

***ADDRESSING THE CORONA CRISIS***  
***– HOW TO REBUILD A RESILIENT, SUSTAINABLE AND***  
***THRIVING EUROPEAN ECONOMY***

Mr Chairman, dear colleagues,

We are living in challenging times. A second wave of Covid-19 infections sweeps across Europe and poses a threat to health and economy. Uncertainty has again increased.

In times like these, cooperation and unity between neighbours and friends are more important than ever.

Therefore, we take this opportunity to thank the EU and EU governments for the very good cooperation we have developed over the last eight months on fighting the pandemic, including supply of medical equipment and vaccine.

This cooperation will not be less important going forward.

Health policy has become economic policy. We know that defeating the virus is a prerequisite for a durable economic recovery. And that a broad distribution of vaccines is crucial to achieving this in the near future.

To succeed, we need swift cooperation, not only in Europe, but also globally. Financing is key.

I would like to promote an initiative I believe can help: The Access to Covid-19 Tools Accelerator, in short ACT-A. The aim is to obtain additional financing in order to accelerate development, production and equitable access to COVID-19 tests, treatments and vaccines worldwide, building on the work of among others GAVI, CEPI and WHO.

Of the estimated total need of 38 billion US dollars by 2021, 28.4 billion remain.

The initiative stems from the G20 and is co-hosted by WHO and the European Commission. South Africa and Norway co-chair the ACT-A Facilitation Council. EC President von der Leyen has been championing this initiative from its inception, and I hope we collectively can contribute to its ability to control the pandemic.

Dear Colleagues,

The disruption caused by the pandemic, caused a sharp decline in economic activity in the EFTA countries in the first half of this year. Unemployment rose accordingly.

A partial economic rebound has been underway for some months.

However, the recent upturn in COVID-19 cases shows that we still are in the phase of fighting the pandemic. Uncertainty has increased – the economic recovery might be put on hold, or even reversed.

To mitigate the economic effects, the EFTA countries have implemented extensive and targeted measures.

Monetary and macroprudential policy responses have been accommodative, with record low interest rates.

An even more important role has been played by fiscal policy, with focus on temporary measures to support businesses and households.

Together with automatic stabilisers, the fiscal stimulus is huge and unprecedented.

The crisis measures have been necessary and effective. Without them, the drop in economic activity would have been substantially larger, and the rebound weaker.

In our search for the best path out of the crisis, we are facing several important questions with no obvious answer.

The most immediate one is when, how fast, and in which order temporary measures should be scaled back. This question needs thorough and country-specific considerations.

The EFTA States started to open up the societies in late April and early May. We have started scaling back economic measures and utilizing regional and targeted containment measures.

Now, new outbreaks put the progress at risk. Still, we hope we can keep the virus under reasonable control without re-introducing as comprehensive measures as in the spring.

Going forward, fiscal policy will continue to play an important role.

However, to underpin a sustainable recovery, we need to weigh the benefits of measures against their cost in terms of potentially delaying necessary structural adjustment.

During the pandemic, travel patterns have been radically changed, we conduct social distancing, the use of digital tools has accelerated, and the willingness to pay for buffers and diversified supply lines have increased. Such changes in behaviour and preferences could lead to lasting changes to our societies.

The headline for our meeting today poses a question: "*How to rebuild a resilient, sustainable and thriving European economy*".

Besides beating the pandemic, the EFTA states would like to make three main points:

- First: Use the opportunity to make our economies better prepared for well-known challenges ahead. We need to

increase employment and prevent long-term unemployment, to manage the digital transition and boost innovation and investment, and last but not least: to make our economies greener and mitigate climate risks.

- Second: Secure open markets and rules-based international trade. This is important both for the near term recovery and for growth in the longer term. Open economies are also more resilient to shocks due to the opportunities for diversification.
- Third: Make sure that our fiscal policies are on a sustainable path. This will be crucial for our ability to mitigate future shocks, but must be delicately balanced against the need for stimulus now.

The EFTA states welcome the extraordinary efforts, on the EU level as well as in EU member states, to support the recovery and to prepare for future challenges. We share the goal of building resilient, inclusive, sustainable and climate-friendly economies.

If you allow, I would like to finish with a few remarks on the situation in Norway.

Right now we see increasing numbers of outbreaks also in our country. The number of new cases per million inhabitants was 548 last week, which is low in an European perspective, but close to figures we saw in March.

Due to the upsurge, the Government last week introduced new containment measures.

We work hard to avoid a repetition of what we experienced in the spring. Hopefully, we can avoid measures as comprehensive and costly as in March.

After the sharp setback in the spring, activity in the Norwegian economy recovered rapidly during summer. Still, GDP is well below the pre-crisis level – and unemployment well above.

When the crisis hit, the Norwegian authorities introduced a range of measures quite similar to those introduced in other European countries. Close contact with our neighbouring EU countries was extremely important in this phase, to exchange experience on the effects of the pandemic and to share creative ideas on how to design economic measures.

The fiscal response in our case corresponds to more than 4 percent of non-oil GDP. On top of that, automatic stabilisers contribute with 1.5 percent of GDP.

Our budgeted proposal for 2021 is based on scaling down Covid-19 measures. It will – at face value – be less expansionary than this year, but clearly expansionary compared to what it would have been in the absence of the pandemic.

Based on the new upsurge in cases, my guess is that we will have to prolong measures, or replace them with new ones,

reducing the planned reduction of the structural budget deficit in 2021.

Looking ahead, measures to compensate businesses that are hit by the pandemic must be balanced against measures to spur the restructuring of the economy. Compensation is necessary, but may hamper structural reforms.

Unemployment has risen among the young and those with lower labour market attachment. To reduce long-term effects on these groups is a priority.

Measures should support individuals in their efforts to find new jobs, and give unemployed the opportunity to upgrade education and skills – either because old jobs are lost, or because we are on a transition towards a greener, more digitalized economy.

Finally, I will commend the EU for taking lead on the environment. Bringing Europe on a path to climate neutrality in 2050 is an important ingredient of the European Green Deal. Norway is committed to continue the close cooperation in this field, both as a participant in the Internal Market and through additional mechanisms.

We need high ambitions, a collective effort and urgent action to speed up the transition. In our effort to reduce greenhouse gas emissions, we must strive for cost-effective solutions.

Thank you.

