

Speech: The British-Norwegian economic partnership

Thank you for the warm welcome and the kind invitation to speak with you today. I arrived in Oslo just a few weeks ago and officially took up my role as HM Ambassador to Norway on 23 August. Although still early days, I am struck by the dynamism of the British-Norwegian relationship. There is a palpable sense of energy, growth and enthusiasm to forge new partnerships. Perhaps nowhere is this feeling of optimism stronger than in the business community.

First, let me stress that UK-Norway trade remains as strong as ever. According to our Office for National Statistics, last year our combined trade amounted to £27.4bn, which is a 28% increase. Much of this comes from UK's import of Norwegian oil and gas, which saw an increase of more than 40%. But £6.1bn of this are UK goods and services exported to Norway. This makes Norway UK's 12th largest trading partner, while the UK remain Norway's largest.

I should also mention that the stock of Norway's direct investment in the UK was £5.3bn in 2016, 18.0% higher than in 2015. These are the latest figures available to us and illustrate that our economic relationship is of vital importance to both countries.

This afternoon, I would like to focus on what the British government is doing to create a business environment where companies can thrive. We have a clear industrial strategy for growth. Our operating framework underpins the reputation the UK has earned for being a place where the world can do business with confidence. I also propose to say a few words about how we see the future economic partnership as the UK prepares to leave the European Union, and what this means for the British-Norwegian trade relationship.

Brexit is clearly the top priority for the British government. We are investing the resources required to deliver a smooth transition for business. As we work intensively on this short-term challenge, we are also preparing for the longer-term opportunities related to the Prime Minister's second priority: building a strong UK economy that remains open for international business and fit for the future. In November 2017, as part of our economic growth plan the government unveiled a comprehensive UK Industrial Strategy. This builds on the many strengths of the British economy including trade, enterprise and innovation partnerships.

The UK Industrial Strategy is a partnership with businesses, local government and educational institutions to ensure the UK remains one of the best places in the world to do business, invest, innovate and create jobs. Our vision is for the UK to be the world's most innovative economy with inclusive growth that delivers greater earning power for all. The Industrial Strategy sets out how the government will make major upgrades to infrastructure, including transport and digital networks that are vital for doing business. We want to

be the best place for companies to start up and grow in a supportive business environment. We are working to spread the benefits of industrial growth to communities across the whole of the United Kingdom. Business Environment

I think it is worth spending a few minutes to unpack some of the detail about the 'business environment' pillar of the UK Industrial Strategy.

As this audience will already know through your association with the Chamber of Commerce, the UK has an outstanding reputation for international business. We are home to five of the top 10 fastest-growing business, with one starting up every 75 seconds.

The UK has a highly competitive tax regime with the lowest rate of corporate tax in the G20, currently 19% and set to decrease to 17% by 2020. This offers certainty to foreign investors, and we hope creates the incentive to establish or expand your business in the UK. The embassy's Department for International Trade team is here this afternoon and available to discuss the support we can offer.

The UK is also highly competitive internationally on corporation and capital gains taxes. Only Ireland has a lower corporate tax, but our capital gains tax rate is lower than what is on offer by our friends across the Irish Sea. In the context of Brexit, let me highlight that most aspects of our tax regime are not linked to EU membership. In a few moments, I will say a bit more about the future economic relationship after the UK exits in the European Union. We also have a strong competition framework and rank in the top 10 in the World Bank's Ease of Doing Business Index.

For the Norwegian companies in the audience, let me say that we see those who set up a UK entity as fully British companies. For those with global growth ambitions from the UK, we will provide support through our international diplomatic and trade promotion network. If you would like more details, please speak with the embassy's Department for International Trade team during the networking break. We recognise that the global business landscape is changing rapidly and that the UK cannot be complacent. To retain the attractive business environment, our Industrial Strategy calls for new initiatives to help the UK keep its competitive edge.

For example, we are launching Sector Deals – partnerships between government and industry that aim to increase productivity in certain sectors including life sciences, construction, Artificial Intelligence and the automotive sector.

Last week, I attended ONS in Stavanger where I saw small companies like Poulton Technology and Hogan with new innovative technologies, to the largest firms including Equinor. All are developing new technologies to remain in the forefront of their industry. I discussed the Sector Deals with the companies, including how the Industrial Strategy puts the UK on the right path to retain our position as global hub for innovation. We recognise that innovation is crucial to the business environment. The Industrial Strategy will drive over £20 billion of investment into innovative and high potential businesses, including through a new £2.5 billion Investment Fund incubated in the British

Business Bank.

Connected with innovation is investment in Research & Development. As we prepare to exit the European Union and become a truly global Britain, the government is raising R&D investment to 2.4 percent of GDP by 2027. The UK has some of the best research facilities and talent in the world, including universities that play a pivotal role in private sector R&D investments. Building on these strengths, we are increasing the rate of R&D tax credits for large firms (the R&D Expenditure Credit) from 11 to 12 percent from 1 January 2018. We are also providing businesses with confidence to make R&D investment decisions through a new Advanced Clearance Service for R&D credit claims. Let me highlight here that Norwegian investors can benefit from this funding by conducting their R&D in the UK.

The Industrial Strategy is also looking into how we can improve productivity. For small and medium sized enterprises, the government will launch a review of the actions likely to be most effective to improve productivity. SMEs are a vital part of the British economy, accounting for about 60% of private sector employment and 47% of private sector turnover. Our Industrial Strategy will support them with Growth Hubs to provide advice on exporting and modern business practices to boost productivity.

Access to finance is crucial for a positive business environment. Whether you're looking to launch, grow or expand your business, the UK offers the finance to support your ambitions. We have well-established financial systems and options to enable companies to raise finance. London is the world's leading financial centre, serving customers from across the globe. In May this year, the Lord Mayor of the City of London visited Oslo for discussions with Norwegian clients. We were struck by the strong interest in financial services and innovation, including new products to finance investments in the sustainable green and blue economies. Future Economic Partnership In July, the government published a White Paper setting out a clear proposal for the future relationship we want to build with the European Union. This proposal is a precise, responsible and credible basis for moving our negotiations with the EU forward to achieve a deal that works in our mutual interest. Let me outline what the White Paper says about how we envisage the future economic partnership.

The UK wants to establish a free trade area for goods enabled by a common rulebook. We propose that the UK participate in EU agencies that provide authorisations for goods in highly regulated sectors such as chemicals, medicines and aviation safety. Furthermore, we propose the phased introduction of a new Facilitated Customs Arrangement that would remove the need for customs checks and controls between the UK and the EU as if they were a combined customs territory. This would enable the UK to control its own tariffs for trade with the rest of the world and ensure businesses paid the right or no tariff. In combination with no tariffs on any goods, these arrangements would avoid any new friction at the border, and protect the integrated international supply chains. Our proposal is that these close arrangements on goods should sit alongside different ones for services and digital. This would provide important flexibility for the services-based British economy.

At this point, you might ask what would a deal on the UK exiting the European Union mean for Norway? Our intention is for the exit deal to apply to all members of the European Economic Area. This means that the shape of the deal in terms of the UK future economic partnership with the EU will also apply to Norway. Solid Fundamentals

One final thought I would like to share. It strikes me that the fundamentals of the British-Norwegian trade relationship are extremely solid. The market indicates a robust underlying demand for the goods and services that British and Norwegian companies produce. Partly this is based on the long-term relationships of close neighbours who share the natural resources of the North Sea. Perhaps another less tangible aspect could be described as the 'ease of doing business,' which is based on culture and experience. From my vantage point as ambassador, these solid fundamentals are strong indicators for commercial relationships that will grow far into the future, whatever the final shape of political arrangements. Thank you for listening.