The impact from the Russian import-ban (2014-) on the Norwegian seafood industry:

When an export-dependent industry face spill-over effects from geopolitical conflicts

Kjetil J. Bjørkmann

Master Thesis in Political Science

UNIVERSITY OF OSLO

Spring 2016
The impact from the Russian import-ban (2014-) on the Norwegian seafood industry:

When an export-dependent industry face spill-over effects from geopolitical conflicts

Kjetil J. Bjørkmann

http://www.duo.uio.no/

Print: Reprosentralen, Universitetet i Oslo
ABSTRACT

On August 07, 2016, the Russian federation imposed an import ban on Norway and several other countries that supported and joined the comprehensive EU-initiated sanctions against Russia, in the aftermath of the Russian annexation of Crimea in March 2014. The Norwegian exporters of herring, trout and salmon had the greatest reason to fear the consequences from the import ban. Russia imported significant volumes of such products before the import ban was imposed. The Norwegian seafood industry is an offensive and export-dependent industry that does not receive any governmental subsidies and is also regarded as rather independent and highly profitable. It is often stated that the industry enhance a comparative advantage considering fish farming and fisheries, while a competitive advantage in terms of access to international markets is absent. This thesis sets out to investigate the impacts from the import ban on the export-oriented part of the Norwegian seafood industry and which resources the Norwegian authorities, and the industry have mobilized to adapt to the changes in the environment that the import ban has represented. By applying several contributions from sanctions-theory and also analytic tools from organizational theory, the thesis shed light on certain factors that explains why the industry has fared rather well, despite of the import ban.
ACKNOWLEDGEMENTS

This thesis is my final hand-in as a student at the University of Oslo. These two years at the master`s program have been characterized by versatile study options, a high professional level, and new friendships. Writing a master-thesis is a demanding process that requires a high degree of autonomy. In the initial phase of the process – while designing the assignment`s draft, I doubted whether my planned study was possible to conduct, or not. I wish to thank my supervisor Professor Arild Underdal, who expressed faith in the idea, and for good conversations and feedback along the way. I would also like to thank all the interviewees who participated in this study. My interest in the seafood industry and Norwegian-Russian relations has been motivated over previous studies at the College of Fisheries in Tromsø, and while living abroad in Moscow. I would therefore also like to thank the College of Fisheries, where I have experienced an including and inspiring environment, which has provided me knowledge in an industry that is highly relevant in Norway. Finally, I am grateful for my girlfriend, family and fellow classmates, who have supported me throughout the process of writing the thesis. Any errors are needless to say, my own responsibility.
# TABLE OF CONTENT

1 Introduction .......................................................................................................................... 2
1.1 Topic and research question ............................................................................................. 3
1.2 Definition & Literature Review ......................................................................................... 4

2 Theory .................................................................................................................................. 8

3 Hypothesis ............................................................................................................................... 12

4 Methodology .......................................................................................................................... 14
4.1 Research Design ................................................................................................................ 14
4.2 Methodological challenges ............................................................................................... 17
    4.2.1 Validity and reliability ............................................................................................. 17

5 Background – Why have the sanctions occurred? ................................................................. 19
5.1 The Maidan Revolution ..................................................................................................... 19
5.2 The conflict in Ukraine and Crimea .................................................................................. 20
5.3 Russia and the Western world .......................................................................................... 21
5.4 The Sanctions between Russia and the West ................................................................. 25
5.5 Russia and the EU ............................................................................................................ 27
5.6 Russia and Norway .......................................................................................................... 28

6 How to define the Norwegian seafood industry? ................................................................. 31
6.1 Processing of fish ............................................................................................................. 31
6.2 Fisheries and captures ...................................................................................................... 33
6.3 Aquaculture ...................................................................................................................... 34
6.4 Political framework for the seafood industry .................................................................. 35
    6.4.1 Terms for the fishing industry ................................................................................... 35
    6.4.2 Terms for the Aquaculture industry ......................................................................... 38
6.5 Offensive and defensive industries .................................................................................. 39
6.6 Exports and market access .............................................................................................. 41
6.7 The Norwegian Seafood Council ................................................................................... 41
6.8 Market access ................................................................................................................. 42
6.9 Value and export of Norwegian seafood before August 07, 2014 .................................... 44

7 Analysis ................................................................................................................................. 46
7.1 The Russian market ......................................................................................................... 46
7.2 A circumvention of the import ban .................................................................................. 51
7.3 The impacts from the import ban on Norwegian seafood exporters .......... 52
7.4 David Baldwin’s five components to analyze the successfultness of sanctions .... 59
7.5 Analysis - Reactions on the import ban within the Norwegian seafood industry .... 61
7.6 A more united industry .............................................................................. 64
7.7 Interactions between the government and the industry in the wake of the import ban 67
7.8 The Norwegian authorities` measures abroad after the Import Ban ............ 72
7.9 The Norwegian government’s effort to provide improved access to the EU-market 74
7.10 From “Blue cowboys” to transnational enterprises ...................................... 76
7.11 SWOT-Analysis ......................................................................................... 77
7.12 The Pelagic Sector ...................................................................................... 77
7.13 The Redfish sector ...................................................................................... 79
7.14 Summary SWOT – Analysis ....................................................................... 80
8 Conclusion ...................................................................................................... 82
9 References ..................................................................................................... 89

Figure 1: The Aquaculture and fisheries based value chain (Bjørkmann 2016) .......... 31
Figure 2: Terms for the fishing industry (Finstad 2014) ........................................ 35
Figure 3: Export of Norwegian seafood to Russia, 1994-2014 (The Norwegian Seafood Council, 2014). ................................................................. 48
Figure 4: Price developments on Russian foodstuffs 2015 vs 2014 (Mordal Consulting). .... 49
Figure 5: Export of Norwegian salmon 2012-2015 (Bjørkmann, 2016) ..................... 54
Figure 6: Important single-markets for Norwegian herring 2008-2015, measured in value (Bjørkmann, 2016) ................................................................. 55
1 Introduction

The seafood industry has traditionally been, and still is, one of Norway’s most important industries. This industry is heavily dependent on export, as only 5% of the seafood that is produced, ends up at the Norwegian home-market (St.meld.nr. 10 (2015-2016), p. 89). Norway exported seafood for 74.5 billion Norwegian kroners in 2015, which is a record for the industry, according to the Norwegian Seafood Council (2016a). Norway controls large marine and coastal areas with mainly well managed stocks of fish and shellfish. These coastal areas with enormous resources of fish stocks, beneficial for the sea- and coastal fleet, also have fjords that are shielded from the rough conditions that open sea often brings with it. These fjords have a high potential for fish farming, also known as aquaculture. Benefiting from the natural conditions, relatively successful management and a rapid development regarding technological development and innovation - the seafood industry has turned into a highly profitable export oriented industry that does not need any protection in the Norwegian home-market (Melchior and Sverdrup 2015:106). The subsidies to the Norwegian seafood industry ceased in the middle of the 1990s. Norway has over the years gained a strong position in all major industry sectors in the ocean, such as seafood, marine shipping and oil / gas. This gives Norway a rather unique position to become a world leader in technology expertise and value creation from the sea (Winther, Olafsen et al. 2014:4). In the document “St.meld.nr.22” (2012-2013), the Norwegian government put forward an ambition of becoming the world’s leading seafood nation within year 2050, something that involves a rapid growth of today’s production. The Norwegian seafood industry is heavily export-oriented, and an essential premise to achieve the government’s ambitious goal is access to global markets. Norway is geographically located close to large and well-paying markets in the EU and Russia. Norway has a 196 km long border to Russia in the northeastern part of the country, and shares a large boarder at sea with the Russians. This neighborliness has made it natural and profitable to establish several bilateral relationships for both parts, but also brings with it certain challenges.

Political and economically instability in central markets makes the Norwegian seafood industry vulnerable. The Russian annexation of Crimea and the conflict in Ukraine resulted in a tense relationship with reciprocal sanctions between Russia and the Western world. Norway, being an ally of the EU, supported the restrictive measures that the EU implemented towards Russia July 31 and September 12 in 2014. These restrictive measures affected the
Russian financial sector, and also involved a prohibition of trade with Crimea and Sevastopol, a weapon embargo, and a prohibition of export to the Russian military- and oil industry. In addition, certain single persons or judicial objects (2014)\(^1\) became targets to restrictive measures such as travel bans and freezing of financial assets. Russia answered to these measures by introducing an import ban on selected food commodities from Australia, Canada, USA, EU and Norway from the August 7, 2014 (Kreml 2014). Russia was together with France, the most important single-market for Norwegian seafood, and the industry now had to adjust itself to new circumstances.

1.1 Topic and research question

In Norway, it was the seafood industry that was most concerned about the impacts from the Russian import-ban. Was it an industry that does not receive any subsidies from the state, that should bear the brunt for Norway’s foreign politics?

This thesis is about:

*The impact from the Russian import-ban (2014- ) on the Norwegian seafood industry; how has it influenced the industry, and in what sense have the industry – and the Norwegian government, mobilized resources and faced the challenges from the import-ban?*

This topic is current and is also of strong interest important because of the seafood industry’s position in Norway today, and in the future. In todays globalized world, it is interesting to see how economic sanctions really affect trade between the different actors and sectors involved (Golliard 2013). The Russian annexation of Crimea and the situation in Ukraine with the consecutive sanctions and the Russian import-ban, illustrate that the seafood industry is among those industries that are in danger of experiencing “spill-over” effects from political conflicts towards the market (St.meld.nr.10 (2015-2016), p. 90). It is meaningful to map and explain the consequences of the import ban for an industry that needs to be flexible and react quickly to changes in the market-accessibility, due to the industry’s export-dependency. By investigating the impacts on the seafood industry and how the Norwegian government -

\(^1\) Norwegian law text considering the ongoing sanctioning regime against Russia: [LOV-2001-04-27-14](https://lovdata.no/dokument/lov/2001-04-27-14)

“Regulations on restrictive measures related to actions that undermine or threaten Ukraine’s territorial integrity, sovereignty and independence”
together with the industry have responded to the challenges the import-ban represented, the thesis will focus on the export-oriented part of the industry, because this is where the short-term impacts should be most visible. Due to the fact that the incident happened quite recently, there have been no comprehensive academic publications researching exactly this matter.

1.2 Definition & Literature Review

A sanction can be regarded as a positive or negative reaction in respond to one actors perception of another actors` certain behavior. A positive sanction is a form of reward in International Politics, but a sanction is most often regarded as a way of responding negative to a sort of behavior from an actor, which is perceived as unwanted. The purpose of negative economic sanctions is to inflict some kind of pain on the target country, on its ruling regime, which then alters its policies in order to comply with the sender’s demands and thereby avoid further sanctions damage (Kaempfer and Lowenberg 2007:869).

A significant deal of attention has been paid regarding trade-barriers and whether other types of sanctions work or not.

“The basic paradox at the heart of the sanctions debate is that policymakers continue to use sanctions with increasing frequency, while scholars continue to deny the utility of such tools of foreign policy” (Baldwin 1999:80).

International economic sanctions are frequently used instruments among states or other international actors such as non-governmental organizations, for projecting power or influencing another government’s behavior as a peaceful alternative to avoid military conflict. The broad term economic sanctions are punitive measures that include trade sanctions, i.e., restrictions on imports from or exports to the target country, and investment sanctions, which include restrictions on capital flows to the target (Kaempfer and Lowenberg 2007:869). Economic sanctions do also enhance “smart sanctions”. These are sanctions designed to raise the target regime’s costs of noncompliance while avoiding the general suffering that are associated with comprehensive sanctions. Imposing travel bans on a targeted state’s ruling-elite or freezing of their offshore assets are different types of smart sanctions (Drezner 2003:4).
To introduce a sanction, it is necessary with both a sender of the sanctions, and a target that receives the sanctions. Robert Pape defines economic sanctions as measures that “seek to lower the aggregate economic welfare of a target state by reducing international trade in order to coerce the target government, this to change its political behavior” (Pape 1997:93-94). An economic sanction may also be considered as a strategy to exercise economic pressure. Because trade sanctions are the most common form of economic statecraft, the terms economic sanctions and trade sanctions, are often used interchangeably. Moreover, trade sanctions can be further divided into two categories. The first one is export-oriented, and the second one is import-oriented. The first one prohibits export to a certain market, while the second one bans import from the target state (Kirshner 1997). An import-ban means that one country denies importing goods or services from a single or several other countries. A sender may use import embargoes to decrease the demand for specific products from the target state. The motivation for such an act, is often to decrease the target’s foreign exchange earnings, and an import embargo, can also have the purpose to provoke damage to a specific sector of the target state.

There have been several studies, both qualitative and quantitative, assessing the impact of sanctions. The academic debate about economic sanctions has been oriented towards how effective economic sanctions are, and under what conditions they are working. Even though research within economic sanctions issues, often conclude that sanctions rarely turn out successfully, politicians still use sanctions as a frequently used tool in International politics.

In the article “When do (imposed) sanctions work?” (Hovi, Huseby et al. 2005) sanctions are defined as successful if- and to the extent that they extract political concession from the target country. They also emphasize that a sanction may be successful, by making noncompliance impossible. Hovi et al, begin by outlining those sanctions that, to the extent that they work at all, tend to work primarily at the threat stage, but also recognize that sanctions may work after being imposed. Moreover, the main mission of the article is to identify under what conditions imposed sanctions are likely to work. By using game-theory, the authors conclude that wherever a threat of sanctions fails, it is reason to expect that either; (1) the sanctions will not be imposed because the target considers the threat to impose them as empty, or (2) the sender will impose the sanctions, but the target is not likely to yield – because it does not perceive the threat as sufficiently potent, or as noncontingent. From this argumentation, it is assessed that the target can assess the credibility and potency of the threat with precision. As long as
the target enhances complete knowledge, it is not likely that imposed sanctions will work. However, if the target underestimates the impact of the sanctions, miscalculates the sender’s determination to impose them, or erroneously believes that sanctions are noncontingent, imposed sanctions are likely to succeed.

In January 2016, a report on the effects of the Russian import-ban from August 2015, on the Icelandic economy, which was ordered by the Icelandic government, was published. The case of Iceland is comparable to Norway, as both countries are two small Western states with export-dependent seafood industries. One of the main findings from the report was that:

“Small open economies are more affected by international trade sanctions than are larger and more diversified economies. Also, smaller regional communities with less diversified employment opportunities suffer the greatest”(Reykjavik Economics 2016:53)

The Russian import-ban from 2014 was not the first time the Norwegian seafood industry had faced trade barriers abroad. In 2006, the Russian veterinary service claimed that the quality of Norwegian trout and salmon was not satisfying regarding safety-levels. Sanitary and phytosanitary (SPS) measures in general, are used to ensure that food products in one country (whether domestically produced or imported) are safe for the health of humans, as well as that animal and plant health is not endangered. This incident was later case for the study Restricting imports to the Russian food market: simply an act of protectionism? (Elvestad and Nilssen 2010). This article is also part of Elveland’s Ph. D thesis, where she investigated states possibilities to influence market access, by focusing on problem-solving, securitization and improvement of market access at a bilateral and a regional level.

Elena Besedina & Tom Coupe (2015) researched the application of SPS measures by the Russian federation, using the impact of the Russian import ban on Ukrainian Confectionary Producers from 2014 as case study. Their results support their hypothesize of that, along with pure health safety motives, SPS measures can also be disguised as means to exercise political and economic pressure between trading partners. Technical barriers to trade (TBTs) and SPS measures impose compliance costs on exporters. TBTs are seldom motivated by consumer health concerns, represented by stringent domestic regulations; instead they can be explained by traditional interest-group determinants of protection (Kono 2006). Elvestad & Nilssen’s findings from 2010 regarding Russia’s SPS-measures, supports Kono’s statement. Moreover,
Russia is not the only market where the Norwegian seafood industry has faced obstacles in market access.

After the Chinese dissident Liu Xiabo was awarded with the Nobel Peace Prize in 2010, Norwegian salmon exporters faced obstacles in the Chinese market. The award angered the Chinese government, especially because the Nobel Peace Prize committee includes five members who were appointed by the Norwegian parliament (Chen and Garcia 2015). The Chinese were also provoked, due to the fact that the leader of the committee was a former Norwegian prime minister. Chen & Garcia`s article China`s Salmon Sanctions (2015) investigates the implications of the sanctions by studying different stakeholders` marketing responses to new border measures, the distortion of China`s salmon market and reduced consumer welfare, and the effectiveness of the sanctions.

Bjørnar Sverdrup-Thygeson (2015) has also researched the impacts of Liu Xiabo`s award of the Nobel Peace Prize in the article The Flexible Cost of Insulting China: Trade politics and the “Dalai Lama effect”. This study concludes that the trade relations between Norway and China continued relatively undisturbed for the majority of the trading partners, even under less supportive political conditions.

There have not been any academic publications, studying the Russian import ban on the Norwegian seafood industry from August 2014 yet. The motivation for this thesis is to contribute to the literature concerning cases where smaller export-dependent, democratic states are facing trade barriers as a consequence of geopolitics.
2 Theory

To understand the impact of the Russian import ban and how it affects the Norwegian seafood industry, we have to enhance an understanding of why the import ban has been imposed. It is therefore essential to identify the geopolitical situation through Russian interests. The import ban is retaliation as a result of extensive Western sanctions against Russia, which Norway has supported. It is also reasonable to include theories related to both Russia and Norway’s positions as senders and targets of sanctions, and how the industries that are affected, may deal with the challenges that the sanctions brings with.

Geopolitics may be defined as way of observing the “big picture” of international politics, and offers a way of relating local and regional dynamics to the global system as a whole (Tuathail, Dalby et al. 1998). As the composed name indicates, geopolitics may be regarded as a mix between geography and politics. Theories of classical geopolitics are often connected with realpolitik and international anarchy, where the focus is pointed towards state security and state-expansion. The end of The Cold War resulted in a resolution of the bipolar power structure, which have dominated international politics since the end of The Second World War. The bipolar security concept during this period was based on a simple model where two superpowers, each representing an alternative policy, ideological and socioeconomic system, faced each other. The one superpower or “block” was the Soviet Union backed by the Warsaw-pact\(^2\), and the other was USA with its allies in the NATO-Alliance. A new geopolitical order was introduced after the end of the Cold War– a new agenda dominated by geo-economic questions. A geo-economic approach can be looked upon as a continuation of the logic of geopolitics. Moreover, this approach applies to the era of globalization based from a worldview where the globalization of economic activity and global flows of trade, investment and commodities, are re-making states’ sovereignty and the geographical structure of the planet (Tuathail, Dalby et al. 1998). The transition from a geopolitical approach to a geo-economic-, must be regarded in the context of the end of the Cold War, and the emergence of the unipolar power structure dominated by the Western world. The Western community refers to the area that spreads from North America in the west, to the eastern external borders of the EU, in addition to New Zealand and Australia (Huntington 1996:46-47).

\(^2\) The Warsaw-pact was a security treaty among the Communist states the USSR, Poland, East Germany, Czechoslovakia, Hungary, Romania, Bulgaria and Albania. The pact was signed in Warsaw 1955, with the purpose to ensure close integration of military, economic and cultural policy between its members.
Today`s geopolitical situation creates uncertainties in markets, as the reciprocal sanctions between Russia and the Western world illustrates.

A market is a group of customers for specific products or services that are essentially the same (for example, a particular geographical market) (Johnson 2011:54).

A market is a part of any given industry´s environment. The environment is what gives organizations their means of survival. It creates opportunities and it presents threats (Johnson 2011:49). How an industry that is affected by changes in its environment faces the different opportunities and threats involved, depends on the distinctiveness of the industry`s capabilities, such as its resources and competences, and its strategic position in the market. The strategic position is concerned with the impact on strategy of the external environment and the organization`s strategic capability (resources and competences, the organization`s goal, and the organization`s culture) (Johnson 2011:16). To summarize the key issues related to a business environment and the strategic capabilities of an organization, with the purpose to gain an overall picture, it can be helpful to use a SWOT-analysis. This analysis summarizes the strengths, weakness, opportunities and threats in an organization or an industry´s environment (Johnson 2011:106). I will therefore conduct such an analysis to identify the seafood industry`s assumptions to cope with the import ban. Moreover, to conduct such an analysis, it is also helpful to identify the impact from the changes in an industry`s environment; in this case the impact from the Russian import ban on the Norwegian industry. According to David Baldwin (1999) rational policymakers really want to know how effective the economic sanctions will be, with respect to which goals and targets, and how costly they will be. The success of the imposition of an economic sanction is measured from the values that are important to the policymaker. Further on, Baldwin stresses the usefulness to break the term `success` into five different components or dimensions for assessing each separately.

1. **EFFECTIVENESS.** This dimension can be subdivided into scope, weight and domain. By using the term scope, we map the range of issues affected by the sanctions. Some of the issues may for instance be tariff levels, the energy industry and the food industry. Weight refers to how badly the sanctions hurt the targeted sectors, while domain covers the number of actors affected.

2. **COSTS TO THE USER.** The overall measure of success is net value, and therefore we also have to pay attention to the importance determinant costs have on the overall
success of the sanctions. If the costs that the implementation of sanctioning brings with are significant, this will affect the overall outcome.

3. **COSTS TO THE TARGET.** The more the target (s) experience significant losses due to economic sanctions, the more success we can assign the sanctions.

4. **STAKES FOR THE USER.** The importance of hurting each goal may vary. It is reasonable to state that the bigger the stakes, the more valuable is the contribution.

5. **STAKES FOR THE TARGET.** Similar to the stakes of the user, the stakes for the target depend on the value of the contribution. If economic sanctions are imposed with the purpose to pursue a difficult goal(s), the outcome should be weighted similarly.

Jonathan Kirshner (1997) argues that the debate over sanctions should shift focus from whether they “work” or not, towards how they are functioning. Kirshner presents the theoretical approach of microfoundations; an approach that advances that the idea of sanctions needs to be conceptualized as a technique of statecraft. We need to emphasize how different groups within the target state are affected from economic sanctions, and how the consequences vary concerning forms of statecraft chosen. Furthermore, Kirshner argues that sanctions can be designed with the motivation to punish, weaken, distract or constrain the adversary. Even though a sanction is not likely to move the target, it can be an appropriate instrument to succeed along other dimensions (Kirshner 1997). By using this theory, we can immerse how the Norwegian seafood industry has been affected by the Russian import ban, by study how each sector has worked to compensate and orientate towards new markets. The analysis will also include the Norwegian government, by researching how the Ministry of Trade, Industry and Fisheries - together with the Ministry of Foreign affairs, have co-operated with the seafood industry and bilaterally towards Russia and other states, in facing the obstacles from the import-ban.

The thesis will also benefit from accentuating the signaling and symbolic effect that sanctions often brings with them. Baldwin (1999) writes that sanctions can also be used for other purposes than to change the target state’s behavior. This could for instance be to support a war effort, to punish the target, or to make a symbolic statement. Several other scholars
support this claim. Hovi et.al (2005) argues that one of the answers to the question why sanctions still are frequently used, even though they rarely work, could be that they also have a domestic and symbolic dimension. Kirshner (1997) writes about *The full range of goals*, referring to that states may initiate sanctions with other purposes than to simply compel action on the part of the target, but rather to its preferences, support allies, deter others from engaging in similar ways, and deter the target from expanding its provoking behavior. The motivation and intention of the sender is essential to understand the design of a chosen set of sanctions. However, to answer the research question; *the impact from the Russian import-ban (2014- ) on the Norwegian seafood industry; how has it influenced the industry, and in what sense have the industry – and the Norwegian government, mobilized resources and faced the challenges from the import-ban?*, we also need a theoretical framework that contributes to explain the possible consequences from the sanctions within the targeted state.

Martin (1993) claims that sanctions can affect the target to bear some transition costs as it orientates towards new trading partners; it may have to accept lower prices for exports, while exporters in the sender state may be unwilling to assume the costs involved if other countries are given an opportunity to claim markets in the target state. This theory is relevant in the case of Norway and the Russian import ban, due to Norway’s role as both sender and receiver of sanctions. But the opposite effect, that sanctions most likely will produce ‘political integration’ within the target state is also likely, because an attack from the outside may be considered among the population in the targeted country as an attack on the group as a whole, and not on only single sectors. Being targeted with economic sanctions can result in an increased belief in its own values among the population (Galtung 1967). This phenomenon is known as a “rally around the flag effect”.
3 Hypothesis

**H1 – The Norwegian seafood industry has been resistant as a result of a close co-operation between the industry and the authorities:**

The sanctions may have contributed to a `rally around the flag effect`. From governmental documents, we can read that the Norwegian government has great ambitions for the seafood sector. The government wishes to facilitate for the industry, and it is therefore likely to assume that the government aims for a close co-operation with the industry. Therefore it is reasonable to assume that the government want`s to compensate, when the seafood industry is suffering from “spill-over” effects where political conflicts restricts the accessibility to markets.

**H2 – The Norwegian seafood industry has expressed dissatisfaction in the government`s decision to support sanctions against Russia, which led to the import ban:**

This hypothesis emanates from Martin`s theory considering different targets risk to bear some transition costs as they finds new trading partners. A possible disunity among the exporters may lead to unwillingness to support the Western sanctions and accept the transaction costs involved, if other foreign exporters were given possibilities to claim the Russian market. The Norwegian seafood industry does not receive subsidies from the government, and this may affect their own feeling of affiliation and representativeness, considering Norwegian foreign policy. There are also significant differences in how each sector is affected by the sanctions, as the export of trout and the pelagic species have suffered more than the export of salmon. Generally, the capacity of each producer is crucial when it comes to the ability to reorientation and adaptation to new markets.

**H3 – The export-oriented part of the value chain has improved its position in the Norwegian seafood industry, and the Norwegian seafood industry has improved its position in the political landscape:**

The Russian market was important for the Norwegian seafood industry, both in terms of export volume and value. When an important market disappears due to Norwegian foreign policy, it is reasonable to assume that the seafood industry is likely to mobilize some sort of resources, with the mission to earn compensation from the government.
4 Methodology

This thesis examines the impacts from the ongoing Russian import ban on the Norwegian seafood industry. This study can be described as a case study, with the mission to study the selected case in depth. The case is relevant, there are few or none other studies that have tried this earlier, and it is reasonable to argue that the seafood industry in Norway deserves more attention as a study object within the framework of political science.

4.1 Research Design

Gerring (2007:19) defines a case as “a spatially delimited phenomenon (a unit) observed at a single point in time or over some period of time... The type of phenomenon that an inference attempts to explain”.

According to George & Bennett (2005:31) “Case study researchers are more interested in finding the conditions under which specified outcomes occur, and the mechanisms through which they occur, rather than uncovering the frequency with which those conditions and their outcomes arise”.

As we can see, the mission of the case study is to gain insight of the empirical assumptions or explanations of a given outcome, and the processes that follows from causes to consequences. The case study provides information to understand the actors involved, with their different intentions and capabilities. When the researcher has enhanced this information, he or she is better suited to explain the outcome of the selected case. This study investigates an ongoing incident, and is therefore based on “smoking gun” observations. Through causal process tracing, the mission has been to identify the consequences of the import-ban by enhancing understanding of the full “storyline” with density and depth. To achieve such an overview, I have observed and collected information about the temporal unfolding of situations, actions and events, traces of motivations, evidence of interactions between causal factors and detailed features of the specific outcome (Blatter and Blume 2008:319).

To collect data, multiple methods have been used. According to Mathieson (1988) good research practice obligates the researcher to use multiple methods, also known as “triangulation”, to enhance the research validity. “Triangulation” can be used to checking one source against another, by reduce the risk of deception in the sources involved (Gallagher 2013:194). The import ban has received rather much attention in the media, and investigation
of articles from national newspapers and journals considering fisheries issues have provided
an overview of the ongoing import-ban. I have also conducted document studies, with
documents that are available on the Norwegian government’s homepage. In addition,
information was gathered at Seafood Norway’s annual conference and members meeting in
April, 2016. By participating in this conference, I also got the opportunity to meet exporters
that approved to be interviewed regarding their experiences from the import-ban. The main-
source of data has been collected through semi-structured interviews of different
representatives for the players involved, who are considered as key actors. These are
representatives from the Ministry of Foreign Affairs, the Ministry of Trade, Industry and
Fisheries, interest organizations, exporters of salmon and herring, and consultants working
with market access for Norwegian seafood producers. Two of these interviews have been
conducted through e-mail exchanges, because one of the respondents is living in Moscow
working as Norway’s official counsellor regarding trade, industry and fisheries issues in
Russia. In the other interview, e-mail was used, because this only was a follow-up question
from a face-to-face interview, and the new respondent was considered as better suited to
answer this question.

Semi-structured interviews are interviews that can be defined neither as structured through
standardized questions, or unstructured as an open conversation. The researcher has prepared
a list of questions or chosen topics to be covered, often referred to as an interview guide and
the questions do not necessarily have to be asked exactly in the way they are outlined in the
interview-guide. During the conversation, the interviewer may pick up on things the
respondent answers, and come up with follow-up questions, regarding side issues. Semi-
structured interviews are processes where both the interviewer and the respondent are given a
significant degree of flexibility, but the same questions will be asked and each interview will
be conducted with a similar wording (Bryman 2004:321).

The interviews were conducted face-to-face, except the two mentioned above. All the
interviews were conducted in Norwegian. “Face-to-face interviews are extremely worthwhile
in helping one gain access to and information from respondents; in addition, traveling to an
organization gives one a sense of place that helps to put information in context” (Martin
2013:116). In personal interviews, the interviewer may engage in in observation, and is able
to adapt to the respondents’ body language. For instance, if the respondent shows signs of
puzzlement or unease, the interviewer may respond to these signs by restating or clarifying
the meaning of the question (Bryman, 2004:115). We may argue that it is easier for the interviewer to establish some kind of trust with the respondent in personal interviews, and thereby increasing the likelihood that the respondent show greater propensity to share information. In the interviews, the same interview-guide was mainly used, but some adjustments were done for each interview, emphasizing those questions that each respondent had their strongest assumptions to answer. The respondents can be categorized as elites, or at least highly educated persons. These are often people that are not comfortable with being put in the straightjacket of closed-ended questions. Instead, they prefer to articulate their opinions and why they have these. It was therefore asked open-ended questions to facilitate that the respondents could organize their answers within their own frameworks (Aberbach & Rochman, 2002:674). In some of the interviews, some of the respondents recommended to contact specific persons who enhanced potential further information about the Russian import ban. This is known as the snowball-method. The interviews lasted from 30-45 minutes, and were recorded with permission from the respondents. The interviews with SeafoodNorway and Cermaq were not recorded. The former was a background interview, while in the latter, the recorder unexpectedly stopped working, and therefore, notes had to be taken instead.

List of interviews:

<table>
<thead>
<tr>
<th>Name</th>
<th>Employer</th>
<th>Correspondance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trond Davidsen</td>
<td>Assistant Director</td>
<td>Face-to face interview</td>
</tr>
<tr>
<td></td>
<td>SeafoodNorway</td>
<td></td>
</tr>
<tr>
<td>Kristin Alnes</td>
<td>Head of Public Relations and</td>
<td>e-mail interview</td>
</tr>
<tr>
<td></td>
<td>Industry SeafoodNorway</td>
<td></td>
</tr>
<tr>
<td>Ane Bjørkum</td>
<td>Counsellor for Trade, Industry and Fisheries at the Nor.</td>
<td>e-mail interview</td>
</tr>
<tr>
<td></td>
<td>Emb. in Moscow</td>
<td></td>
</tr>
<tr>
<td>Brede Lofsgaard</td>
<td>Sales Director Europe</td>
<td>Face-to-face interview</td>
</tr>
<tr>
<td></td>
<td>Cermaq</td>
<td></td>
</tr>
<tr>
<td>Ole-Jakob Lillestøl</td>
<td>Advisor at the Nor. Ministry of Trade, Industry and</td>
<td>Face-to-face interview</td>
</tr>
<tr>
<td></td>
<td>Fisheries</td>
<td></td>
</tr>
<tr>
<td>Christen Mordal</td>
<td>Mordal Consulting</td>
<td>Face-to-face interview</td>
</tr>
<tr>
<td>Harald Sperre and Geir Sperre</td>
<td>Sales manager and sales dept. Nils Sperre AS</td>
<td>Face-to-face interview</td>
</tr>
</tbody>
</table>
4.2 **Methodological challenges**

The Russian import-ban on Norwegian fisheries are still ongoing and relevant, something that restricts the availability of accessible information considering the case. The import-ban is also related with “big politics” and may be treated as partly sensitive information. The government documents are often characterized by rather general information, something that limits the researcher’s opportunity to enhance deeper insights. To compensate, several interviews were conducted. Due to the ongoing conflict, it is conceivable that the respondents representing Norwegian authorities and representatives from the seafood industry have been cautious in their comments.

It is also important to be aware of certain difficulties associated with e-mail and Skype interviews. An e-mail interview lacks much of the contextual information that can be important to interpreting data. It is also more difficult for the researcher to establish rapport with the responder from afar, and this may limit the depth and accuracy of the information offered (Mosley 2013:7-8).

4.2.1 **Validity and reliability**

The issue of measurement validity refers to whether a measure of a concept really measures that concept. External validity is concerned with to what extent the findings from a scientific study can be generalized across social settings, while internal validity is about whether there is a good match between researcher’s observations and the theoretical ideas they develop (Bryman 2004:72,273). Questions of external validity are often conceptualized as a problem of representativeness between sample and population. Case study research suffers such problems as it includes by definition, only a limited number of cases of some general phenomenon. By only investigating a few couple of cases, the researcher enhances less evidence to generalize to the whole population that the cases belongs to. Nevertheless, the case study has an advantage considering internal validity. It is often stated that it is easier to establish the veracity of a causal relationship related to a single case, than for a comprehensive set of cases (Gerring 2007:43). This can also be explained as to the extent the results are valid to the selection and the phenomenon that was studied.
While validity is concerned with the accuracy of scientific findings, reliability refers to the replicability of scientific findings. To obtain high degree of reliability, it is required that a researcher using the same methods can obtain the same results as those of a prior study. (LeCompte and Goetz 1982:32-35). It is therefore helpful to know who the researcher of a given study is, the methodology involved and which respondents and documents the researcher has used in the study. Even if the study is not replicated, providing the materials for a replication or a follow-up study, will contribute to enable readers to gain an understanding and evaluate the researcher’s work. However, replicability of data may be difficult if interviewees switch jobs or disappears, or if the observations are based on “live-events” that cannot be repeated (Keohane, Verba et al. 1994:26-27). In this study the interviewees are identified with their names and employees, and some of the observations I have used from SeafoodNorway’s conference were also filmed and are available on SeafoodNorway’s homepage. Most of the documents are based on open sources, but the transcription and the recordings from the interviews are erased as agreed with the interviewees. The replicability of the study is strengthened as the informants were contacted after the interviews to clarify or elaborate some of the topics from the interviews. In addition, they were informed of in what context they were referred to and quoted in the thesis, which is written in a different language than the interviews were conducted.
5 Background – Why have the sanctions occurred?

To understand the reciprocal sanctions between Russia and the western world, and the Russian import-ban on Western food-products that affects the Norwegian seafood industry, we need to know the background of the conflict that resulted in the sanctions, and the context the sanctions operate within.

5.1 The Maidan Revolution

The Russian annexation of Crimea in March 2014, and their involvement in the ongoing conflict in Eastern-Ukraine are often described as acts motivated by geopolitical or geo-economically considerations. Moreover, we can state that the level of conflict escalated, when Pro-Russian rebels shot down a civilian aircraft flying over Ukraine, July 17 2014. In November 2013, the former Ukrainian president Viktor Yanukovych backed out at the finish line from signing a comprehensive association agreement with EU regarding issues such as the opening of borders to goods and set the stage for travel restrictions to be eased. Yanukovych’s act was a result of heavy pressure from Russia, and instead he decided to sign a similar deal with the Russians. The consequence of this was a huge popular uprising, also known as the Euromaidan - revolution3, primarily with participants from Ukrainian-speaking residents in the western part of the country. The protest was also about lack of internal economic and political progress in the country (Tsygankov, 2015:285). These protests escalated, and the Russian-friendly Yanukovych lost control and fled to Russia February 22. The new government in Kiev was pro-Western and anti-Russian to the core (Mearsheimer 2014), and after the Russian-affiliated Yanukovych lost power, President Vladimir Putin signed a bill on March 18, 2014, to absorb Crimea into the Russian Federation. Russia annexed Crimea, and was later involved in the up building of the conflict and in the war in Eastern-Ukraine. To understand these actions from Russia we have to understand the history and geographical locations of Crimea and Ukraine and the relationship to Russia, and power structures in International politics.

3 The name ‘Euromaidan’ is a reference to Europe and the Maidan - the square where the largest concentrations of the demonstrations against the Yanukovych-regime took place, starting in December 2013
The conflict in Ukraine and Crimea

The eastern and southern parts of Ukraine have since the 1650’s been ruled by Russia, while the northern and western parts of today’s Ukraine, were until Second World War subject to Poland (1654-1772 and 1918-1939) and the empire of Austria-Hungary (1772-1918). For centuries the Crimean Peninsula, which occupies a strategically important location in the Black Sea and has arable land, has been fought over by various external forces. The Russian emperors founded cities at the peninsula and populated these with Russians. During the Soviet-period, Crimea belonged to the Soviet republic Russia until 1954, but enhanced extensive autonomy. In 1954, Crimea was given as a present from the Soviet republic Russia to the Soviet republic Ukraine. This generous act did not at the time trig extensive reactions among the Russians. After all, back in the Soviet period, the difference between Ukraine and Russia perhaps felt nominal. The transfer of Crimea from Russian sovereignty to Ukrainian becomes more controversial after the collapse of the Soviet Union in 1991. In the aftermath of the collapse, Ukraine held a referendum on independence from Russia in December 1991. On Crimea, 51 percent of the population voted in favor of independence - a majority, but the lowest one overall in Ukraine. This result can be explained due to the fact that ethnic Russians compose roughly 60 percent of Crimea’s population (Mearsheimer 2014). Most of them wanted out of Ukraine. Also in Russia, there were significant voices that opposed to give up Crimea, but Crimea ended up as a part of the establishment of the Ukrainian state. However, it remained significant autonomy. In 1997, Ukraine and Russia agreed on a bilateral Treaty on Friendship, Cooperation and Partnership, which formally allowed Russia to keep its Black Sea Fleet in Sevastopol (Taylor 2014).

The cleavages in Ukraine, both economically, political and religious seems to follow the historical conflict lines. Roughly speaking the Ukrainian citizens in the east and south orientates towards Russia, while in the Western and Northern parts the orientation is more pointed to the Western world. In east and south, they speak Russian, and in the west and north, Ukrainian is the dominant language. There are also certain differences related to religious issues. In East and South, the Russian-orthodox church has its deepest roots, while in the Northern and Western part of the country the Ukrainian-orthodox is the religious community with the highest support. The head of the Russian-orthodox church is a close ally to Russia and President Vladimir Putin, while the Ukrainian-orthodox patriarch traditionally supports the Western oriented political actors in the country (Bakken 2014).
The ongoing conflict in Eastern Ukraine and the Russian annexation has been pointed out as a conflict between the pro-European West and the pro-Russian East, a legacy of Ukraine's own history of Russian domination. Even though this statement may be regarded as an oversimplification, it is based on an idea that resonates with many, both abroad and within Ukraine (Taylor 2014). Moreover, the relationship between Russia and Ukraine is complicated. With Ukraine’s large population (including significant numbers of ethnic Russians and ethnic Ukrainians whose native tongue is Russian), its potential large economy, strategic location between the Black Sea and Europe, and its significant position as the cradle of Slavic culture, the relationship with the country has been regarded as highly important for Russia. From a geopolitical orientation, Ukraine may be regarded either as a bridge between Russia and Europe or as a wall dividing them. Ukraine’s geopolitical orientation will therefore always have a profound effect on Russian relations with its Western neighbors (Mankoff 2012:223).

5.3 Russia and the Western world

The Soviet Union was a global superpower and Russia was the superior and leading subject in the Soviet Union.

“Since the collapse of communism, Russia has endured a confusing, often torturous process of self-definition. Stripped of the geopolitical and ideological certainties of the Soviet era, the contemporary Russian federation has been forced to answer a series of fundamental questions about its own identity as a state and role to the post-Cold War international order” (Mankoff 2012:11).

After the collapse of the Union, and the establishment of the Russian federation in 1991, Russia was not only struggling to define its own identity, it also experienced serious economic problems. In addition, the transition into democracy and a market-based economy was an overwhelming challenge for the Russians, who had been living under an authoritarian regime with an economic system based on a planned economy for nearly eighty years as Soviets. The 1990’s in Russia have been described as a rather chaotic period. Salaries stalled, the pensions vanished and the value of the citizens’ value decreased significantly. In addition, the political power became decentralized during the rule of former president Yeltsin.
Despite Russian policy in the early 1990’s was Western oriented, the foundation of domestic institutions based on Western models and closer integration with the Western world in its foreign policy, the Yeltsin-regime did not succeed in turning Russia’s political and economic backwardness into a root section. By the second half of the 1990’s it was obvious that Russia and the Western world belonged to different security communities, as was the case during the Cold War. In January 1994, NATO decided to expand the alliance as a response to security crisis that occurred at the Balkans and after pressure from several Eastern European states. Russia had expressed that they preferred the OSCE (Organization for Security and Co-operation in Europe) as the cornerstone for European security rather than NATO, and had shown interest in joining OSCE. Nevertheless, a potential Russian membership was never considered by the organisation. Regarding its political and economic transition, many Russians were provoked when NATO initiated its eastward expansion in the 1990’s. Russia’s strategy for dealing with the West gradually developed from an orientation where closer integration was the mission, towards an orientation weighting three central elements. The first element was the promotion of the United Nations as the key agency for upholding and defining rules of international conduct. Secondly, Russia aimed to develop closer ties to states outside of the Western hemisphere, like China and India, and thirdly; opposite NATO’s eastward expansion and how the Russian federation should adapt to the expansion.

On the 26th of March, 2000, Vladimir Putin was elected president succeeding Boris Yeltsin, and has been in charge of Russia as president or prime minister, ever since. President Putin implemented a systematic centralization of power and by that enhanced significant influence in most sectors of the Russian society. Benefiting from increasing prices of oil (Russia’s main export article along with gas), the Putin-regime delivered economic growth and increased the living standards for the general Russian population. Putin succeeded in establishing some sort of order, in contrast to the chaotic conditions that was applicable in 90’s. During President Putin’s first period of presidency (2000-2008), the main ambition was to establish order and improve the federation’s economy. While in the second period (2012- ) an ambition consisting of two goals seems to be the

---

4 A security community can be defined as a group of actors which has become integrated, in the sense of the attainment, within a territory, of a ‘sense of community’ and of institutions and practices strong and widespread enough to assure dependable expectations of ‘peaceful change’ among its population (Deutsch, 1957:5)
mission; 1) Restoration of Russia`s great power status, honor and influence in International politics, and 2) Turning Russia into a hegemon in the CIS-area (Grandhagen 2015).

President Putin has earlier been quoted that the resolution of the Union was the greatest geopolitical catastrophe in the 20th century5, and Russia has clearly expressed and demonstrated that they will maintain their economic- and security interests in their local areas, such as the Commonwealth of Independent States (CIS), and in Eurasia.

The Russian involvement in Georgia and especially Ukraine can be considered as a reaction linked to former CIS States` eagerness to integrate into the Western economic and security communities like the EU and NATO. We may also add that Western actors have not set up repellent to such integration (BBC 2014). A potential increasing Western integration among states as Ukraine and Georgia does not conform Russia`s goal to restore as hegemon in the post-Soviet area. Russia prefers that the CIS area remain as a commensurate buffer between themselves and the West. The EU and USA supporting “Maidan revolution” is from a Russian perspective interpreted as an offensive hostile action from the West. The Putin-regime consider a possible further expansion of NATO and EU eastwards as a siege of Russia and an attempt to force Russia into a corner (Dragnes 2015). The potential loss of influence in Ukraine would undoubtedly implicate a major geopolitical defeat for the Kremlin, and Russia is signaling to the outside world that it remains capable of defending its position even if this results in undermining Ukrainian statehood (Tsygankov 2015:298).

In contrast with the Cold War, today`s Russia enhances developed novel tools to promote their national interests. Kremlin6 no longer relies primarily on traditional instruments such as military-power, the implanting of political proxies in subject states, or the control of territory. Nowadays Kremlin employs a broad assortment of tools, such as diplomatic, political, informational (and disinformation), economic and security tools to safeguard their interests (Bugajski 2010:8). Kremlin`s use of Russia` enormous energy-resources to protect their economic interests towards energy import-dependent neighbour states, and the establishment of the Eurasian Union with Russia as the leading actor, has proven that Russia enhances significant geo-economic tools. Both the modernization of their military capabilities and the

---

5 President Putin expressed this in a nationally televised speech the 25th of April, 2005
He has later confirmed this opinion in an interview with Charlie Rose in September 2015, from the program “60 Minutes”.

6 Kremlin or Kremlin means fortress in Russian, and is mostly associated as the name of the Russian Presidential administration, located in the in the `heart of Moscow`. 

23
hybrid warfare\textsuperscript{7} in Ukraine demonstrates that Russia also enhances a powerful modern security tool with the purpose to safeguard its geopolitical and geo-economic interests. The Putin-regime’s diplomatic involvement through the pushing for the disarmament of Syrian chemical weapons and use of fighter planes to neutralize opponents of the Assad-regime, illustrates a Russian desire to enhance geopolitical influence through diplomatic and military channels. These cases have also shown us that Russian actionable interventions are motivated from both geopolitical and geo-economic considerations. In addition, the interventions are conducted through the combination of several tools.

Russia aims for a central role in a multipolar world order, emphasizing bilateral relationships and co-operation with “up and coming” potential great powers, with the purpose to challenge the unipolar power structure which has been dominating since the end of The Cold War. In Russia’s desired global power-structure, it constitutes one of several power-centers responsible for safeguarding International security. Russia does not merely strive to be the strongest of all the great powers, but the Russian involvement in Ukraine are expressions of the Russian desire to be a hegemon in the CIS-area. They therefore consider the Ukrainian initiative regarding closer integration with the EU as an offensive and hostile action from the West, while the West regards the Russian annexation of Crimea and their involvement in Eastern Ukraine as obvious violations of international law. These contradictory considerations of the situation in Ukraine have resulted in the extensive ongoing sanctions.

Moreover, even though Russian authorities` foreign policy seems to succeed at many fronts, and that President Putin possesses high levels of support according to domestic polls, the Russian economy presents certain challenges. The Russian petroleum-industry may be considered as the “driving force” in the Russian economy. Huge resources of gas and oil onshore combined with extensive production and profitable export, have made Russia heavily depended on the-energy sector and vulnerable to today’s low oil-prices. The low oil-prices are the main factor regarding the stagnating economy, but the sanctions from the West complicates the situation further.

\textsuperscript{7} According to Kofman & Rojanski (2015), the term “hybrid warfare” denotes a combination of previously defined types of warfare, whether conventional, irregular, political or information.
5.4 The Sanctions between Russia and the West

The sanctions between the Western community and Russia were first introduced March 17, 2014 when the EU imposed the first set of restrictive measures against 21 Russian and Ukrainian officials, and the persons and entities associated with them for their role in actions threatening the territorial integrity, sovereignty and independence of Ukraine. These restrictive measures were expressed through travel bans and freezing of their assets within the EU (The European Council, 2014a). On June 23, 2014, the EU introduced economic sanctions through an import ban on goods from Crimea and Sevastopol (The European Council, 2014b). These restrictive measures were part of the EU policy of non-recognition of the annexation of Crimea. The startup of warfare in East-Ukraine, which also resulted in the downing of the passenger flight MH17 in East-Ukraine airspace - on its way from the Netherlands to Malaysia, which killed 298 people, escalated the already tensed situation rapidly. From the July 29-31, the EU agreed in a package of significant additional restrictive measures, targeting sectoral cooperation and exchanges with Russia. On July 29, the European Commission stated as follows:

“These decisions will limit access to EU capital markets for Russian State-owned financial institutions, impose an embargo on trade in arms, establish an export ban for dual use goods for military end users, and curtail Russian access to sensitive technologies particularly in the field of the oil sector (2014).

Other restrictive measures from this package include the restriction of investment and trade with Crimea and Sevastopol, and the reinforcement of the recently expanded listing of persons and entities that were undermining Ukrainian territorial integrity and sovereignty. The EU also implemented measures such as the reassessment of the Russia EU bilateral agreement, with the goal to reduce the level of the cooperation between the two entities. This comprehensive package was meant as a strong warning. Russia responded to EU’s restrictions by implementing economic countersanctions August 07, 2014, through The Executive Order on Special Economic Measures To Protect Russia’s Security, with a duration of one year.
This meant:

“An import ban or restriction on foreign economic operations involving the import to Russia of particular kinds of agricultural produce, raw materials and foodstuffs originating in countries that have decided to impose economic sanctions on Russia legal entities/and/or physical individuals, or have joined such decisions” (Kreml 2014).

Norway, as an allied state to the EU, has since the beginning of the crisis in Ukraine supported the EU- sanctions. Hence, Norway was one of the targets for the Russian import ban, along with the 28 EU-member states, the United States, Canada and Australia (Reuters 2014). August 15 2014, the Norwegian government, followed EU and implemented the same restrictive measures against Russia (2014a). These were further strengthened October 10 in line with the reinforced strengthening of restrictions that the EU implemented September 12.

The European Union decided on March 13, 2015 to extend the sanctions regarding the freezing of assets and travel bans against 150 persons and 37 entities for further six months (EU-Council 2015). From June 19-22, the EU prolonged and extended the restrictions that responded to the annexation of Crimea and Sevastopol. These restrictions still included prohibitions on import of products, investment, tourism services and exports of certain goods and technologies from Crimea and Sevastopol, until June 23. There was also an extension of the sanctions against Russia’s role in Eastern Ukraine. These sanctions was prolonged until January 31, 2016, and continued in target certain exchanges - with Russia in the financial, energy and defense sector in addition to dual use of goods (EU-Council 2016).

Russia did not spend much time to respond, and on June 24, the president extended the special economic measures stipulated by the Presidential Executive Order of August 6 2014. The import ban was now extended with one year, and Iceland, Lichtenstein, Montenegro and Albania were added to the list of targeted states (Reuters 2015). December 21, EU decided to prolong the existing economic sanctioning regime until July 31, 2016. Latest in March 2016, the Council of the European Union decided to prolong the restrictions regarding freezing of assets of 16 people “responsible for the misappropriation of Ukrainian state funds or for the abuse of office causing a loss to Ukrainian public funds”, for one year. In addition, the assets of 146 people and 37 companies who are “continuing undermining or threatening of the territorial integrity, sovereignty and independence of Ukraine”, were frozen and these persons are also facing travel restrictions. The latter restrictions were extended until September 15, 2016 (EU-Council 2016).
To summarize the sanctions we can categorize the EU initiated sanctions as a comprehensive collection of restricting measures; 1) targeting individuals - through freezing of their assets and travel restrictions, and 2) economic sanctions - targeting the Russian federation in addition to Crimea and Sevastopol - which the European Union does not recognize as a legitimate part of Russia. The Russian import ban is more limited, because it only enhances food products from the targeting states. As the EU, has decided to prolong and extend its ongoing sanctioning regime against Russia, Russia has responded by doing the same through its own preferred means, targeting the EU-countries, and others that have supported these sanctions.

5.5 Russia and the EU

According to the permanent mission of the Russian Federation to the EU, Russia is the third largest trading partner for EU, and EU is the first trading partner of Russia. The EU Member States account for about 50 percent of the total Russian exports and imports (2016). EU-exports to Russia have traditionally been dominated by machinery and transport equipment, chemicals, medicines and agricultural products, while EU’s imports from Russia are mostly raw materials, especially oil (crude and refined) and gas. The EU is also the dominant foreign investor in Russia. It is estimated that up to 75% of Foreign Direct Investment stocks in Russia come from EU Member States (including Cyprus) (EU-Commission 2016). The European energy market is the world’s largest and it is also well-paying. It is therefore highly important to Russia. Russia exports about 50 percent of its gas to Europe, and their opportunity to diversify their exports of gas seems to be limited. EU countries on the other hand, imports about the same percent of their total gas consumption from Russia, thus making both parties dependent on each other and their relationship one of interdependence. However, the degree of interdependence is unevenly distributed within the EU. Germany and the East European member states are the countries dependent on Russian gas. Therefore, the concept of asymmetric interdependence provides a useful and accurate description of the Russia–EU energy relationship (Harsem and Claes 2013:787). The European Union is large, but Eastern Europe is clearly not as important compared to EU’s “big four”. The United Kingdom, France, Italy and Germany combined, constitutes around 20–25 percent of Russia’s total export (Harsem and Claes 2013:790).
Moravcsik (1997:542), argues that motives and incentives to decision makers becomes pivotal, if one wants to predict what leaders can and will do with the tools that are available to them. During the president’s annual speech to the Russian federation assembly, in December 2014, Vladimir Putin stated that the Western extensive sanctions and the implementation of the Russian retaliatory bans on selected Western food commodities was an opportunity to increase Russian self-sufficiency and growth regarding domestic industries. The industries he referred to were foods, medicine and engineering and supply industry, especially the oil industry (which here has been hard hit by Western sanctions) and power generation. The president further presented Kremlin’s ambition for the future years, where a state-driven economy, distanced from the International financial system was a mean to succeed. There are possibilities to achieve a larger degree of self-sufficiently considering the agricultural sector but this will probably take longer than 3-5 years, which was the estimate President Putin aimed at (Opdahl 2014).

While the EU and USA initiated sanctions that targets rather extensive goals in Russia, the Russian counter-sanctions are more limited. This can be explained due to the fact that Russian economy has few legs to lean on besides the energy industry, and using their energy resources as a potential tool for hurting the Western sanctioning states, would also harm their own economy tremendously. As noted earlier, Russia seems to prefer bilateral relationships toward Western trading partners. Sanctions are usually something that happens between two actors – a sender and a receiver. The sanctions initiated from the Western community, is a collective action to harm the Russian federation, while the retaliation from Russia is targeting several national states.

5.6 Russia and Norway

The relationship between Norway and Russia rests upon three main pillars. There are as followed: 1) Security, 2) The law of the sea, fisheries and the Barents Sea, 3) The bilateral and multilateral cooperation schemes that developed after the Collapse of the Soviet Union (Hønneland and Rowe 2010:134).

Security is most commonly associated with the alleviation of threats to cherished values (Williams 2013:6). The overall security context always poses the framework for Norway’s
relationship with Russia. During World War II, Soviet Union lost thousands of soldiers when the Red Army defeated Wehrmacht\(^8\) in Finnmark County in Northern Norway. Nevertheless, Norway and the Soviet Union ended up in two rival security communities in the aftermath of the war, something that set limits on the relationship. Norway was a NATO-member, and the Soviet Union as a part of the Warsaw-pact. The security pillar was the dominating one during the Cold War, and Norway, despite being a relatively small state - with its geopolitical strategic position and as the only NATO-member with a boarder to Russia, became a significant member-state of NATO.

The joint Norwegian-Russian fisheries commission is the core in the fisheries co-operation, and since the establishment of the commission in the middle of the 1970`s as a response to the implementation of the UNCLOS\(^9\), this co-operation has gradually developed to a complex and extensive institutional framework (Jørgensen and Hønneland 2015:1). The main tasks of the commission are to set TAC’s (Total allowable catch quota’s) and provide general guidelines for the exercise of fishing in the Barents Sea.

After the collapse of the Soviet Union, the bilateral relationship expanded, and several sectors opened up to co-operate within. Especially the Barents co-operation has been central, unfolding at both national and regional level and includes several important issues, such as business development, co-operation regarding the energy-industry, infrastructure and environmental protection. After the Russian economy improved, trade and foreign investment also became more widespread. Norway gradually experienced a better and closer relationship with Russia through the 1990’s and the first decade after the millennium shift. This development was highlighted by the achievement of the delamination-line deal from 2010, regarding clarification of borders between Norway and Russia in the Barents Sea and Arctic Ocean, something that had been a contested issue in the bilateral relationship. In 2013, Norway imported goods and products from Russia for about 9 billion NOK, which constitutes 1.7 percent of the total Norwegian import and 0.26 percent of Russian total export, while the Norwegian exports to Russia were of 8.3 billion NOK, or around 0.9 percent of Norwegian total exports and 0.4 of Russian total imports\(^10\). Norwegian seafood exports over the last decade accounted for about 70-80 percent of the direct Norwegian exports to Russia (Forbord

---

\(^8\) Wehrmacht is the name used for the unified armed forces of Nazi Germany from 1935 to 1946.


\(^10\) Computed with ‘The Observatory of Economic Complexity’ - a tool that allows users to quickly compose a visual narrative about countries and the products they exchange. Data is partly from the official Norwegian agency of statistics (SSB) and the BACI International trade database.
2015). It is today reasonable to claim that there are few contentious issues regarding the bilateral relationship, but one potential remaining subject to conflict could be the Norwegian Fisheries Protection Zone on the archipelago Svalbard, which Russia has not recognized. However, after Ukraine, the bilateral relationship has been challenged due to geopolitical conflicts. Norway is a NATO member, an ally of the USA, and a close partner to the EU. These partnerships combined with the desire to promote international law, resulted into the Norwegian condemnation of the Russian annexation of Crimea. The Norwegian minister of foreign affairs, Børge Brende stated that the Russian interference was “a violation of Ukrainian sovereignty” and considered “Russia’s use of military force to redefine the national borders in Ukraine as unacceptable” (Brende 2014a). The Norwegian government decided to support the extensive sanctions targeting Russia –by participating in a Western collective action. In a governmental document from August 09, 2014, the Norwegian Minister of Foreign Affairs followed up his earlier statements:

“It is essential that Russia is faced with a broad and clear reaction from the international community, and heavy foreign and security policy considerations dictate that Norway will stand together with our allies and partners”(Brende 2014b).

By supporting the EU-sanctions, Norway became a target to the Russian counter-sanctions. In the aftermath of Ukraine, certain voices have even claimed that Norway should be aware of a possible Russian invasion- However, there is a huge difference between Norway and Ukraine. Ukraine is a former CIS-state, while Norway is not, and is therefore not a part of what known as Russia’s privileged sphere of interest (Lurås 2015:155). Norway’s overriding interests remain unchanged. Norway wants to continue peaceful co-operation and pursue good governance initiatives relating to shared border areas, and the broader land and marine ecosystems around them (Sverdrup and Wilson Rowe 2015). Russia is also a close and large market considering export of Norwegian seafood, and it is probably both in the interest of the Norwegian government and the Norwegian seafood industry that the relationship with Russia is normalized in the future.
6 How to define the Norwegian seafood industry?

An industry is a group of firms producing products and services that are essentially the same. Industries may also often be described as sectors (Porter 1996).

The Norwegian seafood industry is founded on proud traditions related to the fisheries and other types of captures in the ocean. The marine and maritime knowledge of Norway have created the foundation of today’s welfare state. Norway has maintained its position as a significant global actor, by contributing with innovative and effective capture technology, management, and research and especially through the establishment of fish farming. The Norwegian seafood industry can be defined as the sum of the aquaculture- and the fisheries based value chain. It is common to present three single industries within the term “The Norwegian seafood industry”:

![Diagram of the Aquaculture and Fisheries based value chain]

*Figure 1: The Aquaculture and fisheries based value chain (Bjørkmann 2016)*

6.1 Processing of fish

The first single industry is processing of fish. Historically, domestic processing of fish/seafood was significantly more important than it is today. The Norwegian ground fish/whitefish industry is comprised of two different sectors. The conventional sector produces salted fish\(^\text{11}\), dried fish and / or receives and resells fresh whole fish. Clip fish, usually well covered under the term salted fish, is currently the most important whitefish

\(^{11}\) Both clip fish and salted fish are usually well covered under the term salted fish.
product measured in value and accounted in 2014 for just under a third of the total value of exports of whitefish (Winther, Olafsen et al. 2014:23).

The filet industry, the second sector, was originally designated to be a community-bearing sector in Northern Norway, during the aftermath of World War II. At the time that the filet industry was conceived, it was within a regime with free access to fishery resources, as well as a protectionist trade regime without strong restrictions against subsidies and other distortive measures. Within this framework, one could establish a filet industry based on raw material from whitefish especially, without considering the question of capacity on land or sea, and with large-scale government subsidies as pivotal to function. This resulted in a processing industry with significant overcapacity, which could survive without strong competitiveness in international markets. From the 1980s until the present day, however, the overall conditions have changed radically due to several factors. Some of these factors are the implementation of the UNCLOS, the whitefish market transitioning from regional to global around North Atlantic until 1980, and the development of a more globalized economy; production lines have been diversified. In the global market, it is the processing enterprises in China that sets the industry standard. The wage level for the employers in the Chinese processing industry is significant lower than in Norway. Filet production is therefore moved out, and the feedstock finds new ways to the market than via Norwegian cutting lines (Finstad, Henriksen et al. 2012:35).

The pelagic consumption industry has in common with the whitefish industry struggled with low profitability, but has since 2008 experienced a certain profit. Large catches of herring, mackerel and capelin in the years 2008 - 2010 are the main factor for the improved profitability in these years, and structural changes in the pelagic consumption industry have had some positive impacts (Winther, Olafsen et al. 2014:24). Today, the pelagic processing industry has identified new opportunities within processing of pelagic species, and one example is production of fillets from mackerel. Mackerel is an oily fish that is difficult to fillet while at the same time achieve great quality, especially in locations where the temperatures range above zero degrees, the meat easily `cracks up’ when it is filleted (Interview Nils Sperre AS, 2016).

The biggest processing sector in Norway is within fish farmed salmon, both in volume and value. Most of the products from aquaculture sector are exported fresh or frozen without any extensive processing. However, even the processing of products from the aquaculture- and
pelagic industry has undergone extensive changes. Due to weak profitability over time in the fillet industry, all three sectors have been struggling and reduced their business efforts (Winther, Olafsen et al. 2014:4). In Norway, relatively high wage-levels, structure problems (including geographical distance to the markets) and trade-barriers such as high EU-customs on already processed fish, seems to be the main obstacles for the processing industry (Melchior and Sverdrup, 2015:18). Despite these challenges, innovations in both technology and distribution provide opportunities for new applications, and the evolutions of these are crucial if the processing industry of Norwegian seafood will be competitive in the future (St.meld.nr. 10 (2015-2016), p. 6).

6.2 Fisheries and captures

Fisheries and captures may be regarded as the second single-industry within the defining of the Norwegian seafood industry. As of the beginning of 2016, there was almost 10 600 registered fishermen in Norway. Among these, about 8600 have fishing as their main occupation (Directorate of fisheries, 2016). The fishing fleet is composite with regard to both size (vessel length) and type of fishing gear. It is common to distinguish between coastal fishing, which takes place near the coast, often with simpler and traditional tools, and deep-sea fishing with bigger tools and equipment that are more capital intensive. There has been a gradual decline in the number of fishermen in Norway since 1940. This industry has proven to be a relatively stable industry experiencing both growths in value added and in productivity, but rationalization of the industry has pursued at the expense of the number of fishermen and settlement along the coast. Based on catches, Norway has positioned itself among the world's ten largest fishing nations. Although there are other countries that fish far more regarding total catches, Norway is often cited as a pioneering nation considering fisheries and management of these. Several of the world's commercially important fish species are currently exploited to the full, a part is also overfished. The joint Norwegian-Russian fisheries committee managing several fish-stocks in the Barents-sea is considered to be one of the most successful management-regimes in global fisheries considering ecologic sustainability. As noted initially, the Norwegian government has put forward an ambition to become the world's leading seafood nation. This ambition comprises well-managed fisheries and a multiple growth of Norway's current seafood production. Norway is often described as a leading nation regarding management of sustainable fisheries. However, the Norwegian commercial
fisheries are today nearly fully utilized. It is within the aquaculture industry, the Norwegian authorities have identified a possibility of potential multiple growth, in terms of production.

6.3 Aquaculture

Aquaculture may be different type of activities which in several ways affects organisms in sea or freshwater, before these organisms end up harvested or captured. Aquaculture is today the world's fastest growing food production, and is the third single industry within the Norwegian seafood industry. It is an increasing and offensive industry, which has gradually grown from the pioneer times in the 1950s and 60s, to be the biggest seafood industry in Norway. The aquaculture industry is an industry with great future ambitions. In 2014, world production of Atlantic salmon increased to 2.219 million tons. Norway’s contribution was 54 percent of the total production, and is considered to be the world leader in farming of Atlantic salmon. It is also reasonable to claim that production technology from Norway has set its footprint on global production of farmed fish (Hovland, Kolle et al. 2014:14-15). Nearly 6300 people were employed in the Norwegian fish farming industry in 2014 (St.meld.nr.16. (2014-2015), p. 24). Within all levels of the production, there has been an adventurous development and due to both research and experience, and over the years, the Norwegian aquaculture industry has gained a solid base of knowledge. Farming of Atlantic salmon is the dominant activity within the aquaculture sector, and in addition, there are some productions of other types of redfish, such as rainbow trout. Norwegian salmon-farmers have since 1980, increased their total production from 4000 tons, to today’s 1.2 million tons. This can also be measured as fourteen million meals of salmon every single day (St.meld.nr.16 (2014-2015), p. 1). Some of the success criteria have been stable supply of farmed fish, systematic quality assurance and branding (Holm, Tveiterås et al. 2016:4).

The fish farming industry is capital intensive and has gradually been influenced by the influx of big and powerful actors such as Marine Harvest, Lerøy and SalMar (Melchior and Sverdrup 2015:111). Norwegian salmon, which is the dominant product in the Norwegian seafood export, has a an excellent reputation abroad and has become a global brand, but there is a significant potential for improvement regarding the Norwegian aquaculture industry’s domestic reputation. Salmon lice and the escape of farmed salmon that spreads the lice to wild
salmon stocks are a huge problem for the industry nowadays. Therefore, the fish farmers must adhere to comprehensive and rigorous regulations from the government, and the redfish sector is close by utilizing its production capacity fully within today’s given framework. Further growth presupposes largely new permits or increased capacity on existing permits (St.meld.nr.16 (2014-2015), p. 7). For the aquaculture industry, a good reputation creates markets for their products, and it is beneficial to meet understanding and goodwill in the struggle for scarce resources for aquaculture production (Gramstad 2011). Using this logic, we can argue that a good reputation, both abroad and domestic is essential to achieve further growth, and potentially becoming the world’s leading seafood nation.

![Figure 2: Terms for the fishing industry (Finstad 2014)](image)

### 6.4 Political framework for the seafood industry

To understand the interplay between the seafood industry and the Norwegian authorities it is beneficial to present the different terms for each single-industry. Due to practical considerations, the political terms for the processing industries was presented and integrated in the section regarding the processing industry. The following sections will emphasize the political terms for the fishing- and aquaculture industry.

#### 6.4.1 Terms for the fishing industry

As figure 2 illustrates, the overall terms for the fisheries have traditionally rested on two conditions. The first one is access to natural resources and the second one is markets (Finstad, 2014). It is the politician’s responsibility to design a framework to promote and ensure
sustainable use of a natural resource through a social contract. A social contract decides what values a given sector or industry should provide, and which considerations that should be prioritized (Holm, Tveiterås et al. 2016:4). In the aquaculture industry, the governmental approach has differed from the fisheries approach, as the traditional approach here has primarily focused on which actors should enhance access to production, and to what extent, instead of management of the resource (Andreassen 2014).

In Norway, sustainable use of fishery resources balances between three considerations. These are social-, ecological-, and economic sustainability. The consideration of social sustainability in Norwegian fisheries can be summarized as the fisheries traditional role as an industry providing for settlement and employment along the coast. Ecological sustainability refers to how the fishery resources are exploited. Today, Norway has a comprehensive system of resource management with the purpose to harvest from the resource in a safe way, and by this - avoid overfishing. The third consideration, economic sustainability, is safeguarded through rules that are founded on socioeconomic principles. For instance, a business should not continue its activities if it is not sufficiently profitable. These three considerations can both be overlapping and contradictory (Holm, Tveiterås et al. 2016:5-6).

Jentoft & Mikalsen (2014) argues that the governance of fisheries traditionally has rested on two principles. The first one is that Norwegian fisheries is an industry of national importance, and should therefore, as a logically derived, ‘second’ principle, be managed by the central government. Most of the fishing communities are located in the periphery, and the fishermen are spread along the Norwegian coast. The fishermen’s far most important and influential interest organization is the Norwegian Fishermen’s Association (in Norwegian: Norge’s Fiskarlag). Today, this organization enjoys a privileged position as a key stakeholder in the negotiations regarding the formulation of the overall conditions for the industry (Jentoft and Mikalsen 2014:3). The governing of the fisheries gradually evolved into a corporative system, which indicates a system based on centralized consultation through institutionalized bargaining between government and a key group of industry stakeholders. In 1964, an agreement, known as Hovedavtalen was established; considering state subsidies to the fisheries, with the state and Norwegian Fishermen’s Association as dealing partners. According to Hovedavtalen, the subsidies were designed to compensate for fluctuations in resource availability and market conditions (Finstad, Henriksen et al. 2012:2). The purpose was to ensure stable and good profitability in all business joints, so that the fisheries could
contribute to maintaining employment and settlement along the coast, through both onshore and offshore activities (Holm 1991). The protecting policy measures came in different forms such as concessional loans and grants to build fishing vessels and different types of production plants for fish, and as support to transport feedstock from peripheral landing sites to the production plants, where the fish were processed. However, the most important measures were the direct price subsidies (Finstad 2014:215). Hovedavtalen from 1964, became a ground pillar in the fishery politics and ensured that the annual governmental support was discussed between Norwegian Fishermen’s Association and the Department of Fishery, which represented the state. During years of prosperity, the level of support was low, while when in recession the subsidies increased.

From 1980, the idea of subsidies and the consideration of social sustainability became challenged. Senior bureaucrats representing the Department of Fishery came forward and called for a better adjustment between the capture capacity and the resource base. Subsidies had resulted in an overcapacity, which undermined profitability and the resource base. When the capacity increases, the pressure on fish stocks is likely to increase and this will in the long term threaten fish stocks, and gradually give less catches per vessel. In 1989, a resource crisis in the coastal cod fisheries resulted in that the consideration of ecologic sustainability became overarching. The coastal fisheries became temporarily closed and a quota system for each vessel was introduced. This measure included in a rather complex distribution regime that emerged. At the same time as ecologic sustainability gained more influence, the consideration of economic sustainability was also upgraded (Holm, Tveiterås et al. 2016:10). Through the 1980’s the idea of turning the fisheries and the onshore industry less dependent on subsidies became more pursuant, and after 1992 the subsidies from Hovedavtalen decreased greatly. The deal officially ceased in 2004 (Finstad, 2014). This development should be seen in the context of overall trends both global and domestic, where the economy became market based, and evidently, politics adapted to the economy. In addition, subsidies were less accepted internationally as international agreements regarding free trade and dismantling of states protectionist measures were established. One of these were the WTO charter from 199512.

---

12 The World Trade Organization, formerly known as the General Agreement on Tariffs and Trade, was established in 1995, and is the only international organization dealing with the global rules of trade between nations. Its main function is to ensure freer and more predictable trade without discrimination, and to promote fair competition and encourage development of global reform.
The social contract that applies to the fishing industry nowadays is primarily characterized by the overriding objective of sustainable use of the marine resources. Expressions of economic sustainability such as profitability, competitiveness and growth in productivity, occupies second place in the hierarchical chain. The traditional consideration, related to social sustainability in terms of the employment and settlement along the coast has been weighted less in the formulation of fisheries policy since 1989. The social contract is still a central and debated issue that arouses strong opinions within the Fisheries Policy (Holm, Tveiterås et al. 2016:13). The changes in the social contract in the fisheries, backed by the rapid growth in the aquaculture sector, ensured the Norwegian seafood industry’s position as an offensive industry influenced by of a power shift - where the export and market oriented sector holds the strongest forces (Melchior and Sverdrup 2015:19).

6.4.2 Terms for the Aquaculture industry

The Norwegian aquaculture industry has a relatively short history. This has influenced the political framework the industry operates within. Compared with the fisheries, the aquaculture does not meet the same expectations to be a community bearing institution in the coastal societies. The aquaculture industry early faced demands regarding emphasizing economic sustainability (Holm, Tveiterås et al. 2016:17). After the pioneer times in the 1950’s and 1960’s, the industry gradually became more established through the 1970’s. During this period, the industry started to grow significantly. In 1974, nine hundred tons of farmed salmon was produced. In 1970, the Association for Norwegian Fish Farmers was created, and in 1978, the fish farmers got their own sales organization through the establishment of the Fish Farmers Sales Organization (Fiskeoppdretternes Salgslag) (Johnsen and Lindal, 2006:198). The licensing requirement was introduced as a part of the temporarily law from 1973, and made sure that fish farmers was located all over the Norwegian shore. The Fish Farmers Law from 1981 implemented local ownership as the guiding principle for the industry (Hovland 2014:17). Basically, the government strived to facilitate for a small scale industry. Even though the industry grew rapidly, it also experienced turnover rates, capital challenges and had to be supported by government measures (Melchior and Sverdrup, 2015:19).

13 The temporarily law of 9th of June, 1973, considered construction, decoration, creation and expansion of facilities for roe hatching and farmed fish. § 2 granted permission unless the Ministry of fisheries dismissed the application due to production conditions and turnover conditions, total or separately, no need for a production expansion in that district, or that the extension were not consistent with societal interests.
2015:111). The big crisis occurred in 1991, due to a rapid growth in production that contributed to price reductions in addition to significant economic losses, due to diseases. Accusations from both the EU and the USA on dumping sales of Norwegian salmon, was followed by threats of sanctions and punitive customs. The government was not willing to prevent bankruptcies within the industry, but contributed to a pervasive restructuring in the wake of the crisis. As a result of this, the obligation of local presence in a requirement license was removed. Simultaneously, it was permitted that several licenses could have the same majority shareholder. The crisis in the early 1990’s resulted in certain liberalization and deregulation, at least in regard to first-hand sales. But at the same time the industry experienced stricter regulations considering limitations of production levels, to spare the producers from accusations of dumping sales (Hovland 2014:18-19). After the millennium shift, the industrial policy regulation was dimmed, while the industry faced stricter technical regulations as a consequence of the emergence of an ecosystem based approach and demands of ecologic sustainability.

The aquaculture industry has been not depended on governmental subsidies, though some people will argue that the fish farmers has been awarded with access to Norwegian fjords without paying “cover charge” entering them. Moreover, the industry’s life so far, highlighted by the 1991 crisis has shown that it is capable to manage itself, and today aquaculture is the main reason why the Norwegian seafood industry is categorized as an offensive industry. However, the industry aims for better market access, and depend on the Norwegian government to obtain this goal.

### 6.5 Offensive and defensive industries

As initially stated in this thesis, it is the seafood-industry that has been most vulnerable to the import-ban in Norway. The import-ban has also affected some agricultural products, but the vulnerability in the seafood industry can be explained from the general terms the industry faces both in Norway and in international markets.
The agricultural industry in Norway does not have what is known as a comparative advantage\textsuperscript{14} in production of agricultural products. Nevertheless, the Norwegian government emphasizes regional policy and subsidizes the industry considering the high production costs due to the natural conditions that makes cultivation difficult in several regions. To protect its own agriculture industry from foreign competition, Norway has one of the strictest trade-regimes with high rates for applied customs regarding agriculture products. The Norwegian agricultural industry is therefore designated as a \textit{defensive industry}, while the seafood industry is an \textit{offensive industry}. Defensive industries are often in historical recession as a result of changes in productivity, trade and competition (Melchior and Sverdrup, 2015:22). Norwegian seafood is globally competitive and desires free access to international markets. The Norwegian government is eager to demand as low-level customs as possible for seafood in international negotiations. In the case of Norway it is remarkable that we find the defensive interests at the one end - when it trades agriculture goods, while its offensive interests is located at the other end - when Norway trades seafood. When seafood and fish face each other, or connects in international negotiations dealing with both of them, problems are likely to emerge (Melchior and Sverdrup, 2015:105-106). In 2013, the seafood industry’s contribution to Norway’s gross domestic product was about 61 billion NOK (Holm, Tveiterås et al. 2016:2). Compared with the agricultural industry, the value added from the seafood industry is several times higher. This is also the case for the productivity (Melchior and Sverdrup 2015:18). The seafood-industry is an export-oriented industry that has been sailing downwind the last twenty years. The industry has always been export-depended, but over the last couple of years it has experienced an increase in trade- barriers in different markets.

\textsuperscript{14} A \textit{comparative advantage} was a concept that was first introduced by David Ricardo in the early nineteenth century. “This concept holds that a country has a comparative advantage in a good if it can produce that good more cheaply than it can produce other goods. By specializing in the production of goods in which it holds a comparative advantage and importing the other goods, the country can consume more of all goods” (Oatley 2012:372).
6.6 Exports and market access

“The seafood industry faces challenges of different nature in many countries and is affected by political and economic changes in key markets” (St.meld.nr.10 (2015-2016), p. 89.)

Market access is vital for offensive export-oriented industries. It is reasonable to state that an exporter wishes to pay as little as possible to obtain access to the different markets. However, other countries with their potential markets, will promote their offensive and defensive interests. This will influence their own import and the market conditions for the potential exporters. We can therefore argue that other countries offensive and different interests have a great impact on what kind of terms Norwegian exports face in foreign markets. Seafood has been traded for a long time internationally. The trade of such products has increased dramatically in the recent decades, and seafood products are now one of the most traded commodities globally (Asche and Smith 2010). Today, the seafood industry is Norway’s third largest export industry, and provides for 16 percent of Norway’s mainland export’s. Nearly 95 % of the Norwegian seafood is exported. Measured in value, Norway is the world’s second largest seafood exporter, only beaten by China. Measured in volume, Norway is number eleven (FAO 2015).

6.7 The Norwegian Seafood Council

The Norwegian Seafood Council is organized as a government corporation where the ministry of Fisheries and Coastal Affairs administer state ownership. The Seafood Council is funded by the seafood industry; through a fee of 0.6 percent of the exported value of redfish and the most important pelagic species (Aspaker 2015a), and 0.75 for all other products (Aspaker 2015b). It’s main mission is to increase the demand of Norwegian seafood both domestic and in already established- and new markets abroad (2016b) To achieve this, the council conducts joint generic marketing of Norwegian seafood. It also maintains a register of Norwegian seafood exporters and the different terms of trade these must adhere to. One can distinguish between private companies marketing of their own products (brands) and generic marketing. The objective of private companies advertising is to increase their own product’s market

---

15 The term ‘mainland export’ is a direct translation of the Norwegian term “Fastlandseksporten”; which enhances export of other goods than crude oil, natural gas, natural gas condensates, ships and oil platforms (SSB 2015).
share. An example from the Norwegian seafood industry is the famous salmon brand SalMar from Trøndelag in Norway. The Norwegian Seafood Council conducts cooperative advertising or generic advertising. The Seafood Council faces a different situation than for instance SalMar, which performs branded advertising. Generic marketing is mainly emphasizing product information and new ways to use a certain product with the mission to enhance demand at an industry level (Myrland and Kinnucan 2006:247-248). The Seafood Council’s promotion of Norwegian Salmon in Turkey or France, and their campaigns that promotes herring to the young people in Poland, illustrates this type of marketing. Generic marketing is non-rivalry because Lerøy’s dividend of the marketing does not limit the dividend of Grieg Seafood or Salmar (Ulstein, Wifstad et al. 2014:19).

### 6.8 Market access

The export of Norwegian seafood is largely influenced by market forces and the industry is rather self-directed, but it is still dependent on the government to obtain as beneficial market-access as possible. The Norwegian Seafood Council is the main representative abroad for Norwegian Seafood, but as its name implies, it is just an advisory body. The Norwegian government negotiates on bilateral and multilateral levels to improve the market conditions for its seafood products. In any international negotiation considering free trade, Norway’s ambition is to achieve free trade of seafood (St.meld.nr.29 (2014-2015), p. 94-95). The market access for Norwegian seafood is regulated through WTO, free trade agreements through the EFTA\(^{16}\), and negotiations with the EU regarding custom quotas and fish. The World Trade Organization (WTO) is the largest and most comprehensive institution regarding international trade. This institution has a wide scope of objectives, and there are numbers of ways to describe it. The WTO is essentially a place where its 162 member states try to sort out the trade problems they face with each other through multilateral negotiations\(^{40}\). The effectiveness and legitimacy of the WTO is dominated by two orientations. The first one is to maintain the safety and health of humans, plants and animals, while the second is to promote free and fair trade, through abolishment of disguised and hidden barriers and by restricting the use of tariffs. The WTO is trying to make its member states impose- and then, operate within

\(^{16}\) The European Free Trade Association (EFTA) is an intergovernmental organization set up for the promotion of free trade and economic integration to the benefit of its four Member States: Iceland, Liechtenstein, Norway, Switzerland (www.EFTA.com).
the same domestic standards, and by this achieve harmonization and the ideal object of trade through multilateralism. However, over the last decades we have witnessed a huge increase in scope of bilateral and regional trade agreements. Norway has signed 27 bilateral free trade agreements with 38 countries, of which 25 of the agreements are results of the EFTA cooperation. To be part of a regional cooperation like EFTA, Norway has relatively more power than it does enhance as a single state. When the EFTA states are united, they can offer a larger market and by this become more interesting to other potential trading partners. These agreements ensure the Norwegian seafood industry virtually free market access either through zero tariffs from the starting point of the agreement, or through customs reduction (St.meld.nr.10 (2015-2016), p. 90). Nevertheless, not every member within EFTA shares the same interests as Norway considering export of seafood. If we take a closer at traditional main export markets for Norwegian seafood, outside the EU, Norway has neither managed to obtain free trade agreements with Russia, China, Japan, USA nor Brazil. Exports to these countries are worth over a billion NOK for each of the countries, while exports to Russia were significantly higher than this, before the import ban was imposed.

The EU-market is Norway’s geographic closest and most important market, receiving two thirds of total Norwegian exports of seafood in 2015 and is often described as an “extended home market”. Norway does not enjoy free trade conditions for fish in the EU. Norwegian seafood faces trade barriers in the form of customs that increases with the degree of processing, in addition to a complex network with close to 50 bilateral duty free allowances that the industry must deal with. Measured by value, about 70 percent of Norwegian seafood products face tariffs in the EU (St.meld.nr.29 (2014-2015), p.93), and evidently, there is a significant potential to gain better conditions for exports to this market. Moreover, it is reasonable to assume that potential future extensive regional trade agreements such as the US and EU negotiations on a transatlantic trade and investment agreement (transatlantic trade and investment partnership), where Norway is not a partner, may challenge Norwegian seafood’s current position in international markets (St.meld.nr.10 (2015-2016), p. 89).
6.9 Value and export of Norwegian seafood before August 07, 2014

The Norwegian Seafood council’s annual report for 2015, presents that seafood was exported to 143 countries for totally 74.5 billion Norwegian kroners (NOK). Fish farming provided for 50.1 billion, and 67 percent, while the fisheries’ share was 24.4 billion, and 33 percent. Trade with seafood takes place in a global market, and Norway, as the world’s second greatest exporter is hence oriented towards markets all over the world.

The export of Norwegian seafood is usually divided into three sectors. The first one, the whitefish sector, is capture of species like Cod, Haddock and Pollock. This sector consists of captures by the coastal- and the ocean fleet. The whitefish sector exports products as fresh or frozen filets, frozen blocks, clip fish and stock fish. The second section is the pelagic sector. This sector deals with species that live in the open waters. Herring, mackerel and capelin are the most important stocks in the Norwegian pelagic sector. The pelagic sector is struggling due to low-profit, large season variations and production of great volumes during short seasons (Utne and Holst 2010). Pelagic species have traditionally been used as ingredients in fishmeal and fish oil, but today pelagic products from Norway are regarded as consumer products of great quality. As noted earlier, products from the third sector, redfish products such as salmon and trout, are globally sought products. These have traditionally been exported to markets in Russia, the EU, China and USA. The most popular products from this sector are fresh fish and filet, frozen fish and filet and smoked fish. Several products from fish farming are also metal worked in Norway. Added together, salmon and trout are by far the most profitable sector. Salmon was exported for 47.7 billion Norwegian kroners (NOK), and trout was exported for 2.3 billion in 2015 (2016a). The most important markets for the whitefish sector is Europe, Brazil, China and single markets in Africa. The whitefish sector exported for 12 billion NOK in 2015. Of the overall whitefish export in 2015, clip fish amounted for 4 billion NOK, and the exports of salted fish, both whole and fillets amounted for 1.13 billion. The export value of all fresh codfish products came in total 2.82 billion. The traditional product stock fish provided for an income of 975 million NOK, while frozen products amounted for 4.3 billion NOK (2016b). Both the whitefish- and the redfish experienced a record year in 2015. The pelagic sector was exporting for 6.9 billion in 2015, and has been characterized by decline in recent years. We can also denote exports of shrimps and shellfish as a fourth sector. This sector amounted for 1.5 billion NOK, and is growing.
For the export of shrimps and shellfish, we find the most important markets in the Nordic countries followed by Japan and South Korea (2016a).
7 Analysis

Almost two years have passed since the Russian import ban on the Norwegian seafood industry was imposed. In 2013, Norway exported seafood for 6.5 billion to Russia, which accounted for 11 percent of the industry's total exports (FHL 2014). The immediate reactions from both the Norwegian government and the industry indicated a widespread concern, when one of the most important single-markets suddenly disappeared.

“There is no doubt that the seafood industry at least in the short term is faced with a challenging situation. In particular, we see challenges for herring and trout” – Former minister of fisheries, Lisbeth Aspaker (23/08-2014) (Regjeringen 2014b).

“An import ban will hit hard and create a chaos that both Norwegian and Russian players have to unravel. New structures must be built up”. - Odd Lorentz Strøm, Director Nova Sea (Lysvold, Sørgård et al. 2014).

“It's a bit serious in the short term picture for the Norwegian aquaculture industry. Russia has been a challenging market, but the exports have always increased steadily. However, we believe that we are able to solve this challenge in the long term, if the Norwegian authorities choose to follow the EU sanctions” – CEO Salmar, Leif Inge Nordhammer (Lieungh, Mortensen et al. 2015).

Although the Norwegian seafood industry and the government feared the possible consequences; the Russian import-ban did not come as a complete surprise.

7.1 The Russian market

Norwegian redfish products have been exported to Russia since 1991, and over the years, Norwegian exporters have experienced that Russia is an unpredictable market. Russia is one of the most active users of non-tariff barriers in the world (Besedina and Coupe 2015). In 2006, the Norwegian redfish sector suffered from Russian trade barriers - justified as sanitary and phytosanitary (SPS) measures according to the Federal Service for Veterinary and Phytosanitary Surveillance, Rosselkhoznadzor. The Norwegian farmed Atlantic salmon and rainbow trout were supposed to contain elevated levels of cadmium and lead. After several meetings and intensive communication between Norwegian and Russian authorities, Norwegian seafood products were allowed on the condition that the producers had been
inspected and approved by inspectors from Russian veterinary authorities (Elvestad and Nilssen 2010:270). The Norwegian seafood exporters eventually experienced a gradual opening and normalization of trade. In 2012, 35 Norwegian salmon- and trout slaughterhouses were approved considering export to the Russian market, something that was a top listing. However, the subsequent years, the scope of the veterinary challenges increased. It was no longer just trout and salmon that faced obstacles, but also trade in shellfish, whitefish and pelagic fish (SeafoodNorway 2016:34-35). The durability of fresh fish is limited, something that requires a solid and effective control and testing system. Rosselkhoznadzor has over the years expressed a lack of trust in Norwegian inspections regarding the food safety and testing of Norwegian seafood products (Veggeland and Aalerud 2011:49-50). Several actors within the Norwegian seafood industry have claimed that the Russian accusations considering the quality of Norwegian seafood are simply expressions of protective measures towards their own industry and dodgy objectives among officials within Rosselkhoznadzor. Anyway, the Norwegian producers who have been granted access to the Russian market, have accepted the terms the Russian veterinary services have put forward. By this, they have contributed to the survival of a trading system that many Norwegian seafood producers consider both as dysfunctional and discriminating. Nevertheless, Russia has been a close and highly profitable market for Norwegian exporters. If we disregard the veterinary obstacles, trading with Russian importers has been rather neat since the millennium shift, at least according to some of the Norwegian exporters who have been granted access to the Russian market.
Even though Russia has proven to be an unpredictable market, it has also been an important market for Norwegian herring, salmon and trout, as figure 3 illustrates.

The import ban has in all likelihood led to somewhat lower world market prices for products derived from salmon, trout, and herring in particular, as well for some other species. Nowadays, Russia import less seafood than before. If we solely consider the effects from reduced imports from Russia on the global demand, the large volumes quickly yields an estimated loss of export incomes worth billions. For instance, Russia accounted for 8 percent of the world consumption of salmon in 2013. After the import ban, the Russian imports of salmon decreased about 50 percent. (Interview 2016: Lillestøl. Ministry of Trade, Industry and Fisheries).

It was estimated that imports accounted for 35 percent of the total seafood market in Russia, measured by volume. Norway was their greatest import-partner and the Norwegian share
provided for about 30 percent by volume and 40 percent by value (Skarstein 2015a). In recent years, salmon and herring are those species of seafood that have been the most popular in Russia, in terms of value. In 2013, the value of the Russian imports of Norwegian salmon was 4.2 billion NOK, while trout accounted for 1 billion NOK. Among the pelagic species, herring’s share was 0.8 billion NOK, capelin at 169 million NOK, and mackerel at 127 million NOK (Mugaas 2015b:5). To deal with the import substitution in the aftermath of the import ban from 2014, Russia has implemented several measures. They have increased their wild catches and their aquaculture production, reinforced their already established subsidies and introduced new ones. In spite of these measures, the demand still exceeds the Russian seafood industry’s production capacity. If we study figure 4 below, the price development from 2014 to 2015, proves a 23 percent increase (Mordal 2015a).

![Price development on foodstuffs 2015 vs 2014](image)

*Figure 4: Price developments on Russian foodstuffs 2015 vs 2014 (Mordal Consulting).*
Despite the Russian government’s ambition to become self-sufficient in seafood, the Russian seafood industry is still export oriented. Russia’s enormous territorial extent and the location of the two biggest markets; Moscow and St. Petersburg in the Western part of the country, results in a major competitive advantage for seafood from the Atlantic. In the Soviet era, almost all Russian-caught fish ended up at the domestic market. The consumers faced low prices due to government subsidies. Today, almost 50 percent of the Russian total catch is exported. Products that belong to the highly priced categories on the world market are largely exported, while the low-priced species usually ends up at the home market. China, Japan and South Korea are the main importers of fish caught by the Russian fleet in the Pacific. The lion’s share of fish from the Atlantic Ocean are exported to the EU-market. Russia is almost self-sufficient in Whitefish, and codfish is by far the most important export article from the seafood-industry. Among the pelagic species, especially herring has traditionally been an important part of the Russian diet, and is often referred to as "the people's fish". Nearly 90 percent of the Russian pelagic catches are consumed by Russian citizens (Jørgensen and Hønneland 2015:31), and Russia has also depended on import to cover the domestic demand. Herring has represented a cheap and simple food alternative among the Russian population. Traditionally, herring has been sold whole and salted. The Russian importers consider the Norwegian herring as a high quality product, but also as some expensive (Abrahamsen and Håkansson 2014:63). After the import ban was imposed, Belarus, Chile, China, the Faroe Islands and Iceland became the largest suppliers of seafood to Russia.

There is a certain extent of aquaculture in the Northwestern part of Russia, but overall, the aquaculture industry is fairly limited, although the potential is present. Atlantic salmon from the Faro Islands is known as an excellent product. The Russian imports from Faro Islands have increased since the import ban was imposed, but these imports are several times smaller compared to the volumes Norway exported to Russia before August 2014. In addition, these imports are “miles away” from covering the supply side of fresh fish that Norwegian salmon left behind. Russia has also increased its import of Chilean salmon and the Russian Pacific salmon is also more present in the Russian market. Anyways, due to the distances, these end up as frozen products, and there is a widespread opinion that frozen salmon provides an inferior end product for finished products (Mordal 2015b).

The Russian seafood market has suffered significantly due to the ruble crisis and the import ban. The imports of seafood were already decreasing before the import ban was imposed
Due to a shortage of seafood products, combined with a lower purchasing power among the general population, the national seafood consumption has decreased by 20 percent over one year. This affects the actors in the Russian seafood industry throughout the value chain - from the importers to the processing industry. The Russian seafood market has especially depended in Norwegian raw materials. The Russian importers have also benefited from good credit terms trading with Norwegian suppliers, which no one else can offer. The trade links - consisting of hotels, restaurants and catering on the one hand (HoReCa), and modern retail on the other hand, are affected as well (Mordal interview 2016). Especially Norwegian salmon has an excellent reputation abroad, and the Russian seafood importers are still requesting Norwegian seafood. Despite the import ban, there is still seafood of Norwegian origin on the Russian market.

7.2 A circumvention of the import ban

The establishment of the Eurasian Economic Union in 2014, with Armenia, Belarus, Russia, Kazakhstan, the Kyrgyz Republic and the Russian Federation as members, has both negative and positive consequences for the Norwegian seafood export. Since 2014, Norwegian seafood exporters have experiences challenges in several single markets within the union. These are typical challenges that the exporters had faced in Russia the previously years. A common Eurasian set of regulations related to veterinary issues has specifically created problems (SeafoodNorway 2016:35). The positive factor is that Belarus has not imposed any import ban on Norway, and in the wake of the import ban, Belarus has developed into a growing market, mainly due to further re-export of different products to the Russian market. Russian importers have also established partnerships with processing industries in Belarus.

“Russia has explicitly permitted "re-export" through other countries of the Eurasian Economic Union, as long as the goods are processed to the extent that it shifts HS (Harmonized system) code\textsuperscript{17}.” (Interview 2016: Bjørkum, The Norwegian Embassy in Moscow).

The establishment of the Eurasian Economic Union, also known as the “Customs Union” has opened up for legal entry into the Russian market, and by this, the Norwegian seafood circumvents the import ban. Nevertheless, not every single Norwegian exporter is approved

\textsuperscript{17} Harmonized system codes describes the classification of commodities
by the Russian veterinary services considering exports. Therefore, some of those who were permitted to export to the Russian market before the import ban was imposed, are still able to enjoy certain benefits from this the permission. Through the Union’s common veterinary regulations, the Russian federal veterinary service, Rosselkhozadzor, is able to influence which Norwegian exporters who can export their products to Belarus. In June 2015, Russian veterinary inspectors enquired the National Food Safety Authority in Norway, Mattilsynet, if they could visit Norwegian aquaculture facilities. This resulted in certain reactions in Norway, because the Russian market officially was still closed for direct Norwegian export of seafood.

7.3 The impacts from the import ban on Norwegian seafood exporters

“Almost two years after the import-ban was imposed, the industry has come out of it significantly better than both the Norwegian seafood producers, and the government had reason to expect” (Interview 2016: Lillestøl, Norwegian Ministry of Trade, Industry and Fisheries).

It has been stated that the Norwegian seafood industry`s most important trait is the industry`s ability to adapt to its surroundings (Skogen-Lund 2016). This applies not only to the increasing consciousness of consumers, concerning healthy food and demands in terms of ecological sustainability production. History has proven that export of Norwegian seafood and access to markets are in danger of experiencing “spill-over” effects from political conflicts and fluctuations in exchange rates. When the Russian market disappeared, the Norwegian exporters had to relocate their products into other markets. In 2014, Norwegian Atlantic salmon was established as a globally sought product, discovering new markets during the prior years. Although Russia was the most important single market, the export of Atlantic salmon was well positioned in several other markets around the world, and the salmon industry is still discovering new markets. In the wake of the import ban, Norwegian salmon producers succeeded in exporting additional quantum into already established markets.

“No seafood nations have over time positioned themselves as well as Norway. Through the years, the industry has developed several major markets worldwide. That's the main reason why the demand for Norwegian salmon in 2014 is strong and provides favorable salmon prices” (Martinussen 2015).
Approximately 77 percent of all Norwegian salmon exports in 2015, measured in product weight, went to Norway’s “extended home market” in the EU, according to The Norwegian Seafood Council (2016c). The Norwegian redfish sector share in the EU market was less for 3-4 years ago. If a Russian import ban had been imposed at that time, the sector would have struggled more to reallocate their products (Interview 2016: Lofsgaard, Cermaq). Since the import ban was imposed, the EU market has consolidated its position. France and Poland are the most important importers of salmon. Poland has been an increasingly important consumer market, and is today the biggest market. Nevertheless, it is worth mentioning that for a significant proportion of these exports, Poland is just an intermediate haven for processing, before it is further distributed out on the European market (Martinussen 2016) (2016c). For the Norwegian exporters, it is more cost effective in a short-term perspective to reallocate into the already established markets, than to immediately invest significant resources, with the mission to open new markets. By focusing on the established markets, the exporters can use their already preferred routes of logistics and mainly the same customers (Interview 2016: Mordal). In addition to the reallocation into those already established and considered as “easy markets”, large exporters, enhances significant resources, and has used the opportunity from the absence of the Russian market, to reallocate their products into new and “difficult” markets, outside of Europe. Within the EU-market a “German growth” has occurred. Especially the salmon industry has succeeded in developing delicate and relatively low-priced products such as vacuum-packed fresh salmon pieces, which are distributed through budget super-markets such as Lidl and Aldi. Then, the products become more accessible for most people, and we have witnessed the same effect here in Norway and in other European countries, (Interview 2016: Lofsgaard, Cermaq).
As *figure 5* illustrates, the most rapid growing market is the EU market. Furthermore, we can also identify a certain growth in both Asia and the United States. The export of Atlantic salmon to USA, increased with 33 percent from 2014 to 2015, measured in value. The Norwegian seafood council is actively marketing Norwegian salmon in the states, but the growth can also be explained due to large American importers reorientation from Chilean to Norwegian salmon. These importers claim that Chilean salmon, which previously made the largest volumes on the American market, is produced with extensive use of antibiotics. The importers have therefore shifted from Chilean to Norwegian salmon to meet the American customer demand for purportedly higher quality salmon (Wietecha 2015). In addition to this factor, the revocation of punitive duties on the US market has also contributed to this growth (Mikalsen 2016). The value of salmon exports to Eastern Europe experienced a decrease by 64 percent in 2015 to 1.3 billion, compared with 2014. The decline is a result of the import ban and reduced export to Ukraine due to the weakening of the Ukrainian economy. Belarus imports most of the Norwegian salmon in Eastern Europe, in terms of value. During the same period Norway exported salmon for 7.5 billion NOK to Asia; this was an increase of 7 percent (2016c). If we study the development of exports of Norwegian salmon from 2014, we find nothing but growth, except for the first 14 days of August (Interview 2016: Mordal). The
Norwegian salmon industry is extremely profitable, and in January 2016, the export value for a five-kilo salmon responded to the price of a barrel of oil (Holm, Tveiterås et al. 2016:2).

The Norwegian trout exports have traditionally been poorer positioned and more dependent on individual markets than salmon, heavily leaning on Russia before the import ban. The trout sector was prepared for the loss of 1.7 percent or 39 million NOK from 2014 to 2015. The trout sector is today experiencing growth, and the export is reoriented towards the USA, Asia and the EU market. As the export to Belarus is increasing, there are still certain volumes that end up in Russia. Almost two years have gone by since the Russian market officially closed for Norwegian export of trout. There is evidence to suggest that the export-oriented part of the trout industry may draw lessons from the outcome of the import ban, considering that trout exports nowadays seems less dependent on individual markets.

Figure 6: Important single-markets for Norwegian herring 2008-2015, measured in value (Bjørkmann, 2016)

The pelagic sector had the greatest reason to fear the consequences from the import ban. Russia was by far the most important single market for herring (figure 6), and also the export to Ukraine, another big market, was reduced due to the weakening of the Ukrainian economy as a result of the conflict on Crimea and in the eastern parts of the country. Moreover, most of
the Ukrainian processing industry was located at Crimea, which suddenly became an entity under the Russian federation (Interview 2016: Nils Sperre AS). The Norwegian pelagic industry has struggled to reposition the quantities of herring and capelin into other markets. Nevertheless, the import ban was imposed at the end of the herring season, and this provided the exporters some time to adjust their purchases from the fishing vessels, in addition to their exports. 85 percent of all herring catches in Norway is Norwegian spring-spawning herring that are harvested in the beginning and the end of the year, when the fat percentage is high (Abrahamsen and Håkansson 2014:20). The other type is North Sea herring, which is harvested in the summer. Unlike salmon, herring and capelin do not enhance global brands.

One of the market-related challenges of herring is that Norwegian exports have largely been concentrated in few markets. Especially, Russia, Germany, Ukraine and Nigeria have been essential. The risk involved by depending in few but large markets, increases when conditions beyond the companies' control may affect the exports. The Norwegian herring exporters have earlier experienced non-tariff trade barriers in Russia and Ukraine such as veterinary controls. Nigeria, another traditionally important market, has been challenging due to fluctuations in exchange rates and product prices (Egenes, Plem et al. 2012:1). In the case of Nigeria, limited access to foreign currency due to low oil prices has also offered challenges to trade (Cherry, Fischer et al. 2015). Norway exported pelagic fish for 6.9 billion in 2015, which was a decrease of 7 percent from the year before. The herring industry has partly succeeded in replacing the Russian market during the import ban. Within the EU, Germany was the biggest market in 2015, followed by Poland, Lithuania and Netherlands. Ukraine has also been important, and there was also a certain flow to Belarus. Outside of Europe, Egypt has stepped forwards as a significant market. The total exports of herring in 2015 accounted for 2.4 billion NOK in 2015, which is a decline of 12 percent from the previous year (2016d). Russia was one of the best paying markets for herring and had to be replaced with slightly poorer paying markets. According to Egil Magne Haugstad, the CEO in Norway’s biggest pelagic enterprise, Pelagia, some of these new pelagic markets have opened up because exporters on Iceland and Faroe Islands reoriented their products to the Russian market, when the Norwegian industry was hit by the import ban (Nissen-Meyer 2015).

The export of mackerel has traditionally been better positioned in global markets than herring. Norwegian mackerel enjoys a good reputation because Norwegian vessels are fishing with
purse seines, which results in that the quality of the catches becomes much better than catches from trawling (Interview 2016: Nils Sperre AS). The Norwegian mackerel has consolidated its position in the Asian markets, where especially Japan is a huge market, but China and South Korea are also large importers. Turkey is also becoming another big market. In Africa, Nigeria, Ghana and Benin receive significant volumes, while Lithuania and Netherlands are the most important markets in the EU. Exports of mackerel accounted for 3.8 billion NOK in 2015. This is a decrease of 7 percent from the year before (2016d).

Figure 7: Important single-markets for Norwegian herring 2008-2015, measured in volume (Bjørkmann, 2016)

According to the Norwegian seafood council, the reduced export value of pelagic fish is a result of lower quota for herring and mackerel, and trade barriers, which the pelagic exporters face in several important markets (Aandal 2016). In 2009 the quota for Norwegian spring-spawning herring was one million tons, and in 2012 it was 508 000 tons. In 2013 and 2014, it decreased further down to 377,000 and to 255,000 tons. In 2015 the quota was set at 173,000
As figure 7 shows us, the recent years low quotas have obviously influenced the export. Although the prices of herring and mackerel have increased, the growth has not been sufficient to compensate for the reduced volume (Aandal 2016). High prices for the pelagic species are not exclusively a blessing. The price depends on the size of the quotas. In seasons with small quotas, the prices increase, while the opposite effect occurs when the quotas are big. If quotas are at such a level that the prices turns "reasonable low", new markets become available, such was the case of exports of mackerel to West Africa (Interview 2016).

Considering the challenges in the market situation during the recent years, the falling herring quotas have in a way, been helpful because the herring exporters nowadays would probably struggled to put additional volumes on the market. Similar to the trout sector, the Russian import ban has contributed to position Norwegian herring in other markets but the respondents from pelagic exporting sector would not agree that the import ban has strengthened the industry (Interview 2016: Nils Sperre AS).

How an industry manages to reposition its products in other markets, when a dramatic situation such as the import ban arises, depends on what resources the individual exporter holds, and how these are mobilized. Today, the pelagic industry is very much consolidated, and consists mainly of few, but big companies. Such a structure brings both advantages and disadvantages, and is debated in Norway, but in the aftermath of the import ban, this structure has proven to be beneficial. Earlier, when the industry was not as consolidated as it is today, we could witness each market becoming a “war” between the many exporters. When there are few players, who also enhance significant resources, it becomes easier to coordinate the exports (Interviews 2016: Mordal, Nils Sperre AS).

The fact that the Norwegian exchange rate has been weaker due to falling oil prices, has also contributed to the fact that 2015 became a record year for the industry. A weaker exchange rate makes Norwegian exports more competitive relative to other countries, as goods and services become cheaper (Aarø 2015). The total quantity export of Norwegian seafood, calculated in tons, fell by 2 percent in 2015, compared with 2014. This development can be explained because of a significant decline in exports of cod, mackerel and herring. Moreover, a weaker NOK results in that a given amount paid in foreign money has been converted to a higher amount of NOK. The currency exchange rate of NOK explains a lot of the increase in the export value, but there is still a great demand after seafood in the market (Martinussen

---

The circulation of fish on the global markets is a complex process that is influenced by several factors. Since August 07, 2014, Norwegian seafood worth 8 billion NOK has been reallocated, without a significant depreciation in price-levels. As presented above, exchange-rate fluctuations, geopolitics, and veterinary issues are factors that influence the markets. The reason why the Norwegian seafood industry has fared relatively well after the import ban, may be explained by some solid work, and some coincidence and luck (Interview 2016: Mordal). Primarily, Norwegian exporters have reacted quickly to reposition their products. In order to do this, they have also partly benefited from the low herring quotas, a weak NOK, and a shuffling of trade routes. The improved access to the American market due to the weakened reputation of Chilean salmon, and the opening up of the markets that Iceland and the Faroe Islands left behind, when these countries reoriented to the Russian market in the wake of the import ban, are examples of such shuffling (Interviews 2016: Mordal, Nils Sperre AS). It is also reason to mention that the global demand for seafood is still greater than the overall production.

7.4 David Baldwin’s five components to analyze the successfulness of sanctions

If we sum up this chapter by using David Baldwin´s five components to analyze the successfulness of the import ban, it is reasonable to claim that:

1) The import ban has not been very effective in the sense of hurting the Norwegian economy and the seafood industry. Most of the products have been reallocated into other markets, and the export of Norwegian seafood is still highly profitable. However, to determine the effectiveness, we should also have in mind what Kremlin’s intention is. Effectiveness can also be measured as whether Russia considers the import ban as a successful tool to increase own degree of self-sufficiency, or uses it as a political statement.

2) Russia’s main cost is that the domestic market cannot offer the same supply as it could before the import ban was imposed. There have also been significant economic losses for Russian importers, supermarkets, hotels and restaurant that cannot offer
Norwegian seafood to the consumers anymore. There is still a great demand after Norwegian seafood, and especially Norwegian salmon in Russia.

3) Russia was an important market for Norwegian seafood, and there have been certain costs in forms of transaction costs for the Norwegian exporters. However, the industry has mainly succeeded in reallocating their products, and in some cases, the import ban has offered an opportunity to create new markets, as for trout and salmon.

4) In order to send a message, Russia used the import ban as a tool that Kremlin considered rational. The stakes would have been higher if they used some kind of measure that in a way could significantly risk their own economy. It is obvious that it is more important to impose a political statement to the Norwegian government, than to provide the Russian domestic market with Norwegian salmon and herring.

5) Some solid work and certain lucky coincidences have resulted in that the export from the Norwegian seafood industry has fared well. The stakes for Norway could have been worse if the import ban was imposed in previous years when the herring-quotas were significant bigger. In such a situation, it would have been extremely difficult for the Norwegian exporters to reallocate their volumes (Interview 2016: Nils Sperre AS). It would also have emerged difficulties for the salmon sector in the previous years back when the EU and USA were smaller markets than they are today (Interview 2016: Lofsgaard, Cermaq).

The findings from the impacts from the import ban and from the short analysis using Baldwin’s criteria of success, show us that consequences from the import ban on the Norwegian seafood industry has been rather limited so far. However, this was not obvious when the import ban was introduced.
7.5 Analysis - Reactions on the import ban within the Norwegian seafood industry

While previous trade barriers have been justified on the basis of veterinary attention, the ban on imports is a consequence of pure political nature. The bilateral contacts on the political level between Norway and Russia have been reduced after the Russian annexation of Crimea (Interview 2016: Bjørkum, The Norwegian Embassy in Moscow). The complete closure of the Russian market is a result of the Norwegian government’s decision to point comprehensive sanctions against Russia.

“I have noticed a few isolated incidents where some actors have questioned the government’s policy, but overall, the industry has remained very loyal and supportive of the government’s handling of the situation” (Interview 2016: Lillestøl, Ministry of Trade, Industry and Fisheries).

The Norwegian seafood industry has mainly supported the Norwegian government’s foreign policy towards Russia. This was no platitude. Firstly, there are obvious geographical factors involved. There is extensive sympathy towards Russia in the Northern part of the country. Russia liberated large parts of northern Norway during WWII. Secondly, for the exporters in Northern Norway, there are shorter distances to the Russian market than to the EU market, or other markets considering transportation costs. Another hypothesis could be that the pelagic industry could have expressed criticism towards the government policies, because this industry is not as profitable as the salmon sector, and is experiencing low quotas. In addition, the herring industry has been highly dependent in the Russian market.

Some of those who have expressed frustration over the import ban, regardless of sector, have stated:

“The sanctions against Russia have been very inconvenient. Russia accounted for 70 percent of our sales. The largest single market for Norwegian salmon in the world vanished overnight...We should have handled this differently. Norway does not have to follow the EU in everything they do. We could have acted as the Faroe Islands, who have chosen to maintain a decent relationship with Russia...It is not fair that we who are trying to conduct business shall be prevented by trade policy sanctions” – Ola Branaas, CEO and owner of Firda seafoods (Akervik and Nicolajsen 2016).
Helge Møgster who has assets in Austevoll Seafood and Lerøy, shares Braanas’ concern regarding the import ban:

“There is no doubt that we are frustrated. It's expensive to be strict with the "big boys"…On August 07, 2014 our 20 trailers fully loaded with fish on their way to Russia, had to turn back” (Akervik and Nicolajsen 2016).

However, both the perceptions of Seafood Norway, the industry’s largest interest group, officials from the Ministry of Trade, Industry and Fisheries and, respondents from the redfish and pelagic sector confirms that the government’s endorsement to the EU initiated sanctions has not been very contested within the seafood industry (Interviews 2016: Davidsen, Nils Sperre AS, NFD, Mordal).

Galtung (1967:389) writes that “political integration may occur if: 1) an economic sanction is considered as an attack on the group as a whole, not on only a fraction of it. 2) There is very weak identification with the attacker, preferably even negative identification, and 3) There is belief in the value of one’s own goals, in the sense that no alternative is seen as better”. If we follow this argument, it seems that the Norwegian seafood industry does not consider the import ban as specifically directed against itself. It is a common perception that the import ban is a result of “big politics” instead of a bilateral conflict between Norway and Russia. As mentioned earlier, Norway has traditionally strived to maintain good relations with Russia. Especially in the Northern part of the country, many people feel a certain affiliation with Russia due to geographical reasons, and are also grateful for the Red Army’s efforts on Norwegian territory during World War II. Nevertheless, the population’s opinions in the remaining parts are increasingly characterized by the government's statements after the Ukraine conflict and newspaper articles, where Russia is often featured in less pleasant terms. Anyway, Russia does not belong to the same security community as Norway, and a part of the safety philosophy that existed during the Cold War has revived when Russia `rattled their sabers` considering the conflict in Ukraine. Overall, the seafood industry has expressed an understanding of the Norwegian government’s decision to support the sanctions against Russia, and consider the government’s policy as legitimate.

Galtung also launches the naive theory of sanctions, arguing that there may be some kind of roughly proportionate relation between economic warfare and political disintegration: the more value-deprivation, the more political disintegration. However, this theory ignores the
possibility that the target may adapt to the sanctions. Martin (2002) claims that sanctions can affect the target to bear some transition costs as it orientates towards new trading partners. In the case of the Norwegian seafood, the industry has succeeded in reallocating their products in new- but also into already established markets, without suffering from significant price reductions and transition costs. Although, the companies in the different sectors had uneven assumptions to cope with the import ban, the seafood industry is still in overall highly profitable. It could easily be perceived as greedy, cynical and unprincipled if they criticized the government (Interview 2016, Davidsen, and SeafoodNorway)

“We have realized that we can`t do anything with the situation in Ukraine and Russia; therefore we have focused on the things we can do: to increase the proportion of Norwegian herring in other markets.” – Egil Magne Haugstad, CEO Pelagia (Nissen-Meyer 2015).

These findings are interesting if we compare them with Iceland, which was not affected by the import ban until August 2015. The export growth in pelagic species has been vital for the recovery of Iceland's economy since the collapse of the banking sector in 2008. Russian imports of Icelandic fish counted for up to 5 % of the country's overall exports, and the pelagic species are the most important exports both in terms of value and in terms of quantity (Reykjavik Economics 2016:37 - 45). There was a smaller extent of a `rally around the flag` effect within the seafood industry on Iceland than in the Norwegian one. On Iceland, several fishing magnates reacted with anger, arguing that the government should have declared neutrality over the Western sanctions (Elliott 2015). One explanation for these reactions could be that the seafood industry on Iceland, which is dominated by pelagic fisheries, oriented their exports largely towards the Russian market. Because of this, a greater share of the industry became vulnerable to the import ban. Another one could be that people on Iceland`s trust in central political institutions has been challenged since the financial crisis in 2008. A survey from 2014 showed that 54.7 percent of the respondents had little faith in the Icelandic parliament, while only 17.4 percent of the respondents expressed great faith in the government (Arnarsdóttir 2014). David Easton (1975) argues that that distrust in the political core institutions may affect the population's support for the political system as a whole.

Legitimacy refers to the extent domestic groups acknowledge the ruling regime’s right to govern, respect to the authorities, and defer to it. A highly legitimate state will be able to convince the domestic groups to accept economic losses in the long term interest of the state (Jackman 1993) (Blanchard and Ripsman 2008:379). Therefore, the lack of political trust and
political integration on Iceland, may explain the most hostile reactions from the seafood industry, pointed towards the government’s foreign policy.

7.6 A more united industry

It is constantly highlighted that Norway has a comparative advantage in seafood production. The experience from the import ban and trade barriers in other big markets, such as China, has proven that the Norwegian export is heavily depended in the European market, when political conflicts block the market access. Today, Norwegian exporters do not have any advantage when they are trading in the EU. Competing exporters in Chile, Faroe Islands and Iceland, operates on better conditions in the same market, in terms of lower customs for pelagic products and salmon (St.meld.nr.29 (2014-2015), p. 93). Measured by value, about 70 percent of the seafood exports from Norway face customs in the EU market. The total customs burden per year is currently estimated between 700 million and 1.1 billion NOK. For instance, smoked salmon is subject to a duty of 13 percent, while herring and mackerel face 15-20 percent, depending on to what degree the products are processed St.meld.nr.29 (2014-2015), p. 93). The seafood industry is on a generally basis not satisfied with the Norwegian authorities effort to facilitate for export. At SeafoodNorway’s annual conference in Bergen, April 06, 2016, the chairman Inger Marie Sperre stated that:

“The Norwegian authorities have to facilitate for trade with seafood, and not exclusively be the first one to support sanctions”.

The industry has in earlier years not succeeded in highlighting the challenges of market access into the EU and other big markets (Ingebrigtsen 2016). The industry has been characterized by fragmentation and internal battles. These battles have taken place at the expense of the promotion of a better trade agreement with the EU towards the politicians (Sperre I.M. 2016). For instance, there has been widespread disagreement with the Food Safety Authority related to the environmental requirements for production; some actors within the industry have also expressed frustration regarding lack of coordination between the fish farmers, and between the government bodies.

The industry consists of several interest organizations such as the biggest ones; Seafood Norway (in Norwegian: SjømatNorge), The Norwegian Seafood Association (Norges
Sjømatbedrifters Landsforening)\(^{19}\), The Norwegian Fishermen’s Association (Norges Fiskarlag) and The Norwegian Fishing Vessel Owners Association (Fiskebåt)\(^{20}\). The two former covers the whole value chain in the industry, while the two latter are oriented towards the fishing fleet. The seafood industry is rather consolidated and there are several large companies, both in the aquaculture- and the fisheries industry. Especially Marine Harvest (MH), by far the largest and most powerful player in the Norwegian aquaculture industry, has disagreed on what kind of mandate SeafoodNorway should have. According to the enterprise’s chief communications officer, Kristine Gramstad, Marine Harvest preferred that the SeafoodNorway should not emerge as an organization with a political agenda. The enterprise did also disagree in the way decisions were made, and how the industry should grow in the future considering sustainable production (iLaks 2015). Marine Harvest decided to withdraw from the organization in March, 2015, and this made it easier for Seafood Norway `to speak with one voice`, said former chairman in FHL (switched name to SeafoodNorway March 26, 2015), Gunnar Domstein (NTB 2015). Over the previous years, Seafood Norway and NSL have improved their co-operation regarding the promotion of better market access (Interview 2016: Mordal). On initiative from Seafood Norway, the Seafood Alliance was established in August 2014. The mission was to establish a community of interest between the organizations in the seafood industry. The Seafood Alliance calls for specific content in Norwegian trade policy that favors the offensive industries. When the government considers new trading partners, the interests of offensive export oriented industries should be given priority. Furthermore, the Seafood Alliances stresses that significant improvement requires specific policy initiatives, and especially improved market access in the EU require real negotiations (Ingebrigtsen 2016). The alliance’s ambition is that Norwegian seafood exporters are granted equivalent terms as its competing exporters, or preferably free access at the EU-market (INTRAFISH-editorial 2016). The establishment of the alliance was planned from spring 2014, before the import ban was introduced.

\(^{19}\) The Norwegian Seafood Association (Norges Sjømatbedrifters Landsforening) is another interest organization that aims to attract the fishing, aquaculture and seafood processing industry of Norway in order to promote their common interests. NSL is similar to Seafood Norway, but is a smaller organization.

\(^{20}\) The Norwegian Fishing Vessel Owners Association (Fiskebåt) is Norway’s major organization for owners of oceangoing fishing vessels and a leading lobby organization on most fishery related issues
“The Seafood Alliance was planned, because of the major challenges the seafood industry meets in especially the EU, and other big international markets, in general. Therefore, it would not be correct to say that the import ban from August 2014 directly contributed to the establishment of the Seafood Alliance. However, we may claim that all the challenges we’ve experienced in trade with Russia in the previous years have constituted “a part of the larger picture”, where the industry faces persist and increased barriers in many countries” (Interview 2016: Alnes, The Seafood Alliance).

There is a growing recognition all over in the industry, that export dependency and market access are something everyone has to adhere to. Before the Seafood Alliance was planned, there was a lack of focus concerning improvement of the market access within the industry (Interview 2016: Nils Sperre AS). The creation of the Seafood Alliance provides motivation, and shows that the industry is able to cooperate (Ingebrigtsen, 2016). What we can assert, is that the import ban has made the importance of cooperation through communities such as the Seafood Alliance and SeafoodNorway more visible, by paying attention to the industry’s challenges. Now, especially SeafoodNorway seems strong regarding the extensive agreement of the idea that improved market access should be the industry’s main priority.

“Seafood Norway is now stronger than before. The organization has never been so close to politicians and lobbying as much as we are now, primarily for finished products” (Interview 2016: Nils Sperre AS).

The consequences from the import ban on the industry, and the fact that the media pay’s attention to the import ban, contributes to that the industry increasingly has identified the benefits of cooperating and unification to position their demands to the politicians, who are the ones who can actually do something to improve the market access. The industry does also obtain attention in the media due to its achievements regarding new records of profitability, which has characterized the seafood industry the recent years. This is positive in the sense that most people become more aware of the importance of the industry. Nevertheless, the industry needs to act strategic concerning the opportunities to benefit from the attention, to improve its position in the political landscape. It has to prevent that the politicians may start to think that the seafood industry is highly profitable despite the limited market access. Up until now, the industry has not enhanced a strong influence on political decisions due to its position in the political landscape. A composite unit has heavier impact. It is therefore important that the industry appears to agree, although there should be headroom and opportunities to debate
disagreements. Today, the industry unites in that better market access should be the main priority. There is political consensus considering that market access should be given priority. Nevertheless, the industry represented by the leader for The Norwegian Fishermen’s Association, Kjell Ingebrigtsen, and the chairman for SeafoodNorway, Inger Marie Sperre, calls for that political agreement is followed by “bold political decisions” (Ingebrigtsen 2016) (Sperre 2016).

### 7.7 Interactions between the government and the industry in the wake of the import ban

The Norwegian seafood industry has to deal with several actors who represent the Norwegian authorities. The Norwegian Food Safety Authority (NFSA) is a governmental body that regulates and controls the safety and healthiness of food and drinking water, to ensure the consumers safety and health. It also promotes plant, fish and animal health, and ethical keeping of animals and environmentally sustainable production. NFSA drafts and provide information on legislation, perform risk-based inspections, monitor food safety as well the health of the organism involved, and provide updates on relevant developments and prepares plans for emergencies. NFSA is among the advisory bodies to the Ministry of Trade, Industry and Fisheries. This ministry generally has the closest relations to the seafood industry. Moreover, in issues regarding trade, this ministry consults with the Ministry of Foreign Affairs.

*The Norwegian authorities may be defined as a “three-headed troll” dealing with the seafood industry. The three heads illustrates the Ministry of Foreign Affairs, the Ministry of Trade, Industry and Fisheries, and the National Food Safety Authority (Interview 2016: Mordal).*

If the authorities are to succeed in facilitating for the industry in a decent way, the government bodies have to coordinate and agree on the regulations that the industry abides to. This may sometimes present challenges.

The Ministry of Trade, Industry and Fisheries quickly contacted the seafood industry’s interest organizations after the import ban was introduced, to discuss ways of limiting the presumed harmful effects. Before meetings took place, the Ministry discussed the potential

consequences involved and what kind of measures those were possible and appropriate to implement (Interview 2016, Lillestøl). On August 07, the Ministry called for a meeting with the seafood industry’s interest organizations to discuss what kind of measures, both the ministry and department considered as meaningful. Ahead of the meeting, the interest organization FHL, now known as SeafoodNorway, sent a letter to the ministry. The letter concerned what measures SeafoodNorway regarded as necessary in a short- and long-term perspective. Due to the potential economic losses involved, it did not come as a surprise that SeafoodNorway contacted the Norwegian government to assist the industry in its adjustment to the new circumstances. The Norwegian seafood industry did not demand any financial subsidies from the government, such as price support or export subsidies (Interview 2016: Lillestøl, Ministry of Trade, Industry and Fishery). This can be explained from both a certain degree of pride, and due to the fact that the exporters did not want to put themselves in a position where one could experience penalties, in terms of access in other markets (Interview 2016: Davidsen, SeafoodNorway). The financial subsidies to fisheries were removed in the 90s, while the aquaculture industry has never received any subsidies. The seafood industry is an offensive industry with a well-developed culture for managing itself.

The proposals of measures from SeafoodNorway were:

1) Consecutive considerations whether it should be implemented heightened generic marketing and campaign work in cooperation between the industry and the Norwegian Seafood Council, with the mission to stimulate increased sales in markets other than the Russian.

2) In short term, flexibility in the MAB (maximum allowed biomass)-regulations for salmon farming needs to be established to avoid unnecessary slaughter, and to adapt the slaughtering to the market. Such flexibility must be laid at the concession level.

3) There are needs for more pervasive adjustments for trout farmers to give them time to develop alternative markets. More long-term changes in MAB -regulations for the trout producers should therefore be carried out.

---

22 Letter from FHL (Seafood Norway) to the Ministry of Trade, Industry and Fisheries, sent August 11, 2014.
23 The given MAB (maximum allowed biomass) determines how much living fish license holder can store in the sea at any time.
4) Full quota flexibility in the herring fishery should be introduced so that the remaining quotas from 2014 can be transferred to 2015. This will be useful to avoid unnecessary volumes in the market in the short term, and will provide time to develop alternative markets.

5) Norwegian authorities must ensure that catches from the Norwegian fishing fleet ends up in Russia via landings in Iceland and the Faroe Islands. This will contribute to ensure that Russia is not able to secure their food supply while they damage economic interests in Norway and EU.

6) Norwegian authorities should have a special focus on the Ukrainian market, which is negatively affected by the war in the eastern Ukraine. Consideration should be given to provide assistance programs with the purpose to use the stored amounts of herring and liver-products for aid purposes.

7) The herring sector largely export to markets characterized by unsafe/unstable conditions. Norwegian authorities should investigate the opportunities to improve credit insurance and export financing to these markets.

8) Norwegian authorities should initiate contact to credit insurers to prevent that the exporters end up with major liquidity concerns related to lack of payments from Russian customers.

9) Reinforce the veterinary cooperation with Ukraine and negotiate with Ukrainian authorities for liquidation of inductive tariffs to remove unnecessary barrier to exports to the country.

10) Work with the EU to quickly restoration of the duty-free quota of 6,000 tons of processed herring to the EU - market. This quota is suspended due to the negotiations on the funds of the European Economic Agreement, and there are dangers for other pelagic tariff quotas in the EU - market.

The Norwegian authorities were largely responsive to Seafood Norway's proposal and decided to implement following measures:
- A temporarily increase of the maximum permitted biomass at the concession level by 6 percent for salmon, and 20 percent for trout, to ensure certain flexibility for the fish farmers, to avoid immediately slaughtering.

- Extend the scheme regarding the flexibility to transfer fishing quota of Norwegian spring-spawning herring from 2014 to 2015, to 20 percent of the vessel’s quota.

- Increase the funds for the marketing of salmon, trout and pelagic fish organized by the Seafood Council.

- The Norwegian Export Credit Guarantee Agency’s (GIEK) can now use developing country scheme to insure GIEK Credit Insurance’s new and existing policies without defaults for buyers in Ukraine. Because of a loss fund linked to developing country scheme GIEK can thus take more risks.

- Initiate a closer cooperation between Ukrainian and Norwegian veterinary authorities.

- Establish a bilateral commission for trade, commercial and economic cooperation between Norway and Ukraine, with the mission to improve the market conditions for Norwegian seafood industry in Ukraine.

- Initiate contact with the authorities on Faroe Islands with the purpose to abolish their export levies on 2 DKK per. kilo for herring and mackerel landed in Norway.

Considering the proposals from Seafood Norway there seems to be a large proportion of realism and sobriety of what the industry actually expects from the Norwegian government. The Norwegian government decided to support the offensive comprehensive EU-initiated sanctions against Russia, and Russia answered with countersanctions that hit the Norwegian seafood sector. If we compare the import ban with previous incidents such as the veterinary

---

24 "The Norwegian Export Credit Guarantee Agency (GIEK) is a public enterprise under the Ministry of Trade, Industry and Fisheries and issues guarantees on behalf of the Norwegian state. GIEK’s mandate is to promote Norwegian exports, ensure Norwegian value creation and serve as a good financial partner and adviser for Norwegian exporters by issuing guarantees on behalf of the state. GIEK is a supplement to the commercial banking market, with financial results that will break even over time”. GIEK (2016). "About GIEK." Retrieved April 23, 2016, from http://www.giek.no/en/om_giek.
issues related export to the Russian market, or the trade barriers the Norwegian seafood exporters have faced in China after the Nobel-prize awarding from 2010; Norwegian authorities have been able to work much more actively to deal with these cases than in the case of the import ban (Interview 2016: Davidsen, SeafoodNorway). The Norwegian seafood industry has realized that the direct trade between Russia and Norway is “frozen”, and that the import ban is a consequence of a political conflict superior to the national level. There is therefore a widespread recognition of what the government actually can do to improve the market access in Russia. Due to the fact that import ban is “backfiring” the Russian importers, super markets, hotels and restaurants who suffers from the lack of Norwegian seafood, it is obvious that the import ban also has a symbolic effect. It is not simply a punitive measure directed towards the Norwegian seafood industry, nor is it a measure which only mission is to increase Russia’s degree of food self-sufficiency. Therefore, there is evidence to claim that the import ban also is a political statement pointed at those who endorses the EU-sanctions against Russia. Hovi (2005), Kirshner (1997) and Baldwin (1999), all claim that sanctions may also have a composite measure, partly with the intention to send a symbolic statement towards the recipient of the sanctions, rather than to compel the target to change its behavior. This argument obtains additional support, when Russian veterinary inspectors want to visit Norwegian production facilities, although Russia officially does not import Norwegian seafood. Russian authorities are aware of that Norwegian seafood end up at the Russian market.

If we investigate the Norwegian authorities list of implemented measures above, these measures can be divided into two different categories. The first one is the domestic measures, pointed at the production in Norway, while the second one is measures regarding facilitation for exports into alternative markets. The latter depends on the Norwegian authorities’ ability to use their already established channels that are, in terms of trading with seafood; the reinforcement of these, and additionally, the creation of new ones.
7.8 The Norwegian authorities’ measures abroad after the Import Ban

The Norwegian seafood industry is regarded as a relative independent industry that is able to manage itself, and by this achieve good results. However, the industry seems to appreciate the effort the Norwegian Seafood Council has put in the last couple of years. Most of the exporters believe that they receive great value from the fee, which finances the activities of the Seafood Council. The pelagic sector cannot offer the same ‘brand’ as Norwegian salmon, and depends on the Norwegian Seafood Council’s generic marketing campaigns. The seafood council is currently working to establish Norwegian mackerel as a brand in the American market (Torsvik 2015). The Seafood Council coordinates their work with the Norwegian embassies, and in many countries, they are even physically located in the same buildings as the embassies. The embassies and the Ministry of Foreign Affairs are considered as a key actor for the export of Norwegian seafood. Norwegian authorities are essential to open channels to operators abroad. An exporter does not share the same network and communication lines as the authorities do. For instance, if an exporter want’s to clarify an issue regarding trade with the Ministry of Fisheries in Russia or another country, they will benefit an embassy or the Seafood Council deals with these kind of issues (Interview 2016: Nils Sperre AS).

The Norwegian government has not succeeded in increasing the market access in Ukraine. Anyway, the embassy in Kiev has been offensive and assisted the Norwegian seafood exporters in difficult individual cases (Interview 2016: Mordal). In the wake of the import-ban, the Norwegian government did put in place certain agreements in Ukraine. Such agreements referred to the education of Ukrainian veterinaries, reforms of the national veterinary system and the signing of a deal concerning trade, economy and business - where working groups from each country are supposed to meet once in a year (Helgerud 2014). However, some basic elements in today’s Ukraine, complicates trade. From 2013-2015, the trading between Norway and Ukraine, decreased by 50 percent. The Norwegian government also tried to facilitate for Ukrainian seafood buyers by allowing them to use The Norwegian Export Credit Guarantee Agency's (GIEK) developing country scheme. However, GIEK quickly decided to reduce the coverage rate when they considered that the risk of loss had increased significantly, says Steffen Skaar, leader for the fish and seafood department in GIEK (Haanes 2015). We cannot blame the Norwegian government for this development,
because it is a result of the difficult situation in Ukraine (Interview 2016: Mordal). The import ban has not made Norwegian exporters frightened of possible trading with Russia and Ukraine in the future. Seafood Norway and many of the Norwegian exporters still maintains their connections in these two countries, and especially those they know are able to pay for the products. This is a wise attitude, even though no one knows when the situation will be stabilized in Ukraine, and when the Russian import ban will repeal (Interviews 2016: Lofsgaard, Cermaq and Nils Sperre AS). For the Norwegian salmon sector, it is positive that the Faroe Islands supply the Russian market with fresh filet, while Norway is banned. This contribute to that the product category of fresh salmon is upheld in the market, and is likely to ease the marketing of Norwegian salmon whenever the import ban repeals (Interview 2016: Mordal). The political cooperation between Norway and Russia has diminished largely after the annexation of Crimea, but there are still some areas of cooperation, where both Norway and Russia have common interests that still are maintained. These include environmental issues, nuclear safety, and the common management of fish stocks in the Barents Sea (Interview 2016). The Norwegian Food Safety authority has also maintained their co-operation with the Russian veterinary services while the import ban has worked. Throughout 2015, Belarus grew to become the most important market for Norwegian trout. During the first six months in 2015, the export was more than doubled compared with the equivalent period in 2014. In August 2015, fourteen Norwegian trout exporters were suddenly excluded from the customs union. The previous month, the Norwegian Food Safety Authority received a letter from the Russian veterinary services, who were enquiring about visiting Norwegian fish farmers, despite of the import ban. After consulting with Seafood Norway and some negotiations with both the Belarusian and Russian veterinary services, NSFA facilitated for inspections in September for both Belarusian and Russian inspectors. Veterinary services from other countries within the Customs Union were invited as well. The visit had a certain positive impact, as six of the fourteen trout exporters who previously had lost access to the customs union, got their license back, regarding market access to the custom union. (SeafoodNorway 2016:36).

SeafoodNorway which represents the exporters, has maintained close and continuous dialogue with the Norwegian authorities through the time of the import ban’s existence. SeafoodNorway, the exporters, and the Ministry of Trade, Industry and Fisheries are pleased with this co-operation (Interviews, 2016). Nevertheless, on a general basis, the seafood
industry is not pleased with the Norwegian government’s effort to ensure market access in global markets.

7.9 The Norwegian government’s effort to provide improved access to the EU-market

“The Seafood Council has done a good job by facilitating for Norwegian products where we have market access, but in general, the government has not done enough to gain access to foreign markets” (Interview 2016: Nils Sperre AS).

The EU market is constantly cited as the prime example regarding where the Norwegian authorities have not done enough to provide satisfactory market access for the seafood exporters. In the case of improving market access to the EU, there is a perception within the industry that the Norwegian authorities have been weak and evasive (Interview 2016: Nils Sperre AS). The Norwegian minister of Fisheries, Per Sandberg stated in a speech at Seafood Norway’s annual conference in April 2016, that the Norwegian seafood industry has to adapt to the markets and the increased competition. Moreover, the minister admitted that the export’s most essential success criteria is access to the customers and the markets, and that there is a need to improve the industry’s market access. The government is mainly working through EFTA to establish new trade agreements in Asia, the BRIC countries and Australia. However, the EFTA-member states have deviant interests. For instance, it has proven difficult to establish “a united force”, and convince other members such as Switzerland, which does not have any interests regarding export of seafood, to support the Norwegian effort to establish new agreements related to this interest area. The minister also confirmed that the government will put in effort to promote free-trade of seafood with the EU, but this is a demanding and complicated process – at least in terms of processed products (Sandberg 2016).

Being a member of the European Economic Agreement, Norway, Iceland and Lichtenstein receives membership in the EU’s internal market similar to the EU-member states. Nevertheless, policy areas concerning seafood and agriculture are not included in the agreement. In 2015, Norway negotiated with the EU in three different sectors: fish,
agriculture and the EEA funds. There are also negotiations related to other areas, but the three mentioned above, are the most relevant within the Norwegian trade-policy (Melchior and Sverdrup 2015:74). The EEA funds are Norway's contribution to reducing social and economic disparities in Europe, and also contribute to strengthen the contact and cooperation between Norway and the 16 countries that benefits from the funds (Regjeringen 2014d). The funds as a financing scheme are not officially a part of the EEA Agreement. However, it is well known that there is a certain connection - as Norway has to contribute financially to benefit from the access to the EU`s internal market. The negotiations concerning agriculture are mainly about EU`s market access in Norway (Melchior and Sverdrup 2015:74), while the seafood negotiations, concerns the access of Norwegian seafood in the EU market. The Norwegian government has traditionally done well in separating the negotiations of agriculture and seafood. Over the years, the Norwegian agriculture industry has succeeded to position itself in the political landscape and by this gained significant influence in the negotiations. There is obvious that the Norwegian protectionism of its own agriculture affects the terms of seafood export into the EU market. It`s in the interest of the seafood industry that the Norwegian government removes some of the trade barriers that EU`s agriculture commodities face in the Norwegian market. Seafood Norway has so far been cautious in “taking the fight” with the agriculture industry (Interviews 2016: Mordal and Nils Sperre AS). If the Norwegian government should demand improved terms for the seafood export into the EU market, it is also likely that the EU will promote counterclaims not only linked to better terms for their own agricultural products in the Norwegian market, but also demands of increased fishing quotas in the Norwegian economic zone (Sandberg, 2016). In addition there are several member states in the EU, such as Ireland, Scotland and Shetland who have no interest in better terms for Norwegian seafood and increased competition in the EU market, something that further complicates the situation. In July 2015, the Norwegian government managed to negotiate a new deal with the EU regarding EEA funds and the terms for the Norwegian seafood. The salmon exporters aim to obtain large cuts of the customs that salmon faces, but also in 2015 the Norwegian government failed to obtain such cuts. Nevertheless, the negotiations resulted in new duty free quotas, and an increase in earlier quotas for certain mackerel and herring products (BT 2015). However, the agreement is not yet approved by the European Parliament. According to the Minister of Fisheries, Per Sandberg, the seafood industry has to remain patient. It takes time to resolve issues in the Norwegian political system, and especially within the EU system.
7.10 From “Blue cowboys” to transnational enterprises

By investigating the seafood industry and how long time it has spent to agree and co-ordinate their interests regarding market access, and by this positioning itself in the political landscape, we can state that this has also been a lengthy process.

“The actors in the seafood industry have been characterized as "Cowboys, out on the blue field" where one has operated in a short time perspective and lived from day to day, but the industry has also managed to “plow new markets“ and has proven to be adaptable” (Interview 2016: Lofsgaard, Cermaq).

The Norwegian seafood industry has traditionally been a small-scale industry consisting of a considerable number of family-owned businesses. This has brought certain consequences. For example, the access to financial capital has mainly been local and limited. Only in the recent years have we witnessed a significant expansion of the funding base, oriented towards the national financial market and international financing through stock exchange listings. The salmon farming industry has led the way in the significant changes which have occurred in the financing and ownership within the seafood industry. As the industry has grown and become more capital intensive, access to capital is now more critical. Changes in ownership structures, includes consolidation into larger companies and stock exchange listings of companies (Aasche and Tvedterås 2011:131-137). While the largest salmon and trout producers have their own sales departments, the small and medium-sized companies export their products through professional traders. The traders are professional exporting companies that are extremely diverse. They can be small privately owned traders that exclusively sells salmon and trout from independent producers, or larger sales companies that sells a variety of different types of seafood. In addition, there are companies vertically integrated into transnational enterprises, and pure sales companies that also operate fish farms. A direct comparison of these companies is not an easy task (iLaks 2014).

We can find the same trend regarding consolidation in the pelagic industry. The last fifteen years are characterized by series of mergers and acquisitions, and the industry has turned rather concentrated with a few dominant and large players. There are not only bilateral and regional trade agreements that have an impact on whether an exporter succeeds in their sales. Also the individual company's capabilities and opportunities to adapt their activities and resources to the different markets, determine the extent to achieve influence. Strategic
capabilities does also enhance resources such as partners or suppliers; while competences are the ways those assets are deployed effectively (Johnson et al 2011:84). The import ban resulted in that the Norwegian seafood exporters’ environment has changed. For exporters that enjoys the benefits from a large and strong organization with great resources and competence, it has been easier to deal with adaption into other markets. These players pay attention to the development in different foreign markets. They possess significant strategic resources, such as employers with different language skills, marketing and sales departments and, extensive networks. Such strategic capabilities may contribute to the long-term survival or competitive advantage for an organization.

7.11 SWOT-Analysis

To investigate the pelagic sector and the redfish sector assumptions to handle the import ban, which was a dramatic change in their environments; we have to identify their strategic capabilities and position. In this sense it can be helpful to conduct a SWOT-analysis. The SWOT-analysis is sometimes described as a superficial tool, which does not indicate the specific strengths of an organization. Even if one identifies general strengths, the SWOT-analysis does not contribute to explain the underlying factors that lead to the strengths (Johnson et. al, 2011:106). Nevertheless, by identifying the threats and opportunities that arose, and putting these in context with each sector’s strategic capabilities, we can gain an overall picture of each sector’s strategic position in the market.

7.12 The Pelagic Sector

The pelagic sector’s greatest strength is that the industry is very much consolidated. The exporters enhance large organizations with great resources in terms of administrative, financial and human resources and extensive networks. These resources, combined with the fact that there are few competing actors, made it easier for the exporters to co-ordinate their activities when they had to reallocate their products into alternative markets. The pelagic sector is characterized by that the exporters co-operate and consults with each other, something that provides them with a greater overview of the developments in the different
markets (Interview 2016: Nils Sperre AS). The exporters have also established tight connections and cooperate closely with their suppliers and customers through long term relations. This gives the industry a certain benefit, when they are increasing their exports into established markets (Abrahamsen & Håkansson 2014). Considering market access, there are certain differences in terms of the pelagic products. While most of the mackerel are exported to stable markets in Asia, the herring is more vulnerable, but both products have a good reputation in terms of quality and sustainability (Interview 2016: Nils Sperre AS).

The herring sector has traditionally depended in a few markets, something that has to be considered as a weakness. This dependence is particularly evident, when important markets such as Ukraine, Nigeria and Russia, in recent years has proved to be unstable. These are also markets where the Norwegian Export Credit Guarantee Agency’s (GIEK) has also been important. The pelagic products do not enhance strong “global brands”. This makes it more difficult to introduce the products into new markets, and makes the exporters dependent in the Norwegian Seafood Council’s marketing. Seen in light of the import ban, the previous years’ low quotas- have been “a stroke of good luck” for the herring sector, because it would have been challenging to export larger volumes, without access to the Russian market. However, the herring sector has traditionally struggled with low profitability and overcapacity due to competition in the purchases of the captures.

When Iceland increased their exports to the Russian market after the import-ban in 2014, it created new opportunities in some of the markets where Iceland, traditionally had put their volumes. Nevertheless, when Iceland in August 2015, also became a target to the import ban, the competition increased in these markets. The exporters experienced a certain shuffling in the trade routes, but as of now, they don’t perceive that they have benefited from this reorientation (Interview 2016: Nils Sperre AS), at least in a short term perspective.

Few things suggest that the herring quotas will increase over the next few years. This threatens the profitability of the industry. Moreover, the industry worries about the attractiveness of herring among the younger generations in the traditional important markets in eastern-Europe. Another threat is the future access to the EU-market and increased
competition at this market as a consequence of the possible free-trade agreement regarding Canadian seafood, and if TTIP\textsuperscript{25} is realized.

7.13 The Redfish sector

The export of salmon has continued its adventurous growth the last couple of years, at least considering value. The Norwegian salmon brand is strong, and has gradually become well-known and positioned in several markets around the world. If the import ban had been imposed 3-4 years ago, the exporters would have struggled significant more than they have done since August 2014 (Interview 2016: Lofsgaard, Cermaq). This strong brand makes it possible for the exporters to reallocate their products into new markets within a short period of time. The relationship between the buyer and seller in the redfish industry is more oriented towards one-to-one oriented relations, which make it easier to coordinate the trade, as the numbers of trade-links are minimized. Like the pelagic sector, the salmon sector also consists of several exporters that possess large organizations with significant strategic resources. Due to the exporters earlier experiences concerning the unpredictability in the Russian market, there were some exporters that had established credit lines in alternative markets before the import ban was imposed (Interview 2016: Lofsgaard, Cermaq). The trout sector was more depended on the Russian market, but it has fared rather well despite the import ban. Due to the fact that a lion’s share of the trout export is organized under the same “umbrella” as the salmon export, the trout-sector often share some of the benefits from the strategic capabilities that the salmon sector enjoys.

It is difficult to point out any obvious weaknesses in the redfish industry. But it is worth mentioning that the Aquaculture industry in Norway “suffers” from a poor reputation regarding ecological growth, even though some of the criticism is unjustified.

Some of the redfish exporters identified an opportunity to develop new markets, while the import ban has been ongoing. By doing this, they now enhance “more legs to lean on”, especially within the EU-market. As the redfish sector has increased its position in the market, it may be possible for the Norwegian exporters to increase the propensity to promote

\textsuperscript{25} The Transatlantic Trade and Investment Partnership (TTIP) is a proposed trade agreement between the European Union and the United States, with the aim of promoting trade and multilateral economic growth
counterclaims in future negotiations considering exports to Russia, if the import ban will cease (Interview 2016: Lofsgaard, Cermaq).

The salmon industry’s problems with lice and the strict regulations from the Norwegian government that prevents further growth in production, as long as the level of lice exceeds the authorities standards, is considered as a possible threat to further growth in the export.

As a consequence of the development nowadays, with major regional trade agreements, it becomes difficult for small states that have limited resources (Interview 2016: Lofsgaard, Cermaq).

Similar to the pelagic sector, the salmon exporters do also fear the possible consequences of increased competition in the future EU market. Norwegian salmon is a globally sought product and benefits from its reputation. In a long term perspective, the Russian imports of frozen salmon from Chile is not likely to compete with fresh Norwegian salmon if the import ban will be repealed. Fresh products are known as better products than frozen ones. Faroe Island may offer some competition, but so far, the Russian imports of these products have not covered the same volumes as Norwegian salmon did.

7.14 Summary SWOT – Analysis

The SWOT-analysis tells us that there are major differences between pelagic and red fish sector, regarding profitability and access to markets. Both sectors enhance significant strategic capabilities, which have been crucial, especially for the pelagic sector, in dealing with the import ban. Nevertheless, even though the pelagic sector has fared okay, coincidences such as the low quotas have made a greater impact for this sector than for the salmon sector, which so far has continued its adventurous growth. There is evidence to claim that the salmon sector has fewer weaknesses than the pelagic. While the import ban has worked, the salmon sector has seized the opportunity to create new markets, while the pelagic sector seems to have been more concerned with limiting its losses. Both sectors worry about the increasing competition that external factors such as the possible TTIP-agreement between USA and EU may bring with. Moreover, the herring exporters are also concerned with the general demand after herring in the markets, while we cannot find a similar concern within the salmon industry.
8 Conclusion

This thesis has attempted to investigate how the Norwegian seafood industry has been affected by the Russian import ban from August 07, 2014, and which resources the industry and the Norwegian government have mobilized to face the challenges that arose, as consequences of the import ban. The import ban has illustrated a dramatic change, as an important single market suddenly disappeared. I have emphasized the export-oriented part of the industry, focusing on the redfish and pelagic sector. These were the two sectors that depended most on the Russian market.

To investigate the research question, there has been used several methods to collect data. According to Mathieson, a good research practice obligates the researcher to use multiple methods, to enhance the research validity. The findings is based on document studies, participation in SeafoodNorway`s annual conference, and interviews with people with different affiliation to the seafood industry. The respondents are government officials, consultants, representatives from the industry`s interest organizations and exporters of pelagic fish and salmon. However, even though I have conducted interviews with both respondents from the pelagic sector and the redfish sector, these respondents are representing some of the biggest companies in each sector, which enhances both processing facilities and that exports their own products. Considering the structure in the redfish and the pelagic sector, this is primarily a problem pertained to the findings` repetitiveness for the redfish sector. The exporters in the pelagic sector consist mainly of large actors that possess significant resources and competences, while the structure in the redfish sector is more diverse, consisting of both enormous enterprises and smaller local players. The smaller ones are often exporting their products via traders. I have contacted some of the traders that represent the smaller redfish producers, without receiving any response. Case studies are often pertained to a low extent of external validity and the lack of representatives from the traders in this study, contributes further to such a supposition. Nevertheless, I have interviewed respondents that enhances significant insight about the developments in the seafood industry, and the main expression considering the redfish export, is that this sector is highly profitable for all the actor`s involved. However, it would have been interesting to investigate if there have occurred any changes in the relationships between the fish farmers and the traders while the import ban has worked.
The research question(s) is relatively broad and comprehensive, and includes a complex interplay of several factors. These are external factors such as geopolitical considerations and Norwegian seafood exporters` position in- and access to international seafood markets. Examples of internal factors are the organization of the seafood industry and the relationship between the seafood industry and the authorities in Norway. Therefore, a large number of different contributions building on different theoretical approaches have been used to answer the research question. The decision to use several theoretical approaches, draws support from Jonathan Kirshner (1997), who claims that the debate over sanctions should switch focus from whether sanctions work or not, towards how sanctions are functioning. Furthermore, Kirshner argues that it has to be emphasized how different groups within the target state are affected from economic sanctions, and how the consequences vary in regard to forms of statecraft chosen. In this thesis I have also emphasized to explain what the sanctions are a result of, something that influences the targeted actors` maneuvers to adapt to the sanctions. The fact that there is a need to use several different theories to explain an outcome is not sensational. The different theoretical approaches do not necessarily have to be incompatible, especially not if they are used with the mission to explain the outcome of many different processes, which later are connected to explain the outcome through “a bigger picture”.

I have used geopolitical theory to explain the context the import ban works within, and to enlighten the readers that the Russian ban on imports is a result of “big politics”. The Norwegian seafood industry has been affected by spillover effects from a geopolitical conflict between Russia and the West. Even though it has been argued that the debate over sanctions should emphasize how sanctions are functioning, it is still useful to include an analysis regarding the successfulness of sanctions, to gain an understanding of how they are functioning. The impact from sanctions will affect the receiver`s perceptions considering to what extent they have to adapt and mobilize resources, to face the changes within the environments they operate within. Therefore, I have conducted a short analysis, using David Baldwin`s five different components regarding the effectiveness of the sanctions, and the costs and stakes that are involved for both the sender and the target. The result of this analysis indicates that the impact from the import ban has been rather limited, and it is likely that the import ban also was a symbolic action to signal that Russia does not regard the Norwegian support to the EU-initiated sanctions as legitimate. Furthermore, Russia has officially stated that the import ban is a strategic measure in order to increase their own degree of self-sufficiency regarding food-production. David Baldwin also stresses that the success of the
imposition of an economic sanction is measured from the values that are important to the policymaker. There is still a demand after Norwegian seafood at the Russian market, and the Russian veterinary authorities have requested to visit Norwegian seafood production facilities. They have also co-operated with Norwegian food safety authorities while the import ban has been ongoing. This proves that Russian authorities accept that certain volumes of Norwegian seafood end up at the Russian market, as long as it is exported through Belarus. The claim that the import ban may also have a symbolic meaning is underpinned by scholars such as Kirshner (1997), Baldwin (1999) and Hovi et al. (2005).

Furthermore, three hypotheses in the thesis were put forward. To research these hypothesis, I have used theoretical contributions such as Martin (2002), regarding how transaction costs may affect the relationship between a targeted sector and the industry. Another contribution is Galtung (1967), who argues that sanctions may be regarded among the population in the targeted state as an attack from the outside, something that can lead to increased political integration. These two theoretical approaches have been used to explain how the seafood industry has reacted to the import ban. In addition, I have carried out a SWOT analysis to present the different assumptions that the redfish- and pelagic sector in the Norwegian seafood industry enhance, to adapt to changes in their environments.

HI – The Norwegian Seafood Industry has been resistant as a result of a close co-operation between the industry and the authorities.

When the import ban was imposed, The Norwegian Ministry of Trade, Industry and Fisheries initiated dialogue with the industry at an early stage. Both the industry and the authorities consulted with each other to limit the industry’s possible losses from the import ban, and the Ministry was highly responsive to the measures that the industry came up with. However, the measures that the authorities implemented, were measures that would help and assist the Norwegian exporters to reallocate their products in other markets within a short term perspective. Even though the political relationship between Norway and Russia has “frozen” since the Russian annexation of Crimea, the Norwegian government has strived to maintain good relations with Russia through established areas of cooperation such as the joint fisheries management and environmental protection. In addition to these measures, the Norwegian
food safety authority has co-operated with the federal veterinary services in Russia in order to facilitate for the export of Norwegian seafood to Russia via Belarus.

The seafood industry is rather independent and profitable, and it has not received any governmental subsidies over the previous twenty years. Today, the globally overall demand exceeds the overall productivity. The industry has been satisfied with the co-operation with the government while the import ban has been ongoing. Nevertheless, it would not be right to state that the industry has been resistant and fared well because of a close co-operation with the government, as Hypothesis 1 alleges. Due to increased competition and the requirements of profitability and other expressions of economic sustainability, frequent acquisitions, mergers and consolidation have characterized the seafood industry over the recent years. A consequence of this is that the industry consists of large actors with significant strategic capabilities, who also co-operates, something that was highlighted in the SWOT-analysis. These actors are organizations that continuously pay attention to the trends and developments in the different markets and that also benefit from the extensive networks they have gained through the years, when they have to reallocate their products. Such strategic capabilities have made the seafood industry resistant to the threat that the import ban represented.

Nevertheless, there are some fundamental differences between the redfish and the pelagic sector; One of them being the Norwegian salmon, which enhances an excellent brand, and is well positioned in the global markets. The export of salmon has increased since the import ban was imposed. There is an extensive demand for Norwegian salmon in the global markets, and the salmon-exporters have succeeded in creating new markets and increase its profitability, while the import ban has worked. Norwegian trout is also a great product, but has traditionally been poorer positioned than the salmon. Nearly two years after the import ban was imposed, the trout sector has in a sense strengthened itself, because it has succeeded in positioning itself into new markets. For the pelagic sector the import ban has been more challenging. While the export of mackerel is more oriented towards the Asian markets, the export of herring has depended heavily on the Russian market. Herring is a low price product compared to salmon, and even though it is known to be a good product, the herring sector is struggling to create new markets. While the import ban has worked, the main focus for the herring-exporters has been to limit their losses. Both respondents from the pelagic- and the redfish sector, have expressed that the situation would be significant more dramatic, if the import ban was imposed four to five years ago, when both sectors were more depended in the
Russian market. Baldwin’s five component analysis showed that the import ban did not result in as high costs as both the industry and the government feared for. Due to the fact that the industry has not been hit harder, it has probably been easier to support the government’s policy towards Russia. Earlier experiences have also contributed to the exporters impressions of Russia, as an unpredictable market. It seems to have occurred a “rally around the flag effect” while the import ban has been ongoing, where the industry has expressed an understanding about the Norwegian government’s decision to initiate sanctions against Russia, and furthermore, that the import ban is consequence of “big politics”. This seems to be the main explanation to why this effect has emerged, rather than because of a close cooperation between the authorities and the industry, such as \( H1 \) alleges.

\[ H2 – \text{The Norwegian seafood industry has expressed dissatisfaction in the government’s decision to support sanctions against Russia, which led to the import ban} \]

\textit{Hypothesis 2}, based on Martin’s theory, raises the possibility of dissatisfaction among the seafood industry considering the Norwegian government’s foreign policy, as a result of the transaction costs involved due to the import ban. \textit{Hypothesis 1 and Hypothesis 2} are thematically related, but \( H2 \) contradicts the possibility of a “rally around the flag effect”. If we compare Baldwin’s component 3 “Costs to the target” with the transaction costs involved from the import ban, we see that the respondents do not consider these as significantly extensive and the transaction costs have not exceeded the exporters’ “threshold of pain”. \textit{The seafood industry has adapted to the import ban, helped by coincidences such as low herring quotas, shuffling of trade routes, a weak NOK and higher purchasing power in international markets}. The industry has mainly supported the Norwegian government’s foreign policy, despite certain individual cases, where some exporters have expressed themselves critical. In this matter, the Norwegian government has also facilitated to reduce the immediate transaction costs in a short term perspective, by consulting and been responsive to the industry. The adjustment of the MAB-regulations for redfish and the extension of the schemes regarding the flexibility to transfer parts of the fishing quotas for the herring fisheries from 2014 to 2015, are certain illustrating examples of such facilitating measures. The overall findings considering the reactions within the seafood industry in the aftermath of the import ban, therefore disproves \textit{Hypothesis 2}. 
H3 – The export-oriented part of the value chain has improved its position in the Norwegian seafood industry, and the Norwegian seafood industry has improved its position in the political landscape

Even though the seafood industry has expressed satisfaction considering the co-operation with the Norwegian authorities while the import ban has worked, they are not pleased with the government’s general effort to improve the overall market access. Despite that there is political agreement considering the need for improved market access for Norwegian seafood, an actual improvement has proven difficult to realize for the Norwegian government. These are complicated processes where both domestic and external considerations are involved. The government has negotiated with the EU while the import ban has worked, with the purpose to obtain better conditions for the export of certain herring products into the EU market, but the deal has not been signed yet. The seafood industry had already initiated a mobilization to improve the market access before the import ban was imposed. Nevertheless, the import ban has contributed to accentuate the need for better market access. Moreover, the increased difficulties that the Norwegian exporters have faced in forms of trade barriers in China and Russia in recent years, in addition to the high level of tariffs in the EU-market, have contributed to illustrate that not only the government has failed to facilitate for the export. There has also been a lack of focus within the seafood industry, regarding the promotion of better market access. The industry has failed to position itself advantageously in the political landscape, and by this “push” the government to improve the conditions for the export of seafood. Nowadays, the industry has stated that improved market access should be one of its main priorities from now on. It is therefore evidence to confirm Hypothesis 3 considering that the import ban has led to a growing awareness of market access. This confirmation applies especially to the industry and partly to the authorities. The overall market access has not improved since August 07, 2014, but the government seems to be more aware of the challenges related to market access.

“Very large countries are self-sufficient enough to not reap very substantial gains from trade, but conversely they do not suffer extensively from abstaining from trade, following sanctions. […] Small countries, however, tend to be much more dependent on trade. Their demands for and supplies of tradable goods are price-inelastic and these countries can suffer greatly from the imposition of sanctions.” (Kaempfer and Lowenberg 2007:874)
Norway is a rather small country with a heavily export-dependent seafood industry. The way the Norwegian seafood industry has handled the challenges that emerged when Russia imposed the import ban from August 2014, has so far proven that the industry is robust and well-organized. It has been able to deal with sudden and extensive changes in the environment. However, the industry has benefited from certain coincidences, and the import ban has also contributed to highlight the industry’s need for better market access in foreign markets. The Norwegian authorities have put forward an ambition of becoming the world’s leading seafood nation. To obtain such a position, the industry should to a greater extent than today, enhance more favorable access to stable and predictable markets. Both the seafood industry and the government are aware of this. A possible future study could therefore be to investigate which processes and strategies that are involved when the Norwegian seafood industry is working towards the Norwegian government to improve its overall market access.
9 References

Forskrift om restriktive tiltak vedrørende handlinger som undergraver eller truer Ukrainas territorielle integritet, suverenitet og uavhengighet, LOV-2001-04-27-14-§1

Den midlertidige lov av 8. juni 1973 nr. 48 om bygging, innredning, etablering og utvidelse av anlegg for klekking av rogn og for oppdrett av fisk og som ble registrert i forbindelse med nevnte lovs ikrafttredelse, kan ikke fortsette sin virksomhet uten tillatelse.


(2012). Forskrift om regulering av fisket etter norsk vårgytende sild i 2013, J-131-2013


Meld. St. 22 (2012–2013) Melding til Stortinget - Verdens fremste sjømatnasjon


Andreassen, Otto (2014) Lecture, 02/09: Norsk oppdrettsnæring i perspektiv. Course: SVF 1512, the Norwegian College of Fisheries in Tromsø


The European Commission (2014). Statement by President Barroso and President Van Rompuy in the name of the European Union on the agreed additional restrictive measures against Russia.


FHL (2014). Letter to the Norwegian Ministry of Trade, Industry and Fisheries "Utestengelse av norsk sjømat fra det russiske markedet."


Kreml (2014). Executive Order on special economic measures to protect Russia’s security.


TTIP (2016) Retrieved 27/04-2016 from
https://en.wikipedia.org/wiki/Transatlantic_Trade_and_Investment_Partnership


