Siv Jensen: "The EEA agreement has served Norway well, but it's not a free ride"

blogs.lse.ac.uk/europpblog/2016/03/21/siv-jensen-the-eea-agreement-has-served-norway-well-but-its-not-a-free-ride/

3/21/2016

Norway, as one of the largest oil and gas exporters in the world, has had to cope with a substantial drop in the price of oil since 2014. The country is also frequently cited in the context of the UK's upcoming referendum as a potential model for Britain to follow should it opt to leave the EU. In a discussion following a recent event at LSE, Norway's Minister of Finance, **Siv Jensen***, outlines how the country has sought to manage its oil resources and the Norwegian experience of engaging with the EU through the EEA agreement.*

The price of oil has fallen substantially since 2014. How has Norway sought to deal with the economic implications of the price drop?

As a major exporter of oil and gas we have obviously been affected by the drop in the oil price. But we have known for a long time that Norwegian oil and gas production would peak. Admittedly this came a little bit quicker than we thought because of the speed at which the price has fallen. So this hit the industry harder than it might have if the oil price had stayed at a higher level for a longer period of time. But we would still need to restructure our economy even if this hadn't happened as we knew that sooner or later production would peak.

Over the last 10-15 years there has been tremendous growth in the oil sector, but this has peaked and it will now stabilise at a lower level. The sector will employ fewer people than it has employed up until a couple of years ago. This means that we need to attract investment and create jobs in other parts of the economy and I think we have the means to do so. The difficulty with structural shifts is that they take time to achieve, but I believe we are perfectly capable of reaching these goals and that's what we're currently trying to put in place.

The so called 'resource curse' refers to the idea that states which have an abundance of natural resources, such as oil and gas deposits, have paradoxically suffered poorer economic development than states with fewer resources. Norway clearly does not fit this pattern, but has the country sought to provide guidance to other states on how to manage their natural resources in a sustainable way?

We receive a lot of delegations from other countries who have an interest in how we set up our sovereign wealth fund, how we manage the fund, and how we have developed it over the years. Naturally other countries want to learn from our model and our experience in this area. For other countries I think the key lesson is to establish this kind of model from the start because it's very tempting for politicians to want to spend newly found resources as soon as they appear.

The resources in our fund are used for investments all over the world in thousands of companies. The most important thing about the fund is that it needs to be transparent and predictable. It's not a foreign policy tool and it's not a tool to tackle environmental issues. First and foremost it's a financial investor with a very long-term perspective. And with that long-term perspective we can tackle the turmoil that occurs on stock exchanges from time to time because in the long-run it gives us a good return on the money invested.

In terms of how this functions, the government and the Parliament set the overall criteria for the investment profile. But the daily management is carried out by the central bank. So we don't take individual decisions on country-specific issues or individual companies. That has to be dealt with by the central bank. And I think that is a separation of power which ensures that we don't bring all of these decisions into the policymaking arena, which would make it extremely difficult to manage the fund with a suitable long-term perspective.

Norway is frequently raised as a possible model for the UK to follow should it leave the European Union. What lessons can Britain take from the Norwegian experience?

The wisest thing to do is to take a step back and not take part in the UK's debate. The referendum will be settled in the UK. It's not my place as a Norwegian politician to have a say in that. And I don't know if you can compare the UK and Norway because Norway is a very small country in comparison.

In terms of our experience, the EEA agreement has served us very well, especially as it gives us access to the internal market, but it's not a free ride and we pay for this. At the same time, we implement EU regulations – and at a very quick pace.

Overall, this agreement has served us well, but I do also have to highlight one important thing, which is that when we negotiated the EEA agreement the EU was much smaller than it is today. There were fewer member states and all the member states had a particular awareness about the EEA agreement.

Today it's a little bit more difficult. The EU's structure is more complex, with more member states, and there's also the turmoil we've seen in the European economy. So recently it's been a little bit more of a struggle for us to get the attention from the EU that we need, but I still believe the EEA agreement has served Norway well.

A recording of the event is available here. This article reflects questions asked at the event and in an interview with EUROPP's Managing Editor Stuart Brown.

Please read our comments policy before commenting.

Note: This article gives the views of the interviewee, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics. Featured image credit: Finansdepartementet (CC-BY-SA-2.0)

Shortened URL for this post: **http://bit.ly/1o1vYf0**

About the interviewee

Siv Jensen

Siv Jensen is Norwegian Minister of Finance, a position she has held since October 2013. She is a long serving member of the Norwegian Parliament and leader of the Progress Party. In Parliament, Ms Jensen has served as member of the Committee of Foreign Affairs and Defence and Chair of the Financial Committee. She started her political career as member of Oslo City Council.

-