary education equivalent to a high school education in the US implies among other things the successful completion of seven years' study of some foreign language, among which English is a popular choice. In 1943 about 5,800 students were attending schools of higher learning.

The homogeneity of religious belief (98% of Norway's population is Lutheran) is noteworthy because there is no legal compulsion to belong to the established church except for the King who must absolutely be of the Lutheran faith. There is complete religious toleration, the comparatively few non-Lutherans being permitted to worship as they please.

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APPENDIX DSIGNIFICANT BIOGRAPHICAL DATA

King Haakon VII. Born 3 August 1872. Haakon VII, son of King Frederik VIII of Denmark, was educated in the naval tradition and served as a Danish naval officer. He was elected to the Norwegian throne by the Storting in 1905, upon the dissolution of the union of Sweden and Norway, but accepted only after choice was overwhelmingly confirmed by popular referendum. He has been democratic and has shown high regard for the limitations put on his office by the constitution. Always a popular king, he gained in esteem and stature during the occupation for his firm and unrelenting attitude toward the Germans. The elderly monarch is regarded as having a pleasing personality and a democratic, unassuming manner. He was widely acclaimed when he returned in June 1945 from his five-year exile in London. He has expressed strong satisfaction with the present Norwegian labor government and its philosophy and policies.

Haakon is friendly towards the US, and is pro-British. An attitude of reserve between the Norwegian and Swedish thrones has grown out of the recent war, similar to that displayed by the Norwegian people toward the Swedes.

Haakon may abdicate in favor of his son. He has expressed the view that he should relinquish the throne to the Crown Prince before the latter is too old.

Crown Prince Olav. Born 2 July 1903. Olav was born in England when his father was still a Danish prince. When Haakon was crowned King of Norway, the two-year-old son became Crown Prince Olav. He studied in public school in Norway, and attended the University of Oslo, the Norwegian War College and Oxford University. He has actively participated in the popular Norwegian sports--skiing and sailing--and prior to World War II was known principally as a sports-lover. In 1929 he married Princess Martha, a niece of King Gustav of Sweden. They have two daughters and a son, Prince Harald, who was born on 21 February 1937. The Crown Prince and Princess visited the United States in 1933 and again in 1939.

During the occupation of Norway the Crown Prince became his father's right-hand man. He actively participated in affairs of state while the government was in exile. In 1944 he was appointed Chief of the Defense Forces and served until the cabinet was re-formed after the liberation.

The Crown Prince is popular with the Norwegians and presumably would carry on in the democratic tradition of his father.

Einar Gerhardsen. Born 1897. Gerhardsen, as Prime Minister of Norway under the Labor Government, leads but does not dominate the Labor Party. He is

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a shy, unworldly man of 50, whose position is a result of long service in the party. He is credited with a great deal of political sagacity and practical ability. He espouses and endeavors to carry out the present party policy of moderate socialization; maintaining that the government has no mandate to nationalize completely and, furthermore, such policies should not be implemented until reconstruction is achieved.

At 21 Gerhardsen began his political career by joining the Social Democratic Youth Organization. A year later, in 1919, he became a member of the Central Committee of the Social Democratic Youth Organization, and from 1921 to '23 served as its chairman. From 1922-23 he was Secretary of the Norwegian Labor Party. In 1923 he created a new youth organization when the Communists took over the original one. In 1925 he was made Secretary of the Oslo Labor Party, and 1929-30 visited Germany and Austria to study labor movements. In 1932 he was a member of the Oslo City Council and in 1934 became Political Secretary for the Labor Party.

Gerhardsen was elected Mayor of Oslo in 1940, but the Germans would not allow him to serve, and in 1941 he was arrested for participating in the Resistance. From 1942 to '44 he was imprisoned in a concentration camp in Sachsenhausen, Germany, and from '44 to '45 in the Grini Camp in Norway. After the Liberation he became Mayor of Oslo and Acting-Chairman of the Labor Party. On 28 May was made Chairman of the Party. On 21 June 1945 he was appointed Prime Minister for the coalition cabinet and reappointed as Prime Minister for the Labor Government on 1 November.

Peder Furubotten, Secretary-General of the Norwegian Communist Party. Peder Furubotten is the moving spirit and principal power in the Norwegian Communist Party. Despite a reported decrease in popularity with the party leadership, he is the center of Norway's Communistic ardor and fervor, with a reputation for energy and action not equalled elsewhere in the Norwegian Party. He is elusive, difficult to meet, and rarely makes public appearances.

He was a cabinet maker and member of the cabinet makers' union in Bergen, where he was active in social democratic and trade union organizations in the early twenties. When the Communist Party was established in 1923, Furubotten was made leader of the Communist Youth Organization. Later in that year he became a secretary of the Communist Party and from 1925-30 was its manager and political leader. In 1930 he went to Moscow, and did not return until about 1937, after which he was chosen leader of the Communist Party in Bergen.

In 1940 he carried on clandestine activity after the official abolition of the parties and even when other leaders found it expedient to disappear. He refused to cooperate with the Resistance and disobeyed the orders of the Government-in-Exile concerning underground activities.

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It is generally believed that Furubotten had contact with Moscow through World War II, and if not receiving actual orders, at least had Soviet approval of his wartime activities. He maintained constant contact with the Soviet Embassy in Stockholm. When Furubotten was called into the office of Chief of the Norwegian Police during 1946, and questioned about his intelligence operations, he stated that he was conducting a secret intelligence organization but merely for his own use and not for use against the State.

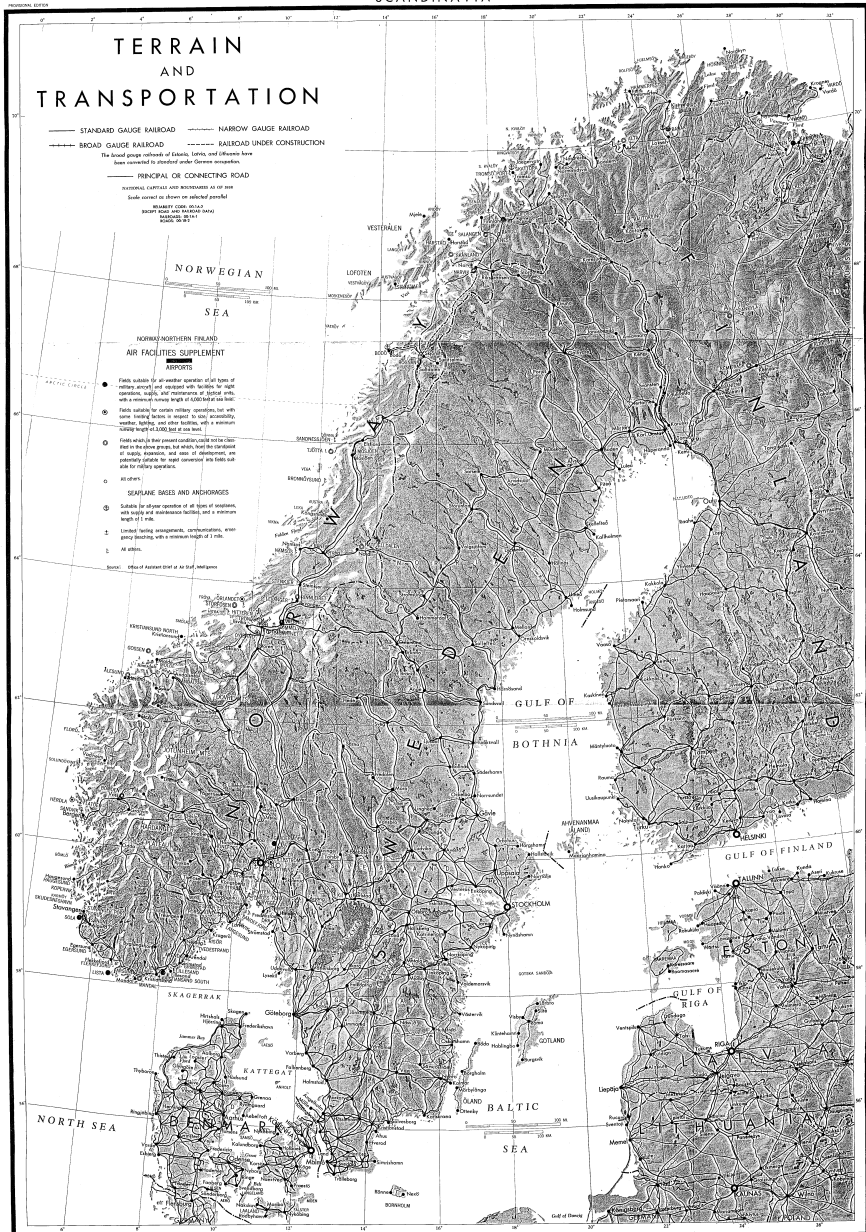
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APPENDIX ECHRONOLOGY OF SIGNIFICANT EVENTS

- 870 - First unification of the petty Kingdoms of Norway.
- 1000 - Introduction of Christianity into Norway.
- 1397 - Formation of the Union of Kalmar consisting of Norway, Denmark and Sweden under the Danish King.
- 1523 - Dissolution of the Union of Kalmar with Norway remaining under Danish sovereignty.
- 1814 - Norway ceded to Sweden by the King of Denmark according to the terms of the treaty of Kiel.
- 1814 - (17 May) Norway adopted its present constitution but remained in the Union with Sweden.
- 1884 - The beginning of organized political life in Norway.
- 1905 - Dissolution of the union with Sweden. Norway became an independent kingdom.
- 1914 - Declared neutrality in World War I.
- 1920 - Svalbard Treaty gave Norway sovereignty over the Spitsbergen Archipelago.
- 1924 - Soviet Union formally recognized Norwegian sovereignty over Svalbard.
- 1940 - (9 April) German troops occupied Norway.
- 1945 - (9 May) Liberation of Norway from German occupation. Return of King and Government-in-Exile.

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ERRATA

Holders of CIA report NORWAY (SR-5), dated 1 September 1947,
are requested to make the following corrections:

Page 1, line 20:

experience should read expedience

Page I-1, line 4:

soveignty should read sovereignty

Pages 1, I-1, I-7, VI-1:

Spitzbergen should read Spitzbergen

Page II-7, fourth line from bottom:

Place period after interest and capitalize there.

Should read:

....not a controlling interest. There are private....

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