**II. Analysis of the international business situation**

1. **Economic, political and legal analysis of the trading country**
	1. **Describe the trading country’s economic system, economic information important to your**

**proposed business/ product/ service, the level of foreign investment in that country**

The Norwegian economy is a  mixed economy, with a vast private sector, a great state sector. The Norwegian government controls key areas of economy, mainly the country’s petroleum, through extensive regulation and large-scale state-owned enterprises. The country has numerous natural resources such as petroleum, hydropower, fish, forests, and minerals. Norway is highly dependent on their petroleum in their economy. Their  petroleum accounts for the largest portion of export revenue and about 30% of  the government revenue. Norway is the world's third-largest natural gas exporter and seventh largest oil exporter. Norway found one of its largest offshore oil hotspots in 2011. Norway chose to stay out of the European Union (EU) during a referendum in November 1994, but as a member of the European Economic Area, it contributes sizably to the EU budget. Norway predicts that there will be declines in oil and gas production so they are saving the state revenue from the petroleum sector in the world's largest sovereign wealth fund. The fund is valued at over $870 billion in December 2014 and annually uses up to 4% of the fund, its projected long term return to help with finance public expenses. After a great GDP growth in 2004 to 2007, the economy slowed in 2008. Then Norway returned to a to positive growth in 2010-14. Nevertheless, the government budget remains in surplus. Lower oil prices in 2015 may cause the economy to contract as higher costs production costs in the North Sea alter investment. The Foreign Domestic Investment (FDI) of Norway is approximately 8,682 million U.S. dollars. Norway puts a lot of their expenses in foreign companies and businesses (CIA World Factbook).

* 1. **Describe the trading country’s governmental structure and stability, how the government**

**controls trade and private business**

Norway has a constitutional monarchy government which means that the monarch or leader of the country rules with their guidelines and restrictions already written in a constitution. The ability to make and pass legislation resides with an elected Parliament, not with the Monarch. King Harald V is the current monarch of Norway and he must go through the parliament to make important decisions involving the country. In order for a Constitutional Monarchy to maintain stability if has to have a strong parliament that represents the Norwegian population and have them make correct and beneficial decisions when regarding the country. The monarch of Norway gets passed down from generation to generation in a family line. Since Harald V is the current monarch, he is the 5th generation. Norway elects 169 new members of the parliament every 4 years and also holds the local elections 2 years after each parliament election. The local elections consists of the municipal elections and voting for politicians to represent the the different counties in Norway.

Norway is one of the least corrupt countries in the world, ranking 5th out of 178 countries in the world. Having a score of 8.6 out 10 means the closer to 10, the better the country is and less corrupt it is. From 1995 to 2015, the corruption score has maintained a score over 8 and is one of the best countries to start a new business in. According to the political risk score, which factors how corrupt or how bad the government is in the country, Norway has the best Political Risk Score than any other country in the region. Norway’s score is a 90 as of April 2015, and is number 1 out of 17 in the region that has been scored. Norway’s political stability is very good, not the best but good. Their score 1.33 is good, their country is very unlikely to be overthrown or a change in political structure. However, Globally Politically they are one of the top countries in the world with a score of 91.76, this shows how many countries we have agreements with and peace treaties.

Trade Freedom is 89.4 out of 100, meaning that there is little government intervention when it comes to international business and trade. Along with a 92.8 business freedom rating, letting a lot business to do whatever they want without government intervention as well. The trade balance in Norway is very close together. Norway exports more than they import, with their vast oil reserves which is one of the finest in the world. Balance in trade is pretty equal in the country between the billions in which they export and import it’s not a one sided affair.

Businesses are easy to establish and the costs are low in Norway which will be very beneficial to our company. There are Norwegian Registered Foreign Companies that includes a business from another country run by a headquarters in another country. This is the type of business we are represented as because Northern Outfitter’s headquarters is located in the United States but it supervises and will maintain the one located in Tromso, Norway. The startup is easy and becoming part of the Norwegian Registered Foreign Companies only costs 2,265 NOK (online) or 2,832 NOK (paper form) and maybe some other international or foreign costs. The Norwegian government looks very positively on international businesses; for it consists of a perfect economy and welcomes these businesses into the country.

* 1. **Describe laws and/or government agencies that affect your business / product / service:**

Norway is a very strict country when it comes to trading their very precious oil and natural gas to other countries. The country is a part of the EU (European Union) and the EFTA (European Free Trade Agreement) and NATO (North Atlantic Treaty Organization). The EU is a organization that represents 28 different countries inside the country of Europe. The Organization itself, wants to promote international trade within all of its countries, but it does regulate the trade within the countries. The other organization Norway belongs to is the European Free Trade, which consist of  [Iceland](http://www.iceland.is/), [Liechtenstein](http://www.liechtenstein.li/index.php?id=54&L=1), [Norway](http://www.norway.no/), [Switzerland](http://www.swissworld.org/en/).  The organization promotes free trade and economic integration within its four members. It main goal is to promote free trade within the four members and the European Economic Area Agreement (EEA). The EEA allows the four members to trade within the EU internally, meaning that all the members have the same rights and privileges that all the members of the EU have already. Inside the country, the employees have the right to join the unions. There are 4 main unions in the country that all the employees belong too. The 4 labor unions in Norway are; UNIO, Akademikerne, LO and the YS. The Unions protect the employees, the working conditions and the wages. More than 1.6 million of the employed are in labor unions, compared to the total number of employed which is 2.6 million. The largest labor union in Norway is the LO, the organization is consist of over 800,000 member,  but most of the members are lower level education compared to the many other members in other labor unions. Akademikerne and UNIO are the labor unions specifically for the more well educated workers, while, YS and LO are the more popular union to join for the under educated crowd in Norway. (Worker Participation EU) With labor unions impacting our business it will create better wages and working conditions for our company. They will make our company better and provide a better product for our consumer.

**B. Trade area and cultural analysis**

* + - 1. **Geographic and demographic information, important customs and traditions, other**

**pertinent cultural information, competitive advantages and disadvantages of the**

**proposed product and/or service.**

The climate in Norway is very mixed. It is temperate on the west coast, due to North Atlantic Current, and a cold interior in the central part of the country, In the summers the central part of the country is very wet and chilly, while the west coast of the country on the water is rainy year around. The terrain is very rugged and hilly, with some plateaus and valleys that very fertile. The coast is mainly fjords while the northern part of the country is very cold with an Arctic climate. Norway’s number one natural resource is their petroleum and natural gas. Norway has the highest price for gas at 9 dollars a gallon. Norway also specializes in their minerals and the metals inside the country. There are not many natural hazards that Norway has to worry about other than rockslides and avalanches, and its volcano named Beerenberg located on an island in Norwegian Sea. The number one way of transporting goods in Norway is mainly by marine merchant, ranking 19th in the world for transportation by water. Other forms of transportation including air in the middle of the pack each ranking in the world at 61st. Railways in Norway rank 39th in the world, which is good even with the recent decline in the transport by railways. The main transport we would use would be by water, having 585 ships to transport materials and having 974 ports across the globe with Norway’s name on the port. A major sea port is actually located in the city of Tromso itself, the port of Tromso. The port is located in the city and since our company will be in the city, this will reduce transportation cost. The population of Norway mainly consist of a younger age group with most of the population under 50 years of age. The largest branch in the pyramid is the age groups; 40-44 and 45-49 showing where most of the buyers will be targeted for our company's target market. The median age for men in Norway is 38 years old, while the median age for women is higher by a year at 39 years of age. Infant Mortality Rate is really low in Norway, ranking in the world at 220th, per every 1,000 live births only 2.48 of the infants die. The amount of babies born in Norway per 1,000 people is 12.14, ranking 163rd in the world, this shows how the use of birth controls, medical care and health care to control the population in Norway. Even with the birth rate being low, the population has changed 1.13%, noting that the amount of the people in the country has grown over the past year. Norway itself is mainly inhabited by Norwegians themselves, 94.4% of the population is of Norwegian descendent, 3.6% of the population is other European and the rest of the population is other. Education is key to a country and it’s overall development. The average time a child spends his life on education is 17 years, beginning in primary school all the way to college. The median income in Norway is $33, 492 but there is a gap between the richest 20% and the lowest 20% when it comes to income in the country, where the top 20% is making 4 times as much as the lower half. There is nobody in Norway who lives under the poverty line, according to World Fact Book. People in Norway rely on both on Nonverbal and Verbal communications, when it comes to meetings the Norway believe the deal should be equal and that gift giving is key.

 An essential part to Norway’s culture is to have fairness and equality in all business aspects, from the start of the meeting to the end of the meeting. People in Norway dress the same as people would in the Americas and wear brands people here would too. People value courtesy and being fairness, a key aspect is individualism according to the Geert’s model. The value on individualism is the highest having a rank of 69 out of 100, also having a 55 in the indulgence category. The ratings show that Norway is a Low Context country who believes in self-interest and getting the job done. Religion in Norway is very Christian at 82%, 3% being muslim and the other 15% is unaffiliated when it comes to religion. Key advantages Norway offers our company is the climate and the need for cold weather climate gear. The branding of American made material in other counties has a positive effect and drives the demand for the product high. Another advantage is having our main buyers at age of parenthood, not only would they be buying for themselves, but also for their children at the same time. Disadvantages our company has with Norway is the mode of transportations. The main mode of transport would be by plane overseas and once over by rail. Norway being ranked so low in both categories, it will impact our companies transport cost and make less money. Having to you use sea transport as our main transport.

While, airports and rail will have little impact when moving our product to Tromso. Also if the weather gets bad in the winter, then the way we transport will be difficult because the weather will shut down routes of transport and cause delays on our shipping and make our buyers really unhappy.

* + - 1. **Market segment analysis target market (age, income level, population estimate, other**

**specific demographic and economic information) customer buying behavior related to the**

**proposed product and or service.**

Our company Northern Outfitters is targeting mainly adults from the ages 40 through 49 because the majority of our population is within these ages.

These adults within the ages 40-49 most likely have families so if we target these adults then they will also buy products from our company for the rest of their family. Due to the cold weather climate, these families will need durable winter jackets to keep them warm. They will demand for an effective winter jacket and we will supply them with one. The families in Norway are mainly all equal for in the Lorenz Curve, the Norway line is close to the equality line. All of the families will therefore, be able to afford and will spend money on buying effective winter jackets. This will help us maximize our sales and achieve our profits highest potential. Approximately 14.21 percent of our population is within the ages 40 through 49. This is a very high portion of our population and is most likely the best age group to target. Additionally, the target market is more for adults with families. Maybe married but definitely with children because these parents will buy Northern Outfitters jackets and other apparel for their children. Whenever it is cold outside, these families will wear their jackets to keep them warm and after they grow out of their jackets or need a new one for some other reason they will come back to Northern Outfitters and get a new one. Our product has fantastic quality and is very reliable which will create a strong brand loyalty for our customers. Our customers will tell others about the our great product and get others to get their Northern Outfitters jacket too.

* + - 1. **Analysis of the potential location- importance and requirements of each trade documents**

**required by the U.S.A. and/or Canada and the country of choice.**

Norway is the best place for Northern Outfitters to move to. Norway has a cold climate and has a natural demand for winter weather products. Winter temperatures in Norway can go into the low-teens and consist of some snowy environments. Also, Europeans admire products that are made in the USA because they are thought to have greater quality than those from other countries. Norway and the United States are very good trading partners. Norway ranks 9th in the world for doing business in. Bringing in materials to Norway is easy with their many papers and allowing imports from the US and other countries willing to trade with them. One main document that has to be presented in Norway is the CMR Waybill, the bill is a piece of paper that shows what is being sent out of the country and what being brought in. The commercial invoice is a document used by every country that shows what is being sold to the customer and the amount due to the supplier. A key document that is created by the country that is receiving the import is a form called an import declaration. This document is created by an agent, broker or the importer. The document shows the that the country received the shipment. In order for the shipment to be sent, the country of origin has to send a document called the certificate of origin. The document has to be sent to show that it is from there, in the US they send the document to show that it come from there. The last document that is used is the packing list, the list has all the items and the quantities of each item. This proves that item the company or customer is receiving is on the ship, plane or truck and is heading to its destination.