LUISS

Research Center
Strategic Change
“Franco Fontana”

GEOPOLITICAL RISK OBSERVATORY

Norway

An overview

Luiss Guido Carli University

Last update: July 2026

Luiss
Libera Università Internazionale
degli Studi Sociali Guido Carli
Viale Romania 32, 00197 Roma
T +39 06 85222350
www.luiss.it

GRO Country Profile: Norway

GRO Country Profiles are neither extensive analyses nor news updates. Rather, they provide a general perspective on selected areas and issues, identifying a set of factors and variables that organizations should monitor in order to anticipate risks.

For in-depth analysis or day-to-day updates, please contact the Observatory at strategicchange@luiss.it.

Summary

- Norway is a stable constitutional monarchy and parliamentary democracy characterized by a strong rule of law and minimal corruption. Its mixed economy features significant, transparent state participation, particularly in the strategic hydrocarbon sector, whose revenues are effectively managed through a massive sovereign wealth fund to ensure long-term economic resilience.
- A founding NATO member, Norway is critical to Western defense in the Arctic. While outside the EU, it is deeply integrated into the single market through the EEA agreement. This forces Norway to passively adopt EU regulations without voting rights, though it retains sovereignty over fisheries, agriculture, and customs.
- Norway offers a highly secure business environment with negligible violent crime, though cyber and hybrid threats to offshore energy infrastructure are rising. Main operational challenges stem from extremely high labor costs, an elevated VAT (25%), stringent environmental and labor regulations, and the economy's exposure to global energy price volatility.

Basic Parameters

Indicator	2020	Latest value
GDP (PPP, USD bn)	361.0	568.6 (2024)

Population (mn)	5.37	5.66 (2026 proj.)
Population under 25 (%)	29.5	27.9 (2026)
Population over 65 (%)	17.7	19.0 (2025)
Urban population (%)	82.7	83.6 (2025)
Unemployment rate (%)	4.6	4.2 (2026 proj.)
Youth unemployment 15-24 (%)	11.5	14.0 (2025)
CPI inflation, (annual average %)	1.3	3.3 (2026 proj.)
General government debt (% of GDP)	44.3	42.9 (2026 proj.)
FDI inflows (USD mn)	-5,620	-3,031 (2025)

Sources: World Bank WDI, World Bank, Poverty and Inequality Platform, OECD Wealth Distribution Database, International Monetary Fund, Statistics Norway, ILOSTAT (national estimate), UNCTAD, World Investment Report 2026.

Historical context

Norway emerged from German occupation in May 1945 with a strong cross-party commitment to democratic reconstruction, social solidarity and Western security cooperation. Although neutrality had shaped pre-war policy, the experience of occupation and the early Cold War led Norway to join NATO as a founding member in April 1949. Post-war governments built a social-democratic welfare state, with the Labour Party dominant for much of the early post-war period and consensus politics supporting high taxation, collective bargaining and public-service expansion.

The discovery of the Ekofisk field in 1969 transformed Norway's economic trajectory as the state created Statoil in 1972 and developed a petroleum governance model combining private operators, state ownership, heavy taxation and parliamentary oversight. The Government Petroleum Fund, now the Government Pension Fund Global, was established by law in 1990. The first capital transfer was made in 1996, while the fiscal rule governing the use of petroleum revenues was introduced in 2001.

Norway twice rejected EU membership by referendum, in 1972 and 1994, but chose deep economic integration through the European Economic Area Agreement, in force since 1994. The country later joined the Schengen area, further embedding it in European regulatory and mobility frameworks without formal EU membership. Although outside the EU, Norway is one of EFTA's seven founding members. Through the EEA Agreement, Norway participates in the EU internal market while remaining outside the EU customs union and common agricultural, fisheries and trade policies while leaving Norway outside EU decision-making institutions.

Since 2011, domestic security policy has been shaped by the terrorist attacks of 22 July and by subsequent reforms to emergency preparedness and police coordination. Russia's full-scale invasion of Ukraine in 2022 created a new strategic environment as Norway became more important for European gas security, while the High North and the Barents region regained military salience. Finland's and Sweden's accession to NATO strengthened Nordic defence integration, but also increased the strategic value of Norwegian ports, energy infrastructure, subsea assets and surveillance capabilities.

Institutional Set-Up and Structural Challenges

Norway is a unitary constitutional monarchy with a parliamentary system of government. The Storting is the central legislative institution which adopts laws, authorizes public spending, imposes taxes and controls the Government. Parliamentary elections are held every four years under proportional representation in 19 multi-member constituencies, with 169 members elected to the Storting. Executive authority is exercised by the Government, as of July 2026 led by Prime Minister Jonas Gahr Støre of the Labour Party.

Government stability is high by comparative standards, but coalition and minority bargaining are normal features of Norwegian politics. The September 2025 parliamentary election returned Labour to government, while the Progress Party became a stronger opposition force and the party system remained fragmented. This does not create regime instability, but it increases policy bargaining around taxation, energy transition, petroleum activity, welfare spending and the cost of living. The probability of a major domestic political shock is low.

Governance quality is one of Norway's core structural strengths, the rule of law, judicial independence, administrative impartiality and public-sector integrity are strong, and the World Bank's Worldwide Governance Indicators consistently place Norway amongst the best-performing states on rule of law and control of corruption. The business environment benefits from transparent public administration, reliable contract enforcement and low risks of arbitrary state action or oligarchic capture.

Norway's political economy remains strongly shaped by petroleum wealth and state ownership as oil and gas remain the country's largest industry in terms of export value, government revenues, investment and value added. In 2025, the export value of crude oil, natural gas, NGL and condensate was about NOK 1,000 billion (approx. 85,5 billion EUR), equal to 57% of goods exports. The state also owns 67% of Equinor, Norway's largest energy company and a major operator in offshore oil, gas and renewable energy, while petroleum revenues flow into the Government Pension Fund Global, whose value exceeded NOK 21,000 billion (approx. 1,795 billion EUR) at the end of 2025.

Social fragmentation is limited compared with most European economies, but structural pressures are increasing. Norway combines low income inequality with a concentrated wealth distribution, an ageing population and persistent labour-market bottlenecks. OECD analysis points to rising public spending, heavy reliance on oil-fund withdrawals to finance non-oil deficits, and the need to preserve productivity and labour supply. Indigenous Sami rights and local opposition to wind, grid and mining projects can create project-specific delays, but they do not amount to systemic internal fragility. Forward-looking shocks are most likely to arise from Russia-related hybrid activity, cyber threats to critical infrastructure, energy-transition disputes and long-term fiscal pressure from ageing and lower petroleum revenues.

Business implications

Opportunities

Norway offers foreign investors a highly predictable legal environment, strong infrastructure, transparent public administration and access to the European internal market through the EEA. Its official investment-promotion agency, Invest in Norway, identifies opportunities across aquaculture, batteries, carbon capture, utilisation and storage (CCUS), data centres, health and life sciences, hydrogen, green maritime technologies, offshore wind and space. These sectors benefit from strong public institutions, high purchasing power and advanced industrial capabilities.
Energy remains the main entry point for large-scale investors as Norway being the top supplier of gas to the EU, and official Norwegian petroleum data show that production is expected to remain high toward the end of the 2020s. This supports opportunities in offshore services, subsea engineering, maintenance, drilling technology, electrification and emissions-reduction solutions. At the same time, the Longship/Northern Lights Carbon Capture and Storage (CCS) value chain creates opportunities for industrial decarbonisation and cross-border CO2 transport and storage services.
Additional opportunities exist in sectors relatively insulated from geopolitical shocks, including digital public services, health technology, maritime services, seafood, renewable-energy supply chains and high-end industrial production powered by low-emission electricity. The large sovereign wealth fund and rules-based fiscal framework also support macroeconomic stability, making Norway attractive for long-term projects requiring institutional predictability rather than low-cost labour.

Challenges

- *Security challenges:* Norway faces low levels of physical violence affecting businesses. There is no internal armed conflict, terrorism is not a routine constraint on commercial activity, and organized crime does not generally disrupt legal economic sectors. The main security exposure is geopolitical and infrastructure-related. PST, the Norwegian Intelligence Service and the National Security Authority identify foreign-state intelligence, cyber operations, influence activity, sabotage risk and sanctions-evasion activity as central concerns. The petroleum regulator also warns that Norwegian petroleum activities face a challenging threat picture marked by geopolitical tension, growing cyber threats and sustained interest in energy infrastructure. These risks are most relevant for energy, maritime, ports, telecommunications, and subsea infrastructure. Furthermore, the regional deterrence posture has been significantly altered by the recent Supplementary Defense Cooperation Agreement (SDCA) with the United States, which grants U.S. forces unhindered access to specific Norwegian military bases. Moreover, Norwegian authorities describe the current national-security environment as the most serious since the Second World War, particularly because of persistent Russian intelligence activity and growing cyber and sabotage risks. For most businesses, however, this exposure remains concentrated in critical infrastructure and strategic sectors rather than manifesting itself as routine physical violence or broad commercial disruption.

Norway's security risk is assessed as Band 2 (low challenges).

- *Regulatory challenges:* Norway's regulatory environment is predictable, transparent and compatible with advanced-economy standards, but it is not light. Businesses face high labour costs, an elevated standard VAT rate of 25%, strong worker protections, extensive health, safety and environmental requirements, and complex permitting in energy, infrastructure and land-use projects. EEA membership gives firms access to the EU internal market, but it also requires continuous alignment with large parts of EU regulation while Norway remains outside formal EU law-making. OECD analysis also highlights the need for tax reform to reduce burdens on capital and labour, while maintaining fiscal discipline as public spending and non-oil deficits rise. Petroleum, offshore wind, mining, data centres and grid-intensive industries face particularly detailed licensing, environmental and local-consultation requirements.

  Norway's regulatory risk is assessed as Band 3 (medium challenges).

- *Governance challenges:* As previously stated, Norway's governance environment presents very low business risk. Courts are independent, corruption levels are low, public procurement is comparatively transparent, and regulators generally treat firms impartially. Contract enforcement, property-rights protection and administrative transparency are reliable, supporting compliance with international legal and ethical standards. Governance-related frictions are mostly procedural rather than corruptive: public consultation, municipal planning, environmental reviews and indigenous-rights considerations can slow energy, transport, mining and infrastructure projects. For investors, the main challenge is navigating high-standard compliance expectations rather than managing bribery, cronyism, or arbitrary enforcement.

Norway's governance risk is assessed as Band 1 (minimal challenges).

Luiss
Research Center
Strategic Change
“Franco Fontana”

Viale Romania 32, 00197 Roma
T +39 06 85222350
www.luiss.it