Business View of the EU from Norway

Throughout Brexit negotiations, the relationship between Norway and the EU has been a constant comparator. For British firms, a deal identical to Norway's would have benefits in terms of deep market access, but there are political considerations to take into account as well as some legitimate business concerns. To help policymakers and business leaders alike understand how the relationship between Norway and the EU operates, the CBI has consulted with Norwegian companies, the Federation of Norwegian Enterprise, and UK firms with interests in Norway, and compiled this briefing.

Norway is closely integrated with the EU through the EEA Agreement. This agreement brings the 28 EU member states and three EEA member states - Iceland, Norway and Lichtenstein - into a common economic area, delivering a high degree of economic integration and preferential access to the markets of either side.

Includes	Does not include
Tariff-free access to single market	Frictionless trade (No customs union)
Seamless trade in services and data flows	ECJ oversight (EFTA surveillance authority monitors compliance)
Financial contribution to the EU	Ability to shape EU rules
Regulatory convergence with EU on goods and services	Membership of EU agricultural and fisheries policy
Free movement of people	Membership of EU justice and home affairs rules
Sign free trade agreements with third countries	Membership of EU foreign and security policy
Common competition, state aid and government procurement rules with EU	Membership of EU monetary union

Trade is relatively seamless at the border, but there are tariffs and burdens behind the border

Much like the UK, Norway's largest trading partner is the EU; the EU accounts for 71.2% of Norway's total exports. But Norway matters to the EU too: Norway imported €50.7 billion from the EU in 2017[1], and is the EU's main source of aluminium[2]. The EEA agreement provides Norway with full single market access on the same terms as any other EU member, with the exception of agriculture, fisheries, food & tobacco which are subject to separate agreements and quotas. Norway has secured these exceptions because agriculture and fishing are important parts of the economy- Norway is the second largest seafood exporter in the world, after China[3] whilst its agriculture policies are focused on maintaining a high degree of self-sufficiency. While non-agricultural goods move free of tariffs between Norway and the EU, the absence of a customs union means there are trading barriers regarding third country imports crossing the EU/EEA border.

Advantages

Relatively seamless trade of non-agricultural goods with the EU

- Norway's membership of the single market means regulations and standards are harmonised and technical barriers to trade are eliminated in areas such as safety, environmental, product performance,

[1] European Commission, Trade in goods with Norway
[2] European Commission, Trade in goods with Norway
[3] Norwegian Seafood Council, New country of origin mark for Norwegian seafood

consumer rights, and data. For business, this means greater efficiency in terms of production, purchasing and distribution.

- The EU and Norway have spent many years developing means of agency cooperation and digitised customs systems which work relatively well for Norway. Goods declared eligible for automatic proceedings pass through the border without stopping, but infrastructure including police checks and cameras operate to track license plates and a percentage of trucks are inspected and stopped.

Ability to sign free trade agreements with third countries

- Being outside of a customs union means Norway is not subject to a common external tariff. This leaves Norway with a degree of flexibility to conclude trade deals with third countries.
- Norway negotiates trade deals bilaterally and as part of the EFTA bloc (with Iceland, Liechtenstein and Switzerland). Negotiating as part of a group of countries in EFTA often allows more advantageous trade deals to be reached, but Norway has far fewer FTAs in place than the EU: there are 27 EFTA free trade agreements including with Turkey, Canada, Mexico, Egypt and Singapore and 6 more being negotiated. The UK through its EU membership currently has closer to 60.

“The ability to use multilingual artworks has saved costs when shipping our products,” – small cosmetics company exporting from the UK to Norway

Challenges

Burdensome customs procedures

- Norwegian exporters and foreign exporters to Norway are subject to customs procedures such as import/export declarations, rules of origin, payments of VAT, proof of an invoice or contract, and an export license at the border. This requires firms to have additional staff in administrative and backroom roles. These staff are expensive to train as the work is specialized and fines are high if errors occur.
- While paperwork is normally handled electronically and before products are leaving the production site - either via a shipping agent or directly through the Norwegian customs system – inspections are required on a percentage of trucks to ensure requirements are satisfied. This results in delays at times.
- For some smaller businesses, lengthy delays and cashflow constraints when paying VAT has resulted in lost profits to the extent that some companies have shifted production to Sweden.

"The customs process is time consuming and requires specialist companies to handle all import and export business,” – Norwegian manufacturer exporting to the EU

The EU single market reduces many trade barriers, but there can be challenges in influence and applying new regulations

The EEA that Norway is a part of is a dynamic agreement, continually developing as single market legislation evolves. Norway transposes EU regulations word-for-word, and has the freedom to tailor EU directives to fit national needs. Unique structures help make the EEA work: enforcement of new EU rules is subject to unanimous agreement within the EEA structure, the EFTA Surveillance authority ensures Norway complies with these rules, and the EFTA court offers businesses redress if it does not.

Advantages

Regulatory alignment increases economies of scale

- Norway and the EU having harmonised standards means one product line can service both Norwegian and European markets. Businesses avoid the cost of implementing two sets of rules as well the need for border checks for conformity for safety rules. For example, vehicles that are approved for sale in the EU are automatically accepted in the non-EU EEA countries without any further regulatory requirements. This makes trade much more frictionless within and between companies.
- In sectors where safety or rapidly evolving technical details are paramount – such as in aviation, product standards, chemicals and pharmaceuticals – the advantages of having an agreement that updates dynamically are significant.

Seamless trade in services and data flows

- In order to ensure conformity with the Single Market, Norway applies the same rules as EU countries. This mirrors the continuously changing EU rulebook and ensures the barrier free provision of services. For example, Norwegian banks who are authorised by the Financial Supervisory Authority of Norway are entitled to provide services to UK clients by exercising the right of establishment via a branch or provide services remotely without further authorisation requirements.

- Data flows freely between businesses across EU and EEA borders as they are all governed by a single set of data protection rules.

"Regulatory alignment has made it simple in terms of understanding labelling requirements,"- Mid-size brewery exporting from the UK to Norway

"If a product is built or approved by the EU, we can use the documents in Norway. We also see a lot of different rules and regulations that we can just copy for use in Norway, without changing anything," - car manufacturer selling into Norway from the UK

Challenges

Limited ability to shape EU rules

- Norway has less influence over EU rules compared to EU members as it has no Commissioner, no members in the European Parliament and no votes in the Council. However, Norway has a seat at the table and participates in many EU agencies – for example it has full membership of the agencies on food safety, broadcasting, the environment, the coast guard and aviation. Norway also has observer membership of the agency on chemicals, medicines and many of the financial services EU agencies, and has membership of the management board for the agencies on maritime rules, network security and railways.
- Additionally, Norway has the ability to participate in European Commission regulation and programme committees, where the EU is obliged to consider input from EEA EFTA experts on an equal footing to those from EU member states. It can also submit written comments to EU legislative and other policy initiatives and place national experts in key policy units of the European Commission, such as on the Article 29 Working Party that sets data policy.
- The lack of formal channels of influence can be a challenge for SMEs trying to put their views across on pieces of legislation.

Regulatory backlog can create trading barriers

- As EU rules have to be incorporated in the EEA Agreement before they are implemented on a national level, there is a minimum 6 month period to process new EU law into the EEA agreement.
- Delays in implementation often occur, which create an uncertain regulatory framework and can harm inward investment in some cases. For example, because it took a few years longer for REACH regulation to be implemented, Norwegian chemicals businesses struggled to convince investors Norway ever would implement it and it hurt their competitiveness.
- Delays also hinder regulatory alignment and create trading barriers. For example, the CBI's Norwegian sister federation, the Confederation of Norwegian Enterprise, told the CBI that trucks started being stopped at the EU border because Norway hadn't implemented a directive on salmon at that time.

Norway operates free movement with the EU, but has greater control than the UK

Norway accepts free movement of EU workers in full as any EU member state does. However, unlike the UK, Norway has more stringent controls over those EU nationals than the UK does.

Advantages

Continued access to European workers

- EU migration has boosted jobs, investment and trade in Norway. EEA membership allows Norwegian companies to continue to access the labour and skills required to deliver prosperity and remain competitive.

The ability to easily move staff to and from the EU

- Free movement has enabled businesses to quickly move their staff around Europe with ease. This means firms can access niche specialist skills by temporarily bringing European teams to Norway, send staff to the EU for secondments to share best practice, and easily travel for temporary project work in the EU.

"The system in place is very useful for the recruitment and retention of EU/EEA nationals," – international energy firm with interests in Norway

Challenges

Less control over the migration system than a third country

- Free movement of people can be politically challenging. However, EU nationals in Norway are subject to more stringent controls than those in the UK. EU nationals are required to register within their first three months of arrival in Norway to prove they are either in work, studying or self-sufficient. After 1 year of residence in Norway EU nationals acquire full access to social security and public healthcare, but within the first 12 months EU nationals are required to hold medical insurance from their country of origin.

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