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Economic Interdependence between Norway and The European Union Compared to Switzerland and The European Union

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Abstract

Norway and Switzerland have a history of being part of the European Union (EU) and eventually opting out. Though, as a part of the European Economic Area allows Norway to integrate and participate with the EU's single market. Similarly, Switzerland can participate in and access the European single market through a set of bilateral agreements with the EU. Consequently, both countries must accept a set of rules by the EU. This paper aims to compare and examine the bilateral relations maintained between Norway and the EU compared to Switzerland and the EU in the field of economic cooperation namely the trade and investment sectors in the aftermath of the financial crisis. This paper incorporates two types of analysis. The first part uses quantitative methods of descriptive statistical analysis and is followed by strength, weakness, opportunities, and threat (SWOT) analysis. This paper demonstrates that the bilateral relations between Norway and the EU as well as for Switzerland and the EU have created conditions of interdependence for both the EU and its partners, namely, Norway and Switzerland.

Keywords— *European Union, Interdependence, Norway, Switzerland*

1. Introduction

The financial crisis in 1997–1998 and the latest financial crisis in 2008–2009 were seen as the culmination of events that changed the global economic constellation. Many countries are currently struggling with their respective economic recovery efforts. As the latest financial crisis spread from the United States to other countries, soon it turned to become a global economic crisis (European Commission, 2009). Norway and Switzerland also became the two countries affected by the global financial crisis in late 2008. Norway's economic condition experienced one year of stagnation and still continued in the following years. In the case of Switzerland, the latest financial crisis resulted in a sharp contraction to its economic condition but only for a short period of time.

Norway and Switzerland are ranked as two of the most developed and richest countries after Luxembourg from a global perspective based on their economic performance. In terms of the proportion of countries, the two countries share almost similar characteristics in terms of the number of populations. Both countries are also among the leading countries compared to their neighbouring countries in terms of their Gross Domestic Product (GDP) per capita. According to United Nations data in 2016, Norway along with Luxembourg and Switzerland are the only three countries in the world with a GDP per capita above 70,000 USD which are neither archipelagic nor micro-states (United Nations, 2019).

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Additionally, Norway and Switzerland are the founding members of the European Free Trade Association and participate in the Schengen Area. Norway and Switzerland have a history of being part of the EU and eventually opting out. As for the Norwegian case, it has considered joining the European Community and the European Union twice but then chose to decline during the referendums back in 1972 and 1994. Similarly, Switzerland's application to the EU was also suspended after a negative referendum on the European Economic Area (EEA) in 1992 (Sedelmeier, 2015: 415). Moreover, Norway is a member of the European Economic Area which allows Norway to integrate and participate with the EU's single market. Whereas Switzerland can participate and access the European single market through a set of bilateral agreements with the EU.

Hence, both countries must accept a set of rules by the EU. Norway has full access to the single market and constantly changes its laws according to EU law because it incorporates single market rules as they are made, whereas Switzerland accepts EU law from time to time in exchange for greater market access. Ultimately, the presence of the EU's influence is strongly felt and unavoidable in both countries. Thus, in this paper, the concept of interdependence by Keohane and Nye will be used to describe the bilateral relations between the EU and Norway as well as for the EU and Switzerland.

The objective of this paper is to examine and compare the bilateral relations maintained between the European Union and Norway compared to the European Union and Switzerland in the field of economic cooperation in the aftermath of the financial crisis, mainly, but not limited to the trade and investment sectors from 2008 to 2018.

2. Literature Review

To understand the concept of economic interdependence that exists between bilateral relations between Norway and the European Union as well as between Switzerland and the European Union, this section will provide further explanation regarding the interdependence theoretical framework and the concept of spillover arising from bilateral relations in these economic sectors.

Richard Cooper through his work *economic interdependence and foreign policy in the seventies*, explains that the concept of economic dependence is closely related to the value of dollar and economic transactions between regions or countries (Cooper, 1972: 159). This theory was originally associated with the motive of the state wanting to resolve existing problems peacefully without going through war and violence (Rosecrance, 1986; Keohane & Nye, 1989). Although, there are also scholars of international relations who attribute the contribution of economic dependence to the cause of war.

The term interdependence itself refers to the sensitivity of a country's economic behavior to developments or policies originating from outside the country (Whitman, 1979: 265). Keohane and Nye argue that there is a relationship between the general concept of interdependence and elements such as sensitivity and vulnerability. A country can be sensitive to events outside it, in the sense that the country will experience various losses and difficulties if it does not react to these events. A country is considered vulnerable to events outside of itself if the country suffers losses or difficulties because it cannot do anything to prevent these events (Keohane & Nye, 1989).

The next concept is the spillover effect, which is an economic phenomenon that occurs as a result of a country's policies or economic turmoil. The impact of spillover effects on the

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economy can spread to other countries through trade and financial channels as a transmission mechanism for the economic cycle between countries (Bruno & Shin, 2012). The IMF Spillover Report (2011) also shows the spillover effects of trade and financial relations between countries.

Here, through the events of the financial crisis, the concept of interdependence between the EU and Norway as well as between the EU and Switzerland particularly in the economic field causes a spillover effect (Frischmann and Lemley, 2007).

3. Methods

This study uses descriptive statistical analysis quantitative methods concerning the bilateral relationship that exists between Norway and the European Union and between Switzerland and the European Union in the field of economic cooperation. This data collection method uses secondary data sources based on literature reviews including academic journals, official reports from relevant institutions/government institutions, including the Trade Map, World Bank, International Monetary Fund (IMF), United Nations, and government regulations in the form of laws. In addition, several references also come from online sources. This paper will examine and compare the bilateral relations that exist between Norway and the European Union as well as between Switzerland and the European Union in the field of economic cooperation, especially but not limited to the trade and investment sector. The essay analysis will be carried out using a strengths, weaknesses, opportunities, and threats (SWOT) analysis.

Firstly, this paper presents a general overview of the country profiles of Norway and Switzerland and their bilateral relationship with the European Union. Then, it compares their trade turnover and investment volume after the last financial crisis. In comparing the development of economic cooperation that has been established between the European Union and Norway with the European Union and Switzerland, we will take a close look at the trend panel covering the years 2008-2018. In this way, we can find out the condition of Norway and Switzerland concerning their economic cooperation with the EU during the aftermath of the financial crisis in 2008. Finally, the last part displays a conclusion on the interdependence of the bilateral relations between the EU and Norway as well as for the EU and Switzerland.

4. Results and Discussion

4.1 Norway’s Profile

Norway is a steady-state economy with a dynamic private sector, a large state sector, and a broad social safety net. In comparison with other Nordic economies, namely Denmark, Finland, and Sweden, Norway’s economic growth was more volatile but still revealed an outstanding performance by its significantly increased to its GDP along with Sweden. Whereas Denmark and Finland experienced a decrease in their GDP starting from 2010 up to 2014. GDP trends suffered the effects of the global crisis, which culminated in 2008. Additionally, this argument is also supported by another macroeconomic indicator such as the inflation rate. Compared to other neighbouring Nordic countries, Norway had very large oscillation inflation rates from 2007 to 2014, particularly in 2009 when Norway’s inflation rate reached 10 percent. It clearly showed that even Norway is sensitive and vulnerable to external influence (Newsletter for the EU, 2015).

About figure 1, after a period of solid GDP in 2000–2007, Norway experienced an economic downturn and continued to slow down in 2008, then contracted in 2009 due to

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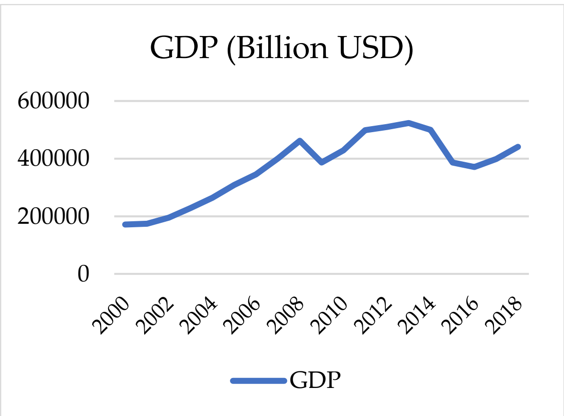
the financial crisis that befell most countries in the world. It returned to a moderate level and continued positive growth until reaching its peak in 2013 at USD 523,502 billion. Then it decreased again to USD 371,075 in 2016. One of the reasons is that oil prices fell in 2015 and 2016. This then had an impact on the weakening of the Norwegian Krone because it is considered a commodity currency that is highly dependent on crude oil prices (Lipková et al., 2018:13).

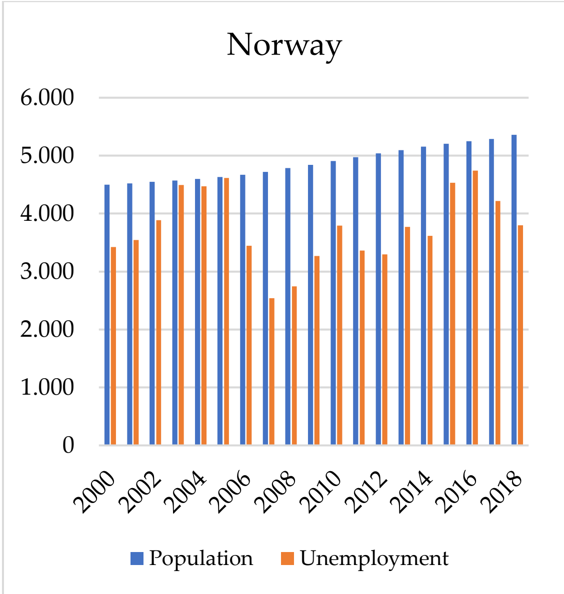
In addition to that, this also led to an increase in unemployment in 2014 – 2016, as we can see from figure 2. Overall, the total unemployment rate in Norway is very volatile from year to year. Whereas as for the total population, since 2000 the population of Norway has continued to increase from year to year and reach its peak in 2018 of more than 5.3 million people. Equivalent to Norway's unemployment rate, Norway's GDP tends to fluctuate (figure 1). Nevertheless, Norway is the highest country in terms of its GDP per capita in Nordic Europe which accounted for 81,807 USD. Moreover, according to the Observatory of Economic Complexity in 2017, Norway is the 36th largest export economy in the world and ranked 22nd as the most complex economy based on the Economic Complexity Index (Observatory of Economic Complexity, 2019).

Figure 1. Norway's GDP



Source: imf.org, 2019.

Figure 2. Norway's Total Population and Unemployment Rate



Source: imf.org, 2019.

4.2 Norway and the EU Bilateral Relations

In general, Europe is the starting point for Norwegian foreign policy. This is because Norway's closest allies are dominated by European countries. In the field of trade, it is clear that the most important trading partner for Norway is the EU. Through the main sectors of Norway namely energy and seafood, it can be seen that there is a fairly large level of economic interdependence between Norway and the EU. As for the context of Norwegian domestic policy, Norway's cooperation with the EU is equally pivotal. Concerning the European Union, Norway opted out of the EU during a negative referendum back in September 1972 and again in November 1994. The later referendum resulted in 52.2% against and 47.8% in favour to become a part of the EC member (Østhagen et al., in Liu, 2017: 99). Nevertheless, Norway can still access the EU's single market as a member of the European Economic Area (EEA). As a result, Norway must accept a set of rules by the EU (Norwegian Ministry of Foreign Affairs, 2019).

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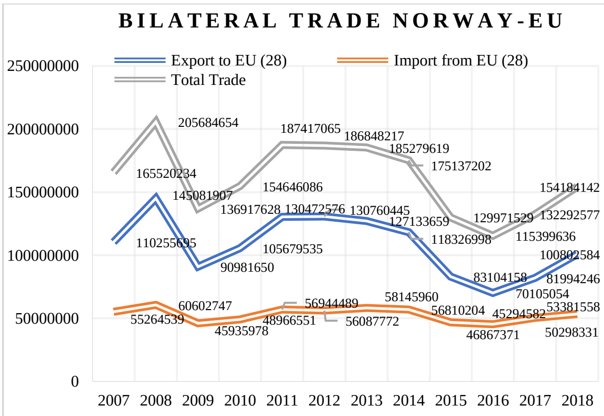
As Norway has full access to the single market, it also constantly changes its laws according to EU law without any input in formulating them, because it incorporates single market rules as they are made. Besides that, Norway also must accept EU immigration law. The truly unique element of the EEA arrangement entails "integration without representation". It means that the agreements do not give Norway a seat at the table, or a right to vote, and only grants Norway very limited possibilities to influence the EU agenda (Sverdrup, 2016).

Additionally, at the same time, the arrangements bring benefits for Norway, especially in the Norwegian business sector, employment, and related to its capability to maintain a sustainable welfare society. The existence of the EEA agreement helps to ensure Norwegian economic security and predictability. It is undeniable that the existence of workers from other EEA countries helps many Norwegian businesses to avoid a standstill. Likewise related to the Norwegian export industry also felt the positive impact of the existence of the EEA's internal market (Norwegian Ministry of Foreign Affairs, 2019). As a quasi-member of the European Union, the Norwegian economy is performing well, but this is mainly only a result of high commodity prices and problems not related to the mode of its relationship with the European Union. The agreement with the EU has given access to large markets and reduced some of the costs and regulatory uncertainties for third parties related to non-membership. High commodity prices, particularly for oil and gas, have made it easier to withstand non-membership fees (Sverdrup, 2016).

Moreover, as part of EEA's arrangements with the EU, Norway does not pay full membership rates to Brussels. However, Norway contributes quite significantly to the EU budget. In addition, Norway is not part of the general EU external tariff, therefore, Norway can set its tariffs and quotas when trading with other partner countries. Some of the channels used by Norway in paying for the membership, including the Norwegian Grant for developing countries in Central and Eastern Europe, the EEA Grant, and European Economic Area-European Free Trade Association (EA-EFTA) payments for EU operational costs (Lindsell, 2015: 10). Regarding diplomatic relations between the EU and Norway, Norway has embassies in most EU countries except Bulgaria, Cyprus, Malta, and Slovenia.

As illustrated in figure 3, in 2008, trade between Norway and the EU reached its highest peak with a mutual turnover of USD 205,68 billion. And this continued to decrease to reach USD 154,18 billion in 2018 with a surplus always in favour of Norway.

Figure 3. Bilateral Trade Between Norway and the EU



Source: trademap.org, 2019.

As we can see from figure 4, Norway is heavily dependent on European markets as its main trade partners with 74% of Norwegian exports going to the EU in 2018. Norway's main trade partners are dominated by the EU countries. Norway is the EU's seventh most important import partner along with the USA, China, Switzerland, Russia, Turkey, and

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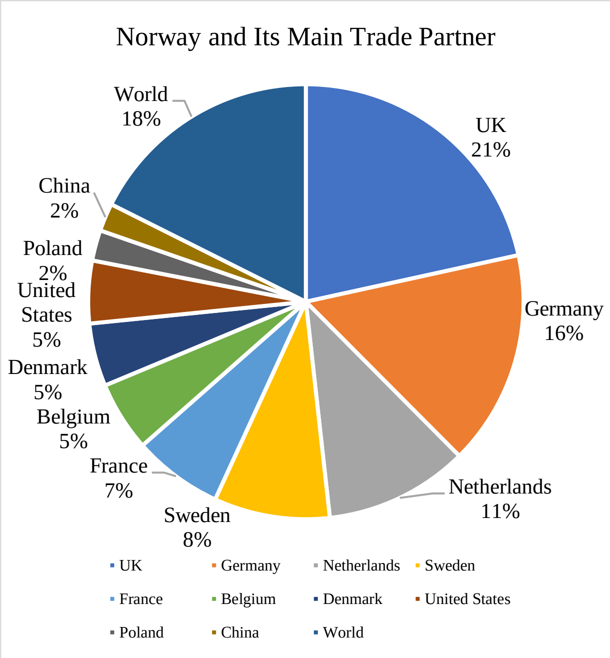
Japan. Norway to EU trade amounted to 154,18 billion USD in 2018.

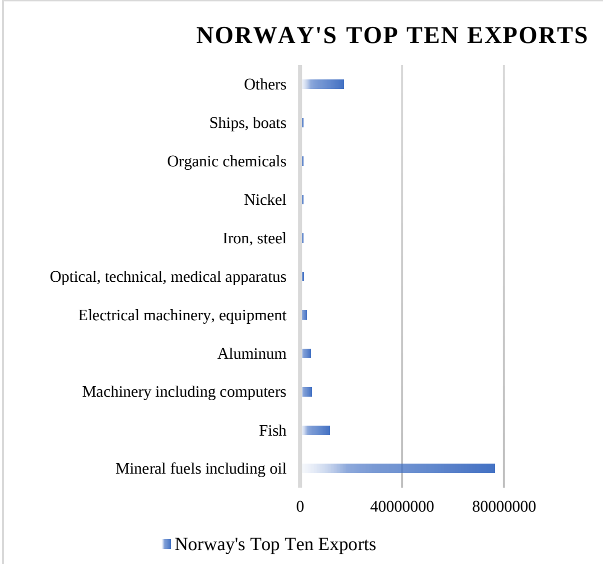
Figure 4. Norway and Its Main Trade Partner



Source: trademap.org, 2019.

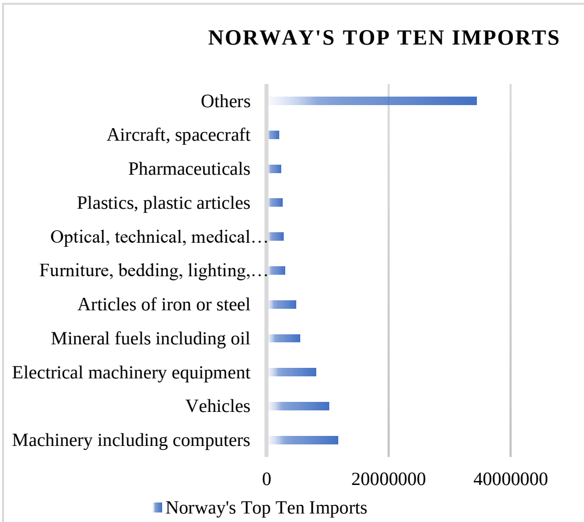
Norway's main exports to the EU are mineral products, fish and other aquatic invertebrates, machinery including computers, aluminium, and electrical machinery (figure 5). Whereas, Norway's main imports from the EU include machinery and appliances, transport equipment, and articles of iron and steel (figure 6).

Figure 5. Norway's Top Ten Exports Commodities



Source: trademap.org, 2019.

Figure 6. Norway's Top Ten Import Commodities



Source: trademap.org, 2019.

It can be seen from figure 7 that the flow of foreign investment coming to Norway is very volatile from year to year. The value of Foreign Direct Investment coming to Norway in total was small in comparison to the outward values of its destination countries. Norway chose to invest more in other countries rather than trying to attract more investors coming to Norway.

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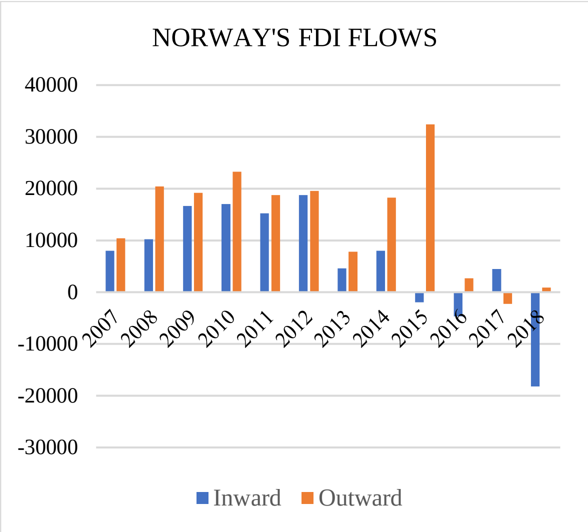
Figure 7. Inward and Outward FDI to Norway (2007-2018 in USD Million*)



*US Dollars at current prices in millions
**FDI Stock
Source: unctadstat.org, 2020.

Figure 8. EU-Norway: Foreign Direct Investment in 2017

Source: European Commission, 2020.

In general, the flow of outward foreign investment from Norway has decreased dramatically since 2015. On the contrary, the total value of the EU's investment coming to Norway and vice versa was high and balanced in 2017 (European Commission, 2019).

4.3 Switzerland's Profile

Switzerland is a landlocked country located in the heart of Europe. According to Human Development Index, 45 countries in the poor world are landlocked and 15 countries with the lowest ranking, eight of them do not have a coastline (The Economist, 2015). But unlike Switzerland, despite it being a landlocked country and does not have a coastline, it is still able to become one of the leading economies in the world. Switzerland is well-known as a country with its neutrality, a modern and flourishing market economy, and a highly skilled workforce. This causes Switzerland to have a low unemployment rate and the highest GDP per capita in the world.

The Swiss economy is also driven by a highly developed service sector, compelled by financial services, and a manufacturing industry that specializes in high technology, and knowledge-based production. Switzerland is also one of the most competitive economies in the world because of its economic and political stability, transparent legal system, exceptional infrastructure, efficient capital markets, and low corporate tax rates (IndexMundi, 2021). According to the Economic Complexity Index (ECI), Switzerland is ranked 2nd as the most complex economy and the 18th largest export economy in the world (Observatory of Economic Complexity, 2019).

As shown in figure 9, Switzerland experienced rapid growth in economic growth from 2000 to 2007, however, not much different from other European neighbours, Switzerland was also affected by the financial crisis in 2008. The Swiss economy barely recovered from the period of economic growth which is defined as anaemic. This is because Switzerland's two main economic partners namely the EU and the US were the most hit by the 2008 financial crisis. It even caused a cessation of demand for Swiss exports and put

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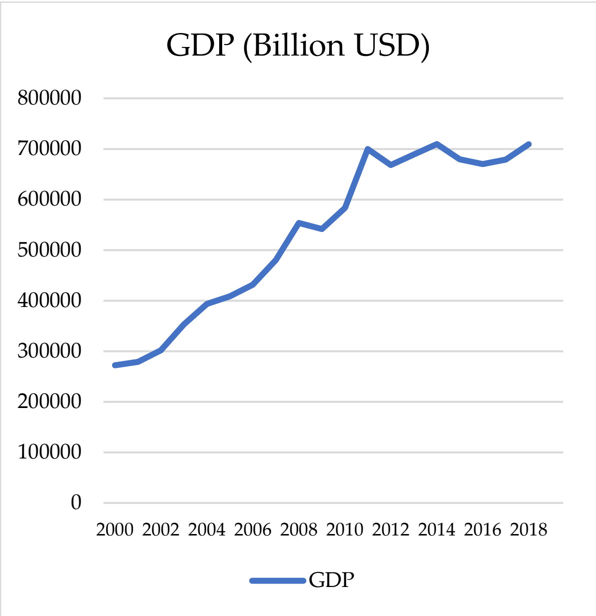
Switzerland into a brief period of recession. In addition, the fate of the Swiss economy is closely related to its neighbours in the eurozone, which buys half of the Swiss exports. Even so, the impact of the financial crisis did not affect the economic conditions as bad as initially predicted (Mombelli, 2018).

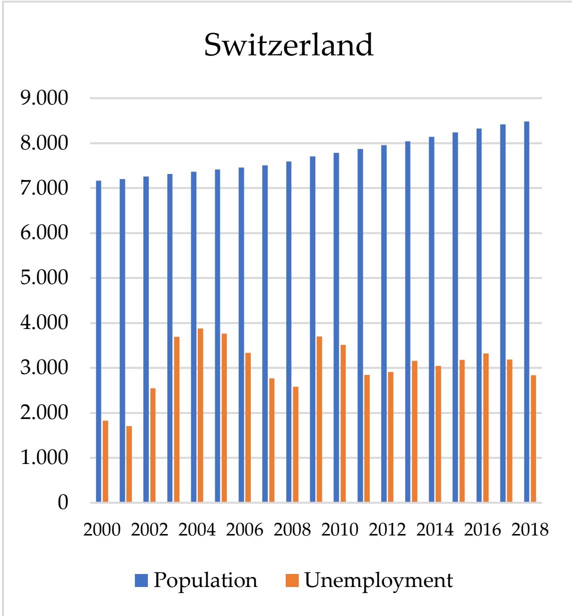
Figure 9. Switzerland's GDP



Source: imf.org, 2019.

In 2014, Switzerland has successfully recorded its highest peak GDP accounting for USD 709,506 billion. However, it soon decreased and started to increase again in 2017 and reached the amount of USD 709,118 billion in 2018. In line with its good economic performance, the level of unemployment in Switzerland also displays an outstanding performance always below 4% and even reached 2.8% of the total population in 2018 (figure 10).

Figure 10. Switzerland's Total Population and Unemployment Rate



Source: imf.org, 2019.

4.4 Switzerland and the EU Bilateral Relations

Despite the achievements made by Switzerland, there is still pressure from neighbouring countries and trading partners. Among them was to respond immediately by reforming their banking secrecy laws, and by agreeing to comply with OECD regulations on administrative assistance and in tax matters, including tax evasion. Switzerland is more dependent on the banking sector where more than 10% of GDP comes from that sector, of course, this is important for the stability of the Swiss economy. In response, the Swiss Government has sought to incorporate OECD standards, and openly considered the possibility of taxing bank deposits held by foreigners and renegotiating some tax agreements with its partners such as the US (IndexMundi, 2021).

Switzerland became a member of the European Free Trade Area (EFTA) along with

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Iceland, Norway, and Liechtenstein in 1972. This agreement regulates economic relations which include removing trade barriers between EFTA members and the European Union. In addition, similarly, to Norway in 1992, Switzerland's application to the EU was also suspended after a negative referendum on the European Economic Area (Sedelmeier, 2015: 415). However, both Norway and Switzerland can still access the EU single market. Thus, both countries must accept a set of rules by the EU.

The EU and Switzerland are close allies and major economic partners. So to speak, the level of economic interdependence between the EU and Switzerland is quite large, both in terms of trade in goods and services and in foreign direct investment (European Council, 2019). The existence of a bilateral agreement between Switzerland and the European Union in 1999 is known as EU-Switzerland Bilateral I agreements. The scope of this bilateral agreement is deeper than the ETA cooperation agreement, including free movement of people, technical barriers to trade, public procurement market, agriculture, civil aviation, overland transportation, and so on. In 2004, Switzerland and the European Union re-signed a far more comprehensive agreement known as the EU-Switzerland Bilateral II agreements that include saving taxation, combating fraud, environment, education, and others (European Parliament, 2020). This agreement also marks the official joining of Switzerland as part of the Schengen area.

Furthermore, in 2014, the European Union and Switzerland decided to start negotiating an institutional framework agreement to reunite certain bilateral agreements - particularly, regarding single market access. The framework agreement mainly covers five main themes: free movement of people, mutual recognition of industry standards, agricultural products, air transportation, and land transportation. To date, there are more than 120 bilateral agreements related to Swiss access to the EU internal market and the workings of these agreements are sectoral similar to membership. In December 2018, the agreement was officially announced.

During the negotiation period, the EU continued to encourage Switzerland to sign the agreement. But after five years of negotiations, the Swiss Federal Council submitted this decision to go through a public consultation process at the end of 2018. Until now, these negotiations are still deadlocked (Economiesuisse, 2020). Regardless of the imposition of new restrictions that affect EU and Swiss financial companies, this of course will not be good for Switzerland. If this situation continues it will have a negative impact on the Swiss financial centre and also on the Swiss export industry where more than half about 55 percent are bought by the EU. Therefore, non-discriminatory access owned by Switzerland to the European internal market is very important. Nonetheless, both sides continue to maintain close relations not only at the economic level but also at the political and cultural levels. Currently, Switzerland has diplomatic missions in most EU countries except Cyprus, Estonia, Lithuania, and Malta.

As reflected in figure 11, in 2013, trade between Switzerland and the EU reached its highest peak with a mutual turnover of USD 363.15 billion. In 2018, the trade turnover declined to reach USD 312.22 billion with a surplus always in favour of the EU. The EU's exports to Switzerland reached 174,10 billion USD while the EU's imports from Switzerland amounted to 138,10 billion USD in 2018.

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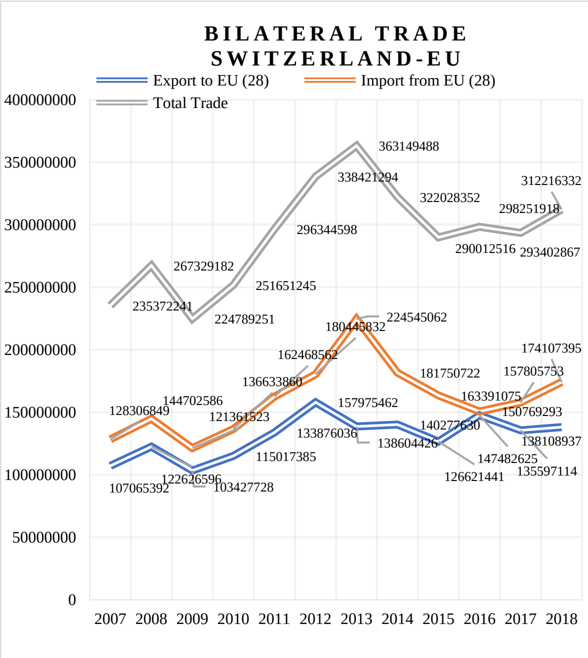
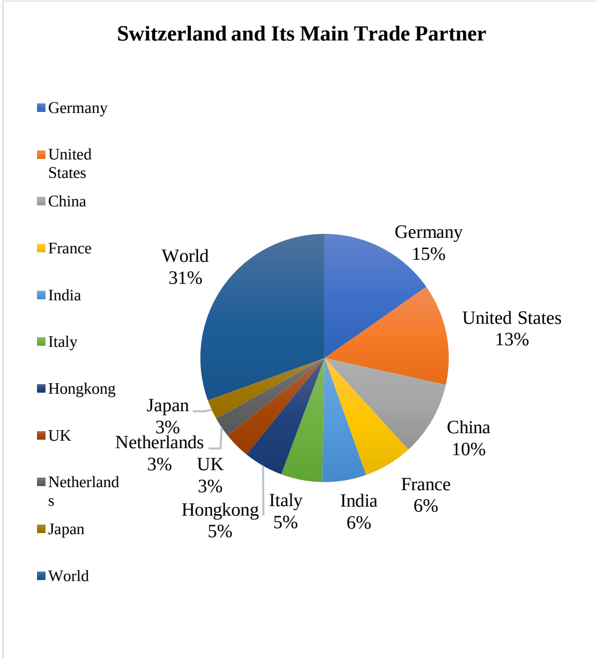
Figure 11. Bilateral Trade Between Switzerland and the EU



Source: trademap.org, 2019.

Switzerland is the EU's third-largest trading partner after the USA and China. The European Union is Switzerland's largest trading partner followed by the USA, China, India, Hongkong, and Japan (figure 12). The EU countries account for more than 32% of Switzerland's exports in 2018.

Figure 12. Switzerland and Its Main Trade Partner



Source: trademap.org, 2019.

Swiss' main import from the EU includes machinery and appliances, transport equipment, and precious metals (figure 13). Whereas, Swiss merchandise exports to the EU are still dominated in certain sectors, mainly chemicals/pharma and medicinal products, gems and precious metals, machinery, instruments and watches (figure 14).

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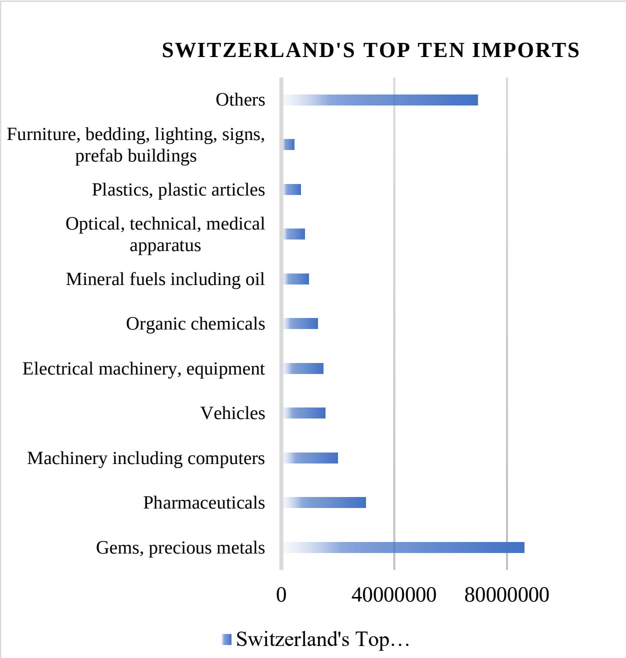
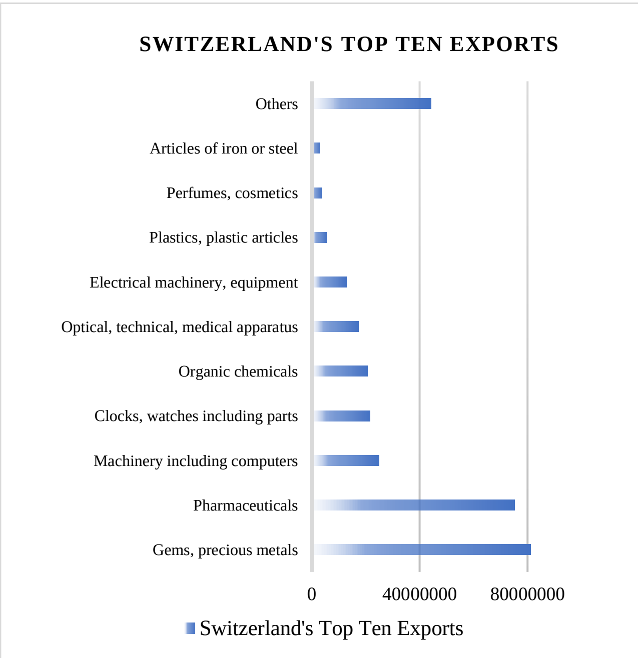
Figure 13. Switzerland's Top Ten Import Commodities



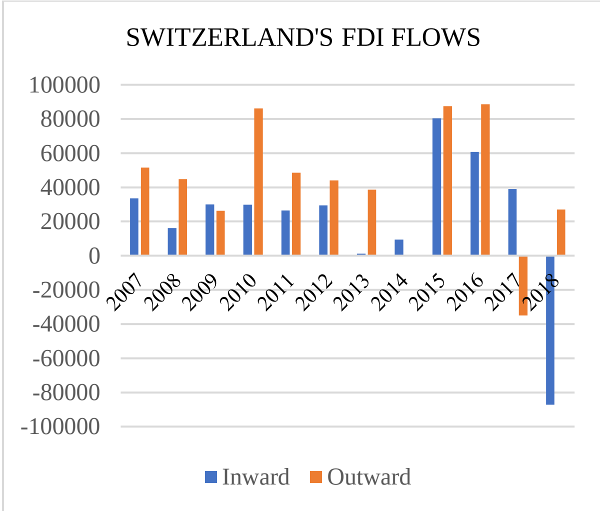
Source: trademap.org, 2019.

Figure 14. Switzerland's Top Ten Export Commodities



Source: trademap.org, 2019

Figure 15. Inward and Outward FDI to Switzerland (2007-2018 in USD Million*)



*US Dollars at current prices in millions
**FDI Stock
Source: unctadstat.org, 2020.

Based on figure 15, it can be seen that there has been a decline in the flow of foreign investment coming to Switzerland from 2015 to 2018. Meanwhile, the flow of foreign investment out of Switzerland tends to fluctuate year to year since 2007. Moreover, in 2017, the number of investment outflows was far below the average.

Figure 16. EU-Switzerland: Foreign Direct Investment in 2017

Source: European Commission, 2020.

In 2019, Switzerland is ranked in 13th place among other countries that are likely to attract the most investment. However,

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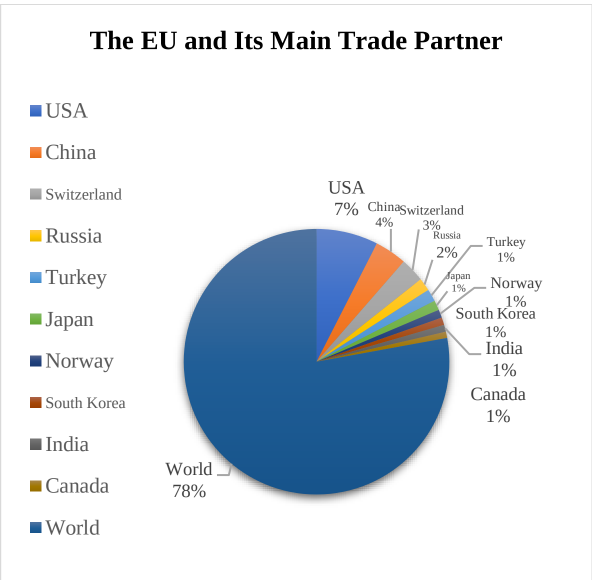
Switzerland is very vulnerable to political and economic instability abroad because it has one of the most global economies in the world. This has caused its position to continue to decline in the ranking of foreign investment in contrast to the previous year, Switzerland ranked 9th. Besides the weakening of the global economy and the impact of Brexit is also the biggest risk for Switzerland. Moreover, concerning the institutional framework agreement between Switzerland and the EU, this can also be interpreted if the relationship with the European Union continues to deteriorate then this will have an impact on the prospect of a Swiss economic condition that could continue to weaken (SWI, 2019).

4.5 Strength, Weakness, Opportunities, and Threat (SWOT) Analysis

The European Union is Switzerland's largest trading partner, and Switzerland is the EU's third-largest trading partner after the USA and China followed by Russia, Turkey, and Japan. Switzerland accounts for 3% of the EU's exports (figure 16).

Figure 16. The EU and Its Main Trade Partners



Source: trademap.org, 2019.

Table 1. EU Foreign Direct Investment flows by major partner, 2017-2018.

	€ million			
	Outward FDI flows		Inward FDI flows	
Counterpart Area	2018*	2017	2018*	2017
Total extra EU	-59974	300812	- 204929	265376
Switzerland	62822	86167	26697	77873
Russia	-5858	30697	1323	32895
Canada	91136	-25927	56774	1617
United States	-165273	158838	- 177412	- 124138
Brazil	4983	3854	-3990	2833
China (excl. Hong Kong)	8680	-13310	7393	-15461
Hong Kong	5628	13888	5981	55321
India	5579	22455	-322	19303
Japan	8028	2317	4841	40409

*Preliminary results

Source: Eurostat, 2020.

Both the EU and Switzerland are their respective main destinations for foreign investment. In 2017, Switzerland was the main investor in the EU as well as the main destination for the EU's investment which accounted for 164,040 Million Euros (Eurostat, 2019). Switzerland was the second destination after Canada for the EU's foreign investments, similarly, the EU was the second destination after Canada for Swiss foreign investment in 2018 (table 1).

Following the empirical data presented earlier, the following section will discuss the strengths, weaknesses, opportunities, and threats (SWOT) analysis of the bilateral maintained between Norway and the EU in contrast to Switzerland and the EU in the field of economic cooperation namely the trade and investment sector after the financial crisis. This analysis will be carefully elaborated based on the findings.

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4.6 Strength

4.6.1 Norway – the EU

As for the strength, both the EU and Norway keep maintain good and close bilateral relations. Additionally, the existence of an EEA agreement with the EU has given access to large markets and reduced some of the costs and regulatory uncertainties for third parties related to non-membership. High commodity prices, particularly for oil and gas, have made it easier to withstand non-membership fees. It also brings benefits for Norway, especially in the Norwegian business sector, employment, and related to its capability to maintain a sustainable welfare society. Moreover, the agreement also helps to ensure Norwegian economic security and predictability (Norwegian Ministry of Foreign Affairs, 2018).

4.6.2 Switzerland – the EU

Switzerland is the third-largest trading partner for the EU and the main destination for the EU's foreign investment. Both the EU and Switzerland are their respective main destinations for foreign investment. In comparison to Norway, Switzerland only pays a partial fiscal contribution to the EU budget. It means greater political sovereignty: flexibility to set up bilateral agreements.

4.7 Weakness

4.7.1 Norway – the EU

In relation to the EU budget, Norway pays a full contribution to the budget with no say in fiscal policy. It demonstrates the lesser extent of its flexibility to set up an agreement with the EU (Eliassen et al., 2003: 125).

In comparison to Switzerland, the amount of foreign investment coming to Norway from the EU is relatively small. Overall, Norway needs to boost its strategy when it comes to attracting foreign direct investment coming to Norway. Besides that, Norway's unemployment rate adds concern as it is seen as more volatile and fragile in comparison to other Nordic neighbouring countries.

4.7.2 Switzerland – the EU

Switzerland is very vulnerable to political and economic instability abroad because it has one of the most global economies in the world. Switzerland has more limited access to the single market and has to accept new chunks of EU law only if it negotiates more access.

EU economic regime is inherently more burdensome than that of Switzerland. Switzerland does not have a proper internal market. As a matter of fact, roughly around 40% of Swiss trade is with Non-EU countries. It is seen that even though the Swiss economy may be small and open, it is also divided. Some sectors such as agriculture which is highly protected as well as telecommunications and energy have certain problems when it comes to the relationship with Europe.

Moreover, in the case of the banking, finance, and insurance sector, Switzerland also faces a more complicated issue with the EU. It links to problems over monetary and taxation. Swiss economic relations with the EU are more complicated and diverse than is often realised. Switzerland is both dependent on the EU and a rival to it (Church, 2007).

4.8 Opportunity

4.8.1 Norway – the EU

As the trade war between China and the USA also becomes a threat to the free trade between Norway, it can also bring an opportunity at the same time. China has been looking for allies around the world, especially in Europe. Norway may take this as an opportunity, even though many major European countries particularly EU countries

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share U.S. concerns about market access and intellectual property rights. A free trade deal would benefit Norway in certain sectors, especially for the producers of farmed salmon. Some of them are Marine Harvest, Norway Royal Salmon, and Grieg Seafood (Bilaterals, 2017).

In the field of collaborative economics and digital platforms between the EU and Norway, there are several new opportunities. Likewise, in the energy sector where Norway will continue to strive to promote cooperation in developing greener and renewable energy use (Norwegian Ministry of Foreign Affairs, 2019).

4.8.2 Switzerland – the EU

As the current negotiation for an institutional framework agreement has not yet been concluded, there are still some opportunities for cooperation that have yet to be utilised optimally between Switzerland and the EU. It appears that once the framework has been concluded, it will bring benefits to both the EU and Switzerland.

4.9 Threat

4.9.1 Norway – the EU

As for the case of Norway and the EU, it is seen that threats are more likely to come from external events such as a weakening global economy, the impact of Brexit, and a trade war between China and the USA. Likewise, in the field of security, the Norwegian government will continue to support dialogue and further cooperation between NATO and the EU in combating the hybrid threat (Norwegian Ministry of Foreign Affairs, 2019).

4.9.2 Switzerland – the EU

As for the case of Switzerland and the EU, it appears that threats can occur if both are still unable to complete their negotiation regarding the institutional framework agreement. If this situation continues it will have a negative impact on the Swiss financial centre and the Swiss export industry where more than half about 55 percent are bought by the EU. In addition, the fate of the Swiss economy is closely related to its neighbours in the eurozone, which buys half of the Swiss exports.

The China-USA trade conflict is also affecting Switzerland through the world financial markets. As the resulting volatility could strengthen the Swiss Franc, which may negatively affect Swiss exports because they will become more expensive to buy (Alavo, 2018).

5. Conclusion

It is evident that the bilateral relations between the EU and Norway as well as for the EU and Switzerland have created conditions of interdependence for both the EU and its partners, namely, Norway and Switzerland. Taking into account the findings, we might draw a conclusion in accordance with the trade structures and values, Norway is more heavily dependent on the EU countries as its main trade partners which count for more than 74% of Norwegian exports. Whereas, in comparison to Switzerland, it is more balanced between EU and non-EU countries as its main trade partners.

Additionally, in comparison to Norway, Switzerland is more important for the EU in the field of the investment sector and vice versa. Switzerland was among the main investors in the EU as well as the main destination for the EU’s foreign investment which accounted for 164,040 million euros in 2017. Moreover, Switzerland, despite it is a landlocked country and does not have a coastline, is still able to become one of the leading economies in the world.

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Several issues remained open after the end of the latest global financial crisis that affected most of the substantial economies in the modern world, including Norway and Switzerland. Among them, the Brexit and weakening of the global economy are also considered might harm the bilateral relations between the EU and Norway as well as between the EU and Switzerland. As a matter of fact, the global economy being increasingly interdependent caused the spillover effect, neither the richest nations in Europe like Norway and Switzerland could not stay out of the crisis and defend their national economies from external influence.

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