



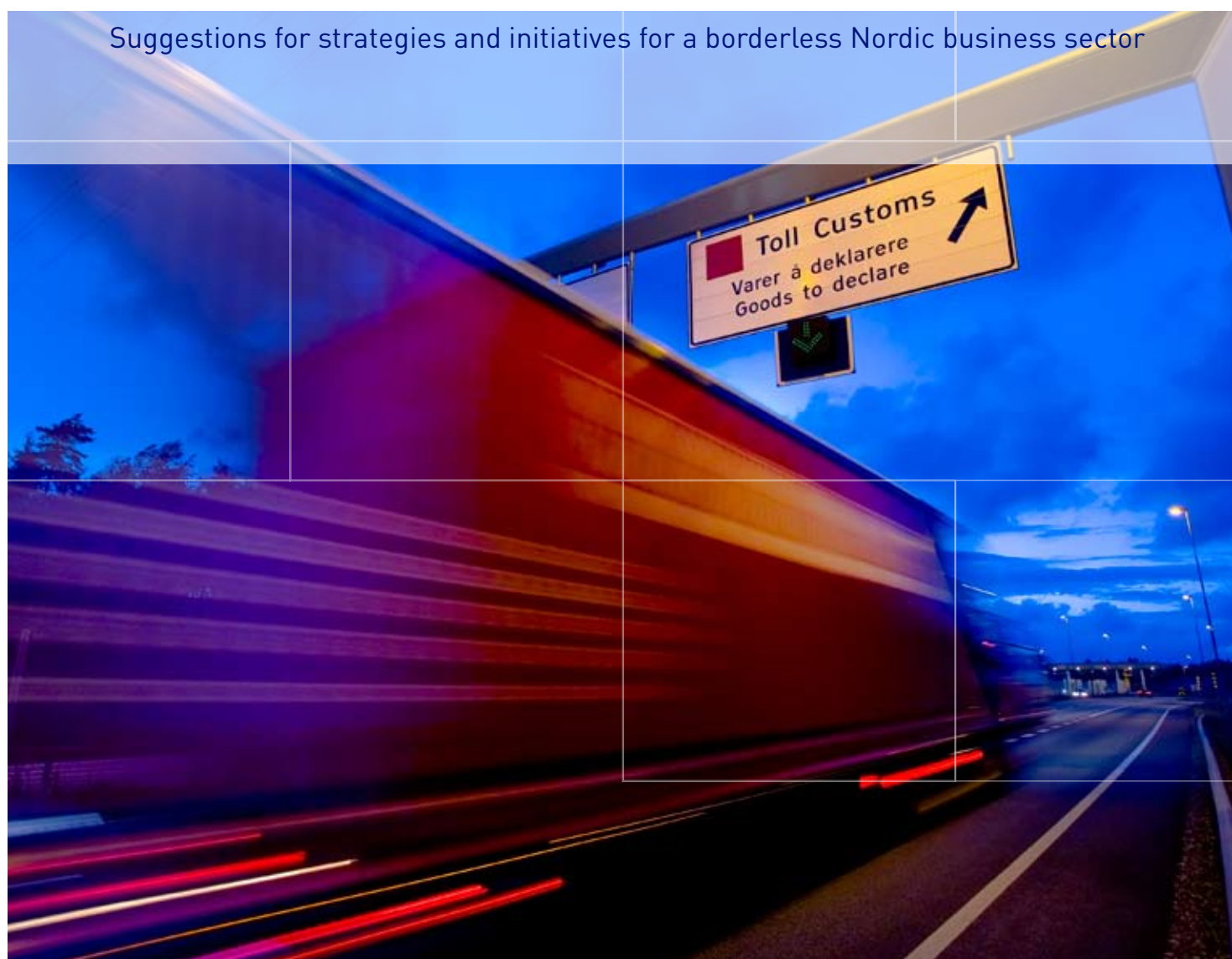
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FROM CROSS-BORDER BARRIERS TO MARKET OPPORTUNITIES

Suggestions for strategies and initiatives for a borderless Nordic business sector



Editor: Kari-Ann Kristiansen, Nordic Innovation Centre

Many different players with diverse areas of responsibility are involved in the effort to remove cross-border barriers in the Nordic region. A questionnaire was sent to some of those players in order to gather information for this report. The objective was to gain information about the chief tasks, the 2006 results, and the most important projects for 2007.

Our contributors include:

- The Secretariat of the Nordic Council of Ministers
- The appointed special envoy for the removal of cross-border barriers to Nordic business
- Hallo Norden, Denmark
- Hallo Norden, Finland
- The Öresund Committee
- The Kvarken Council
- ARKO.

We are grateful for all contributions received, which we have attached.

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FOREWORD

Nordic Innovation Centre (NICE) is the Nordic Council of Ministers' operating instrument for promoting an innovative and knowledge-intensive Nordic business sector.

One of NICE's most important tasks is to establish the Nordic region as a highly functioning internal market and a region without borders or national barriers that hamper the free movement of knowledge, ideas, capital, people and goods.

To ensure the Nordic region functions as an internal market, NICE is especially involved with projects to uncover and remove specific barriers to freedom of cross-border movement. NICE focuses particularly on barriers of major economical significance which affect many players.

NICE considers it important to map both the benefits of a freer market and the costs of existing barriers. This will document the importance of the work towards the creation of a highly functioning internal Nordic market for politicians, governments, businesses and other players in the Nordic region. Some major judicial obstacles that require legal amendment, in tax and company law, for example, would need to be tackled in order to really achieve simplification for Nordic businesses.

The Nordic internal market is part of the EU internal market and a strong joint Nordic involvement in an early phase of the EU's regulatory processes is crucial in order to be in a position to affect outcomes and contribute good solutions. The task of removing cross-border barriers is also prioritised by the Nordic Council of Ministers and the Nordic Council in order to meet the challenges of globalisation.

In this report, NICE suggests strategies and initiatives aimed at creating an internal market which functions as smoothly as possible for Nordic businesses.

NICE feels that the focus should be moved from "cross-border barriers" to "market opportunities." The EU enshrines the concept of "the four freedoms", namely free flow of goods, services, people and capital. "Free flow" is therefore the graphic and visual theme of this report.

I hope this report will contribute to a positive debate in the working process towards the creation of a well-functioning internal Nordic market.



Kjetil Storvik





SUMMARY

- Nordic Innovation Centre (NICE) is the Nordic Council of Ministers' operating instrument for promoting an innovative and knowledge-intensive Nordic business sector. NICE works to establish the Nordic region as a highly functioning internal market and a region without borders, where there are no barriers between nations to hindering the free movement of knowledge, ideas, capital, people and goods.
- NICE works on and supports projects that aim to improve the conditions for competitiveness in which Nordic companies operate. It also participates in projects that uncover and remove concrete obstacles, in particular obstacles that are of major economical significance and affect a large number of players.
- A cross-border barrier can be defined as a circumstance that substantially reduces a business's potential profit in seeking new opportunities across the Nordic borders. NICE is in particularly concerned with so called trade barriers, i.e. measures that obstruct or complicate the trade of goods or services whether for import or for export, and measures that obstruct investment between two or more countries.
- Trade barriers diminish our welfare, while removal of trade barriers will provide trade and industries in the Nordic region with new opportunities, both within the Nordic countries and in the rest of the world. An important goal is to have businesses in the Nordic region regard the entire Nordic region as their domestic market.
- Economic globalisation will present Nordic businesses with new opportunities, but also represents challenges by making it even more crucial for Nordic businesses to improve their competitiveness. The Nordic business requires framework conditions that are being constantly updated to make them competitive globally. A well-functioning internal Nordic market without unnecessary bureaucracy and borders will be an essential element in the work of meeting the challenges of globalisation.
- We should work to change our focus from "cross-border barriers" to "market opportunities."
- There should be particular focus on projects and measures that promote Nordic innovation and stimulate increased competition across borders. Better information and mapping of socio-economic costs is important. More emphasis should be put on the service sector and on improving conditions for setting up businesses.
- There must be clear political signals that unnecessary differences in regulations and practices are not acceptable within the Nordic region. When drawing up new national regulations, the introduction of regulatory requirements differing from the regulations in one or more of the Nordic countries must be explained. This will provide politicians with an opportunity to respond and where there is no justification, make a decision to adjust the regulations in accordance with the rules of the other countries.
- After consideration of the recommendations and suggestions in this report, NICE will, in collaboration with the relevant players and with input from the authorities and representatives from the business sector, make suggestions for concrete initiatives in the years to come.





1. BACKGROUND

The removal of cross-border barriers, thus creating a highly functioning internal Nordic market, has always been high on the Nordic agenda. The Nordic region should be a region without borders, where there are no cross-border barriers that limit the free movement of expertise, ideas, capital, people and goods. This would mean that citizens and businesses would be able to invest freely, acquire goods and services, study, move, work etc. in a market consisting of five countries and 25 million citizens.

Despite a great deal of work to remove barriers, citizens and businesses in the Nordic countries still come up against a large number of barriers when they try to establish businesses, invest, trade goods or services and so on. Even if old obstacles are removed, new ones are constantly emerging when Nordic countries implement EU regulations differently or pass new national rules. Removal of obstacles is therefore a continuous process and will be ongoing even in the years to come.

There are many different players and tasks involved in the removal of cross-border barriers in the Nordic countries. Some concentrate on barriers to trade while others focus primarily on barriers to citizens. Some work with the entire Nordic region as their field while others have a bilateral perspective. Some focus mainly on the removal of specific cross-border barriers while others focus on information. Some of the players involved in the removal of Nordic cross-border barriers and their main tasks are described in Chapter 5 below.

When NICE was established in 2004 after a merger of Nordtest and Nordic Industrial fund, one of its main priorities was the creation of a well-functioning internal market and the removal of cross-border barriers in the Nordic region.



This report mainly focuses on the work to remove obstacles that hinder free movement of innovation resources for cross-border trade, including obstacles to establishing businesses, export of goods and services, flow of capital etc. The report will to a certain degree also refer to obstacles for private individuals if they are relevant to business activities, for instance within the areas of fiscal taxation, mobility of labour and the approval of professional qualifications.

The report mainly focuses on NICE's work and is not meant to cover the work of other players. Other Nordic players have been asked for input in order to ensure that the current work and important future projects have a solid foundation. Their contributions are attached.

The aim of the report is to describe NICE's work for the Nordic business sector with regard to various obstacles to cross-border movement. This work will be an attempt to be viewed as part of a greater whole in order to gain a greater understanding of the challenges and the possibilities ahead. The report describes cross-border barriers and explains why their removal is important. Finally, there will be a discussion of different proposals for the pursuit of strategies and initiatives to establish the Nordic region as a highly functioning internal market and as a borderless region.

This report covers the period from January 1, 2006 to date. Our aim is to create an annual report on cross-border barriers work.





Intet å fortolle
Nothing to declare



2.
MANDATE

2.1 Nordic trade and industry policy co-operation programme 2006-2010

The Nordic trade and industry policy co-operation programme for 2006-2010¹ was passed by the Nordic trade and industry ministers in September 2006 and provides the framework conditions for Nordic trade and business policy cooperation. The programme describes the main focus points and measures that are vital in the process of creating an optimum framework for the business in the Nordic region. The work to remove obstacles to freedom of movement in the Nordic region has been prioritised by the co-operation programme.

The Nordic Council of Ministers (NCM) has overall political responsibility for the co-operative programme. The Nordic Committee of Senior Officials for Trade and Industry and NICE are responsible for its implementation.

The programme's agenda includes cross-border barriers in the Nordic countries: "The Nordic trade and industry co-operative policy shall help remove cross-border barriers and trade barriers, as an open Nordic area is essential in order to promote economic integration and growth in the Nordic countries."

The co-operative programme is working on the following initiatives for the duration of the programme:

- Continuing with activities concerning the removal of cross-border barriers, including venture capital and the construction product sector
- Identifying and initiating work to remove other cross-border barriers
- Focusing on not creating new barriers in the Nordic countries when drafting new rules, regulatory systems, etc., nationally and internationally
- Continuing with work-in progress aimed at encouraging increased co-operation and market integration in the Baltic Sea region.

2.2 The Presidency programmes

The co-operative programme provides the main framework for the efforts until 2010. The programme will be supplemented with topics from the annual presidential programmes. The NCM Presidency changes each year, rotating amongst the countries. Norway was president in 2006 and Finland holds the presidency in 2007.

Norway's presidency programme emphasised reviewing obstacles connected to the business sector which would support the development of a strong and competitive business sector in the Nordic countries. The Finnish presidency programme states that ongoing projects to remove freedom of movement obstacles, particularly within venture capital and the **construction product sectors**, are set to improve the efficiency of markets in the Nordic countries, thereby improving competitiveness.

2.3 Other relevant issues

In addition to the trade and industry policy co-operative programme and the annual presidency programmes, there is clearly room for addressing other relevant issues within the framework of the Nordic co-operative programme at any time.

¹ http://www.norden.org/sagsarkiv/sk/sag_vis.asp?id=19&vis=1





"I believe that Nordic co-operation has great potential to supplement regional, national and European cooperation. But the role of Nordic co-operation has to be clearer and its role towards these three geographic and political areas be better defined."

Sweden's EU Minister Cecilia Malmström

3.

**NORDIC CROSS-BORDER BARRIERS WORK,
THE EU INTERNAL MARKET AND GLOBALISATION**

3.1 Introduction

The EU is the dominant co-operational structure in Europe today, and Nordic co-operation is part of the greater European co-operation. With the exception of Greenland and the Faeroe islands, all the Nordic countries are members of the EU or the EEA, and an increasing number of policy areas are affected by decisions made at a EU level. It is therefore natural that the Nordic agenda includes the same questions and issues as that of the EU. Nordic co-operation on EU issues has become more important as a result of the increasing influence of EU/EEA issues in the Nordic countries and in the light of EU enlargement.

Nordic co-operation is constantly evolving in the light of developments in Europe and the rest of the world. The challenges posed by globalisation have recently been high up on the Nordic agenda.

3.2 More on EU, EEA and the EU internal market

Denmark, Sweden and Finland are part of the EU. Norway and Iceland are not members of the EU, but have been part of the EEA since 1994. The EEA today consists of 30 countries; the 27 EU member states and EFTA countries Iceland, Liechtenstein and Norway.

The internal market is one of the major elements of EU cooperation. Through the EEA agreement, Norway and Iceland also participate in the EU internal market. This means that the EU provisions on the four freedoms, i.e. free movement of goods, services, capital and people also applies in all of the Nordic countries. This implies that all goods legally marketed in one country, shall, as a general rule, be approved in the other countries. Employees and students should in principle be entitled to treatment equal to that of the host country's own citizens as regards civil and social rights. Foreign investors have, with limited exceptions, the same right to set up a business and equal treatment to national investors.

Harmonisation of requirements regarding the free movement of goods and services is also an important part of the internal market. In addition, the same regulations apply regarding competition rules and rules of state aid, which secure equal and fair terms of competition between businesses in the internal market.

3.3 Some elements of the Nordic cross-border barriers work within the EU internal market

Nordic cooperation can be divided into informal and formal collaboration.

Formally, the Nordic cooperation ministers in 2003 agreed on overall guidelines for the development of NCM's international work. It stated that "all of NCM's specialist minister should adjust their policies and planning in accordance with these overall guidelines and, naturally, NCM increasingly includes European policy issues in the activities of the Council of Ministers. It follows from the guidelines that the common Nordic cooperation should emphasise on shifting the Nordic cooperation closer to the EU agenda, as well as facilitating the practical completion of the Nordic co-operative structure to fit the EC cooperation."²

In addition to formal cooperation, there is ongoing informal Nordic cooperation within the EU. This applies at the prime ministerial level, where the Nordic prime ministers in the EU-member Nordic countries have held informal meetings before EU summit meetings, as well as at a specialist ministerial level. For instance the ministers of trade and industry have held meetings before Council of ministers meetings in the EU. Norway and Iceland are kept informed through informal co-operative council meetings.

² See "Det internasjonale Norden, Nordisk samarbejde i europæisk ramme 2006" <http://www.norden.org/session2006/sk/PDF/Dokument19.pdf>



The Nordic countries also hold meetings before EU meetings at the civil servant level to discuss issues where there is a common interest in influencing the EU decision-making processes. One example is the Nordic internal market group which discusses trade facilitation to promote the free movement of goods and services and the shaping of a new internal market policy.

Nordic cooperation is not only important in order to influence the EU's decisions but also for the implementation of EU directives. There is a joint Nordic legislative effort in the area of company law, for example, and an initiative was set up recently to work towards the implementation of the Services Directive.

Nordic parliamentarians frequently attempt to influence resolutions in the EU through their work.

3.4 Do we need specific Nordic cooperation regarding cross-border barriers?

The answer is "Yes, we do." Firstly, there is a requirement for regional cooperation on many EU issues, and this requirement is likely to continue to increase.

The EU has undergone an enlargement process. A 27-member-state EU (30 EEA countries) is completely different from a EU of 12 or 15 member states. There is a need within this large and expanding organisation to find means of co-operating on issues affecting several countries or areas, often with common historical ties or linguistic identity, but which are not of interest to the EU/EEA as a whole. This paves the way for regional co-operative structures that can relieve the EU's own institutions. The Nordic countries are one such structure; other examples are the Benelux countries and the Visegrad countries (Czech Republic, Poland, Hungary and Slovakia.)

The European Commission has also become increasingly interested in involving not only its member states but also regional international organisations as their natural partners in their programmes and projects.

Nordic work on cross-border barriers has served as an inspiration for regional cooperation in the EU. Even if cross-border barriers still exist between the Nordic countries, it is easier for a Nordic citizen to work or study in another Nordic country than for instance in France or Greece.

Secondly, we see that the Nordic countries influence the EU's work in a number of cases. Even if the Nordic countries have different degrees of association with the EU, there are many examples where a common Nordic approach to the EU yields influence. Particularly in areas such as gender equality, workplace environment, cross-border barriers and consumer politics, the preliminary work of the Nordic countries has led to important influence on the European Commission's drafting of regulations.

One relevant issue is the 2002 Nordic proposal for a study of the market (supply and demand) for a voluntary labelling scheme for goods. The background to this proposal was that a voluntary labelling scheme often leads to increased costs and distorts trade, in addition to being particularly demanding for small countries such as the Nordic ones. The study is currently being undertaken by the EFTA Secretariat with contributions from the European Commission and other relevant European organisations.

Venture capital is another issue. A report recently presented by the European Commission refers to the Nordic cooperation under NICE's project management as an example of how countries can work for harmonisation in an area that is becoming increasingly important for the development of countries' economies. This work is discussed in Chapter 6.

3.5 Globalisation – opportunities and challenges

The work on globalisation is currently one of the most important areas within the Nordic cooperation.

Globalisation will present Nordic businesses with new opportunities. Nordic businesses gain access to new export markets, it becomes easier to set up businesses abroad, competition increases, especially in the service sector, and the import prices of many goods will decrease.

Globalisation also represents a challenge to the Nordic countries, where it becomes increasingly important for the Nordic countries to improve their competitiveness. The Nordic countries' competitors have an advantage of bigger markets, lower costs, common currencies, etc. Nordic businesses therefore need of a constantly updated framework to enable them to compete in a global competition.

How are the Nordic countries going to meet the challenges of globalisation?

This was one of the themes when the Nordic prime ministers met in June 2007. The prime ministers agreed on a renewed Nordic focus on globalisation. This focus will occur in synergy with the work that is being carried out under European and regional management. A well functioning internal Nordic market without unnecessary bureaucracy and borders becomes a vital element of this work.

According to a survey on Nordic business' competitiveness conducted on behalf of NICE in 2006³, trading of goods and services is increasingly moving out of the Nordic region, as a healthy and natural expression of Nordic business globalisation. At the same time Nordic businesses report that they regard the Nordic area as a home market for knowledge, where a well educated workforce, scientific research and other innovation resources are important elements.

The report concludes, therefore, that one of the most important tasks in order to meet the challenges of globalisation is to facilitate Nordic businesses in such a way they can draw on expert resources from a coherent Nordic home base.

As part of the effort to meet this challenge, some have questioned whether Nordic cooperation should change its focus from cooperation involving a large amount of areas to cooperation that focuses on a smaller number of areas.

In a meeting arranged by Foreningen Norden (the Nordic Association) in May 2007, where the theme was "Sweden – The Nordic Region – The EU – A Perspective for the Future"⁴, Sweden's Minister for EU Affairs, Cecilia Malmström spoke warmly of Nordic cooperation, but emphasised that it ought to become more focused:

"I believe that Nordic cooperation has great potential when it comes to supplementing the regional, the national and the European. But that also means that the role of Nordic cooperation should become more apparent and that its role towards these three geographic and political areas must be better defined. "Narrower, but sharper" is a term that is all too often used as a vision for different tasks. However, in this context one cannot escape the fact that Nordic cooperation has to be narrowed down and focused on a smaller number of main tasks."

The work with cross-border barriers is one example of a main task on which efforts should be concentrated. The service sector in particular must be addressed as a number of regulations mean that cross-border trade functions less well than commodity trade. Cooperation in the areas of education and research should also be prioritised.

³ <http://www.nordicinnovation.net/prosjekt.cfm?id=1-4415-19>

⁴ <http://www.regeringen.se/sb/d/3214/a/82096>



4. MORE ON CROSS-BORDER BARRIERS

4.1 What are cross-border barriers?

4.1.1 In General

There are several different types of “cross-border barriers”, and there are also several ways to define such barriers.

NCM defines a cross-border barrier as “any limitation on the mobility of private individuals or businesses within the Nordic region.” This includes all forms of obstacles that make it difficult or impossible to export goods and services, set up businesses or study, move to and work in a different country, earn social security points, or get professional qualifications recognised etc.

Another definition is “conditions that cancel or substantially reduces the commercial gain of trade and industry when seeking out new opportunities across the Nordic borders.”

4.1.2 Trade barriers and technical barriers to trade

Within the broader term cross-border barriers, “trade barriers” can be isolated. Put simply, trade barriers are obstacles that typically apply to the trade and industry sector. These are usually defined as all kinds of measures from national governments that hamper or complicate the trade of goods and services, whether for import or export. Measures that hamper investment between two or more countries are also considered trade barriers.



Some examples include:

- Technical rules and standards
- Requirements for testing, control and certification of products and services
- Requirements for import licences, import quotas or import bans
- Certificates of origin
- Foreign exchange regulations
- Company and tax laws
- Tax regulations, for instance environmental
- Demands on/of investments
- Rules for setting up companies
- Authorisation requirements

Technical Barriers to Trade (TBT) are often referred to. These are rules and standards that place requirements on goods in the form of technical qualities, testing, control, certification, labelling, packaging, etc. These are the most common trade barriers encountered by companies when exporting goods.



Even if the product is legally produced and tested according to the Swedish regulations, Norwegian authorities, for instance, demand that the product be adapted to Norwegian regulations or be tested again. Any such rule or standard will basically be considered a trade barrier between countries.

Typical obstacles in the service sector are the placing of licence requirements on service enterprises or mandatory establishment requirements on provision of services in another country.

According to the EU/EEA regulations, trade barriers are illegal as a general rule. The principle of mutual recognition is important in this area. This principle is developed within legal practice and implies that a product that is legally produced in one EU/EEA state can be legally marketed in the other EU/EEA state without further testing and control. The advantage of this principle is that it is not necessary to harmonise all rules concerning goods within the EU.

Equivalent rules apply to the service sector. The trade of services is based on the principle of equal treatment, independently of the service provider's national origin. National regulations that restrict the opportunities for supplying a particular type of service must be applied equally to both national and international service providers.

Some forms of trade barriers or restrictive measures are legal. Trade barriers can be permitted on the basis of the consideration of public morals, order and security, to protect humans' and animals' life and health, etc. and also out of consideration for consumers, with respect to good business practice, environmental considerations, etc. These are reasons why countries can have national requirements regarding goods and services. Examples include requirements for controls on certain food products or construction products.

If one is to invoke such considerations, national arrangements must not be discriminating or disproportional, i.e. not more radical than is necessary and suitable to achieve their goals.

4.1.3 Other forms of cross-border barriers

The barriers described above are barriers due to requirements imposed by the authorities. These are usually referred to as legal barriers.

Privately created, or market-created barriers are in contrast to legal barriers. These can be voluntary labelling schemes such as environmental labelling schemes or other quality labelling schemes that vary from one Nordic country to the next. These barriers often lead to increased costs for the producers.

Another type of barriers that might also have an impact on the trading of goods and services in the Nordic region are barriers due to different company cultures, traditions, different languages and leadership styles. Such "softer" barriers are to a certain extent reported as disrupting trade and the establishment of businesses in the Nordic region.

Lack of information or difficulties in accessing information can also be a barrier. It might for example be difficult to obtain information on how to export a product or the regulations applying to setting up a business in another Nordic country.

4.1.4 Examples of typical barriers for business within the Nordic countries

These examples are compiled from various reports on trade barriers in the Nordic countries⁵. For several of these examples measures have been initiated with the purpose of removing the barriers. See Chapter 6.

5 "De nordiske lande – en arbejdsplass, et hjemmemarked – En redegørelse om fjernelse af grænsehindre fra samarbejdsministrenes særlige repræsentant Poul Schlüter, 2005, NICes rapport fra mai 2004 "Grænsehindre for næringslivet i Norden", m.fl.

a. Access to markets for goods

Problems surrounding recognition and labelling of products are often reported as a cross-border barrier by Nordic companies.

When it comes to *pharmaceutical and health products*, each country has its own Food and Drug Administration with their own regulations. Approval of the products in one country does not necessarily apply in the other Nordic countries. There are different requirements for labelling, information and design/printing of packaging as well as different distribution regulations.

There are currently no common standards within the Nordic region for *first aid and fire extinguishing*. Different quality standards, different certification requirements and information standards apply.

The problems with labelling also include various national voluntary environmental labelling schemes.

In the *building and construction* sector there are several variations of dimensions, standards and quality requirements of building materials and constructions such as wooden houses.

Also, for the approval of test methods for *measuring instruments* such as oil pumps, scales and taximeters, there are specific national requirements in the Nordic countries. This means that the instruments can not be used freely in all the Nordic countries, even if they are tested and approved in one of the countries.

b. Rights to establish and free movement of capital and payments

Administrative obstacles and specific legal circumstances impede investments across the borders, making it difficult to achieve a Nordic market for venture capital with free movement of venture capital between and into the Nordic countries. The exception is Denmark, which has a system with which foreign investors are familiar. Different tax rules in the Nordic countries also make it virtually impossible to establish a venture fund in one country with investors from the other countries.

By the same token, various company laws and tax laws prevent companies in the Nordic region from setting up "Nordic companies" with tax coordination of profits and deficits, for example.

c. Market access for services

Despite having roughly the same educational requirements, there are several examples of various examinations not being mutually recognised in the other Nordic countries, with the result that some qualification certificates are valid only in the country of origin. This applies in particular to the construction sector and issues regarding different vehicle driver licences. Different national certifications for electricians also represent a typical barrier.

4.2 Why do cross-border barriers exist?

Why do the countries in the Nordic region have different regulations, requirements and standards? Trade barriers have always existed in the trade between industrialised nations, also in the Nordic region. The most common objective is to protect the consumer or the environment against unfamiliar products. Typical examples are national requirements on fire extinguishing equipment, medical equipment, pharmaceuticals, food additives, chemicals etc. But the barriers can also be purely protectionist in nature and only have the purpose of protecting national employment and keeping foreign producers out of the market. Other reasons for having country specific rules may be to gain revenue for the nation in the form of taxes and duties.

Lack of knowledge of international and European regulations is also why countries introduce or invoke national requirements for goods and services. Market surveillance authorities may not be sufficiently familiar with the principles of free movement of goods, and simply demand that the goods have to meet the national



requirements before they can be marketed in the country.

4.3 How do cross-border barriers arise?

As previously mentioned, all countries in the Nordic region are bound by EU/EEA regulations. This means that all the Nordic countries fully participate in the EU internal market and are subject to the same rules regarding the trade of goods and services, free movement of people and capital. In addition, a number of agreements have been made between the Nordic countries that go further than the EU regulations. However, there are still a number of cross-border barriers both in the EU and in the Nordic region. There are probably several reasons for this.

Firstly, according to the EU/EEA regulations it is legal to have national requirements if no harmonised EU requirements exist in the relevant area (as long as the requirements are legal). According to European Commission figures, this non-regulated area currently constitutes about 25% of the trade in industrial goods. In several surveys, companies state that such national requirements and their enforcement is a problem.

Secondly, in areas where harmonised EU laws do exist, the countries may have implemented the regulations differently. This particularly applies in cases where the directives provide for a greater or lesser degree of discretion when implementing them nationally. In some cases, differences arise because the directives have not been implemented or have been implemented too late.

Additionally the market itself creates a number of barriers, for instance different labelling schemes for goods or different national standards.

4.4 Why is it important to remove barriers?

Open markets, both in the Nordic region, in the EU and internationally, increase competition, put pressure on prices and increase demands on quality of goods and services. Markets that are open to competition are also vital to stimulate economic growth and job creation. This benefits both consumers and businesses. For small countries like the Nordic countries in particular, which have open economies and a large number of small and medium-sized enterprises, the eradication of unnecessary barriers is vital. Free markets provide consumers with more options and better goods and services at lower prices.

Trade barriers reduce our welfare, while the removal of trade barriers will present Nordic trade and industry with new opportunities, both in the Nordic region and in the rest of the world. About 20% of international trade in the Nordic region is between the Nordic countries. It's important that companies in the Nordic region consider the entire Nordic region as their domestic market.

Several studies have been undertaken in order to survey the trade barriers encountered by companies. In the goods sector the problems are particular big in areas where there are no harmonised regulations, and where figures are available to describe the problems.

In a Nordic report from 2007⁶, 56% of the businesses surveyed state that they experience barriers when trading goods and services in the other Nordic countries. 23% of the businesses experience the approval and labelling of goods as a barrier.

An EU survey from 2002 indicates that 35% of businesses encounter problems in connection with approval of their goods in other EU countries. An analysis of enquiries made to the Euro Info Centres show that about 60% of cases in the non-harmonized area with respect to goods relate to problems with national, technical specifications. A survey by UNICE in 2004 showed that over half of businesses

⁶ <http://www.nordicinnovation.net/prosjekt.cfm?id=1-4415-19>

do meet the requirements to adapt their goods to national regulations, and 46% are ordered to put their goods through extra testing according to further national regulations⁷.

4 out of 10 companies in the Nordic region report that one barrier is a lack of information about the possibilities of utilising Nordic resources (a well-educated workforce, specialised research, etc).

The trade barriers above clearly have negative economic consequences for producers, who suffer increased costs or losses as a result of adapting the goods to multiple markets, re-testing them or in the worst case scenario refraining from marketing the goods in other countries apart from their home country. It is difficult to quantify the economic costs. There are no known recent studies on this issue in the Nordic countries. The EU has attempted to calculate the costs and has found that they constitute between 2% and 10% of total production costs, depending on the type of goods and the differences in national technical specifications combined with the need for more testing and certifications. Whether the national technical specifications are legal or not has not been taken into consideration.

Trade barriers also have consequences for consumers, leading to more expensive goods and services or poor consumer choice.

4.5 How can cross-border barriers be removed?

4.5.1 Harmonization of regulations at EU level

An effective way to remove trade barriers is to harmonize regulations so that the same regulations apply in every country. This is commonly done with respect to goods so that the same regulations apply in all countries. According to the European Commission, about 75% of all industrial goods in the EU are now harmonized. This is done in various ways. The most recent and most effective method is to only include essential requirements concerning health, the environment and/or the safety aspects of products in the directives. The directives then just have to refer to European standards prepared by European standardisation organizations commissioned by EU and EFTA. Technical requirements are specified in the standards. Standards that are based on directives are called harmonized standards. If a product is manufactured in accordance with a harmonized standard, it is considered to meet the requirements of the directive, and it should be labelled with the CE mark. This mark guarantees free circulation in all of the EU/EEA. EU products directives apply in all the Nordic countries.

4.5.2 Agreements between the Nordic countries

There are several agreements between the Nordic countries to facilitate cross-border mobility. Most of the agreements regulate citizens' rights, but some are also relevant to trade and industry activities. Examples are the agreement between the Nordic countries to avoid double taxation of income and assets and the agreement on a common labour market.

4.5.3 Standardisation

Standardisation, i.e. preparation of common guidelines is a common method of harmonizing requirements for goods and services. A standard describes important aspects of goods, services and/or working procedures, including test methods. Unlike regulations, standards are not compulsory, except when governments' compliance with the standard or when contracts or agreements specify that it must be used.

Standards may be international, European or national, depending on the standardisation body issuing the standard. Harmonized standards are European standards issued by the European standardisation bodies CEN, CENELEC and ETSI, by mandate from the EU Commission and EFTA. Such standards shall be established as national standards in the EU/EEA nations.

⁷ These figures are obtained from the Europe commissions impact study which was presented together with the proposition on regulating the principle of mutual recognition in 2007. See http://ec.europa.eu/enterprise/regulation/internal_market_package/docs/impact_assessment_sec_2007_0173_en.pdf



Standards are developed in cooperation with the users for areas where the market desires a level playing field. Standardisation has been of crucial importance to establishing EU's internal market and international trade. Standardisation promotes national competitiveness, contributes to innovation and the development of safe goods and safe production processes. By participating in international work on standardisation, Nordic companies can promote their own solutions and gain access to international markets. There are several examples of Nordic Cooperation and involvement to gain influence in the process of developing new harmonized standards; in the construction product sector, for example.

For the past 30 years, NICE (and previously Nordtest) have invested in the standardisation of more than 1,000 common Nordic test methods, of which about 550 are still in effect. The other 450 have been replaced by harmonized EU standards. The harmonized standards are based on the Nordic ones in several cases. Examples of test methods include the measurement of oil spills, safety control for welded constructions, noise pollution measurement within transport sectors and several methods in the construction products sector.

In addition to these test methods, about 500 technical reports in the form of guidelines have been prepared. Internal quality control of chemical laboratories, which has been translated into 10 European languages, is an example of such a set of guidelines.

4.5.4 Cooperation, information and problem solving (SOLVIT)

Cooperation, for instance between market surveillance authorities, is important for ensuring equal application of and enforcement of the principle of mutual recognition, for example.

Accurate and readily available *information* for citizens and companies in the Nordic region is crucial to their motivation to work, study, set up businesses and invest capital across borders. There are several operators of specific information services with the aim of removing cross-border barriers in the Nordic region. Examples include the Hallo Norden Information Service, other bilateral information services and organisations in the border regions.

Assistance with *problem-solving* is normally an effective way of removing barriers. If a company or a citizen has problems with the authorities in another country; for example, with getting a qualification approved or with setting up a business, they can approach SOLVIT⁸. SOLVIT is a network established by the EU Commission, in which all the EU and EEA countries participate. SOLVIT has a 10 week deadline for solving a case, and the network processes about 600 cases each year. 80 per cent of all the cases processed are resolved.

⁸ <http://ec.europa.eu/solvit/>



5.

SUMMARY OF PLAYERS WORKING WITH CROSS-BORDER BARRIERS IN THE NORDIC REGION

Many different players with diverse areas of responsibility are involved in the effort to remove trade barriers in the Nordic region. A questionnaire was sent to some of those players in order to gather information for this report. The objective was to gain information about the chief tasks, the 2006 results, and the most important projects for 2007. The contributions are attached to this report.

5.1 NCM's Secretariat

NCMs secretariat coordinates the cross-border barrier removal work of specialist minister councils, the Nordic information service and the Nordic border committees.

The secretariat's main task regarding such barriers are: "To facilitate citizens and companies mobility in the Nordic region by offering information and guidance and through political means by trying to make countries adjust/change their regulations that distort or hamper mobility and cross-border activities." See also "Ministers for Nordic cooperation review on removal of cross-border barriers in the Nordic Region"⁹

NCMs secretariat has also taken the initiative to establish a border political forum. This is a network of experts from the government, Nordic organisations et.al. that meet to discuss and share information on the work to remove cross-border barriers in the Nordic region. The purpose of the forum is to "obtain a synergy effect through a closer cooperation between the various actors. This way we can contribute to regional development and growth, to the removal of Nordic cross-border barriers and also to improving information for private individuals and trades in order to promote mobility. Grænsepolitisk Forum (The Border-Political Forum) therefore consists of the Nordic border committees, the Nordic information services, central civil-servants and politicians from local councils and regions and of people from other relevant authorities. Grænsepolitisk Forum meets once or twice annually.

⁹ <http://www.norden.org/pub/sk/showpub.asp?pubnr=2006:413>

5.2 Appointed special envoy for the business area

The Ministers for Nordic Cooperation and Council of Ministers for Trade and Industry have appointed a special envoy in order to achieve concrete results in the work to remove cross-border barriers in the business sector. The envoy's job is to apply political and administrative pressure on the Nordic administrations.

5.3 Appointed special envoy for social affairs

Ministers for Nordic cooperation and the Council of Ministers for Health and Social Welfare have appointed a special envoy in the area of social affairs.

5.4 Hallo Norden

Hallo Norden¹⁰ is an internet-based information service under the Secretariat of the Nordic Council of Ministers, which informs citizens and companies (since 2007) on Nordic regulations. Hallo Norden also has a physical presence in all the Nordic countries. Hallo Norden provides guidance and advice, and also reports problems/ cross-border barriers to the Secretariat of the NCM.

5.5 Nordic border regions

NCM supports 8 Nordic border regions¹¹. Some of these cover large areas and are almost trans-national in character. Others work locally in border areas.

These border regions work on cross-border barrier issues. With a few exceptions, the respective municipalities, regions and countries own the border regional bodies. The border regions are:

- ARKO
- The Kvarken Council
- Mittnorden Committee
- NORA
- The Arctic Council
- Skärgårdshavets co-operative council
- Østfold – Bohuslän – Dalsland
- The Öresund Committee.

5.6 Other players

In addition bilateral information services, chambers of commerce, and other co-operation bodies in the Nordic region work with the removal of cross-border barriers.

¹⁰ <http://www.hallonorden.org/>

¹¹ http://www.norden.org/reg/grensereg/sk/nordiskegre.asp?lang=&p_id=1068



"We hope to highlight major differences in the construction products regulations between the Nordic countries and present solutions on how to overcome them"

Project Manager Anders Gustavsson on an ongoing NICE project on the harmonisation of the Nordic countries regulations for timber constructions.

6.

NICE'S WORK

6.1 How does NICE promote a borderless Nordic region?

NICE promotes increased mobility of goods and services, ideas and capital, people and competency. To ensure that the Nordic region function as an internal market, NICE is involved in projects aimed at improving business conditions for Nordic competitiveness. NICE is also working on projects to uncover and remove concrete barriers, especially those of major economic significance affecting a large number of players.

Important activities to promote a borderless Nordic region:

- Harmonising regulations, standards and testing methods
- Cooperation regarding market surveillance
- Establishing the Nordic region as a knowledge-based economy
- Improving the potential for setting up cross-border businesses.

NICE finances a large number of projects aimed at the removal of cross-border barriers in the Nordic region. Common to all these projects is the assumption that Nordic cooperation should focus on supplementing, a Nordic domestic market should be able to replace a smaller national domestic market and that the Nordic region should be able to influence European and international business development across national borders.

NICE is connected to an expert forum that assists with the evaluation of the various projects. This forum consists of Nordic representatives from government, industry and organisations.

NICE also arranges information meetings and seminars with relevant players to get ideas for the work on cross-border barriers. In 2007, NICE employed a new member of staff whose fulltime job is to concentrate on a borderless Nordic region and cross-border barriers.

6.2 Projects and reports in 2006 and 2007

In line with the Nordic Trade and Industry Policy Co-operation Programme 2006-2010, over the last few years NICE has concentrated on cross-border barriers within the venture capital market and construction sector.

It has also been the originator of Initiatives for research within standardisation and Nordic competitiveness.¹²

6.2.1 Standardisation projects in the construction product sector

In the construction product sector, the EU's directive with regard to construction products applies. The aim is to harmonise the countries' legislation and remove trade barriers by regulating common standards and procedures for recognition of construction products. There are few harmonised standards in the construction product sector, but the EU is currently working on the development of new standards.

It is important to ensure that the standards developed for requirements and testing methods are appropriate for Nordic products, especially since European standards for construction products are not always adapted to regional differences such as different requirements for dimensions and for materials that have to withstand cold temperatures and snow. In the Nordic countries, there is a great deal of expertise in this area along with a keen interest in influencing the EU's work on construction standardisation.

¹² Full information on all the projects can be found here: <http://www.nordicinnovation.net/projectfolder.cfm?id=1-829-371>

Four projects in the construction product sector were started in 2006 and will be completed in 2008:

- Nordic document on harmonised regulations for natural stone

A massive increase in stone imports from countries outside Europe is threatening to outperform several Nordic producers. Such stone may also create problems as it is often not adapted to the climate in the Nordic region and tends to crack as a result of the major temperature differences. There are EU regulations in this area (Construction Products Directive). But, according to the EU regulations, the countries should independently define test methods and quality control. Therefore, a project has been initiated with the aim of increasing the Nordic natural stone trade inside and outside of the Nordic region by collecting and disseminating "best practice" to improve the marketing of Nordic stone, create common requirements for documentation in the Nordic region and increase Nordic coordination to make a greater impact on European standardisation.

- Removing fire regulations that are obstacles to trade in the Nordic region

Technical fire regulations within construction products are often obstacles to cross-border trade. Countries have different regulatory requirements for construction products which means that the products must be adapted to comply with each country's regulations. This project will map the Nordic countries' level and use of EU fire regulations according to the construction products directive. The project will also provide suggestions for initiatives to increase the harmonisation of regulations in the Nordic region within the framework of the EU regulations. In addition, there are proposals for initiatives contributing to the development of new EU standards of specific interest to the Nordic countries.

- General guidelines for environmental evaluation and CE marking of Nordic construction products in a European context

The objective of this project is to co-ordinate Nordic resources and ensure Nordic influence in the ongoing European efforts as regards the harmonisation of test methods used to show compliance with environmental regulations for CE –marking. The intention is also to create general guidelines to be used for environmental assessment of construction products.

- Harmonisation of the Nordic countries' timber building regulations

Timber is of great significance for employment and the economy in the Nordic region. European countries want to increase timber building. This project has been initiated to enhance the Nordic timber industry with similar regulations so that Nordic businesses can operate with the Nordic region as a market without trade barriers. This would also simplify exports to the rest of Europe. Harmonising building regulations in the Nordic region would facilitate the movement and export of timber houses to other Nordic countries without them having to be modified. In the first instance, a plan will be made for the removal of obstacles regarding the Nordic building regulations.

6.2.2 Mapping authorisation regulations – access to construction product sector for service providers

The construction product sector involves services as well as products. Workers and entrepreneurs often encounter barriers when they work in the other Nordic countries, even if the training requirements are similar. The creation of a well-functioning common Nordic market for workers and service providers requires a high level of mutual recognition of authorisation and certificates.

There has been awareness of the problem with inadequate mutual recognition for many years and in autumn 2006 NICE initiated a project to map authorisation regulations within the electrical and the heating, ventilation and plumbing sectors in the Nordic region.



The objective has been to investigate the extent to which barriers are the result of deficient mutual recognition of authorisation within the building, electrical, heating, ventilation and plumbing sectors. The authorities responsible for supervision and issuing authorisation as well as the relevant employer and employee organisations have been requested to fill in a questionnaire. The study has focused on the national regulations covering health, environment and safety requirements.

Mapping shows that none of the Nordic countries automatically recognise approved certificates from another Nordic country within the electrical sector. The next step is to encourage a dialogue between the authorities in the Nordic countries to facilitate mutual recognition in the electrical sector.

6.2.3 Other standardisation projects in the goods and service sector

In addition to the four projects mentioned above regarding the construction product sector, three other standardisation projects have been started in the goods and services sector to enhance the Nordic region's position when developing new standards. These are Nordic horizontal standards for collection of environmental tests, international standards for packaging that opens easily, and market harmonisation of information transmission, especially for bioenergy material.

6.2.4 Increased cooperation and division of labour between Nordic standardisation organisations

With support from NICE, the standardisation organisations and standardisation authorities in Norway, Sweden and Denmark, have completed a small research project to look into the possibilities for increased cooperation and division of labour between the standardisation organisations in the Nordic region.

The objective was to look at the strategic challenges and possibilities faced by the standardisation organisations in the Nordic region.

A range of ideas and suggestion for cooperation between the Nordic standardisation bodies were put forward by the consultants who wrote the report:

- Analysis of new focus areas
- Performance development in relation to new business ideas
- Concept for supporting global companies
- Concept for supporting small and medium-sized companies
- Common standardising body
- Cooperation on the evaluation and development of e-trading platforms
- Shared development of courses on offer
- Increased cooperation on shared personal development.

As a continuation of this project, an initiative has been started to increase involvement in and the use of standards among small and medium-sized companies. Research shows that small and medium-sized companies in the Nordic region use standards in their business strategy to a very small degree. They are often not familiar with the opportunities and the advantages of using standards, or they experience difficulty in familiarisation with standardisation systems.



The objective of this continuation project is that small and medium-sized companies should be able to find basic information about standardisation, opportunities to engage in the development of new standards and how standards can lead to new business opportunities. A Nordic web portal containing such information will be developed. The standardisation organisations in Denmark, Sweden and Norway are participating in the project.

6.2.5 Nordic working group for legal Metrology (measurement instruments)

The Nordic countries have different regulations for recognition of adjustments and testing methods for measurement instruments. As a result of large-scale production of measurement instruments (i.e. weights, energy meters, gas meters and water meters), it is important to ensure Nordic coordination of the prevailing regulations. NICE has established a working group with participants from the Nordic metrology institutions. The objective was to look at shared Nordic solutions regarding EU's measurement instrument directive, exchange experience and to pass on results to the decisions makers in the particular countries. The working group has also studied whether instruments recognised in one country, could be recognised in the other Nordic countries. It is also examining opportunities for achieving a shared level of market surveillance regarding information exchange and cooperation, which also includes the Baltic countries.

6.2.6 The Venture Capital Market

Access to capital is a necessary condition for building welfare. Venture Capital, both private and public, is an important tool for achieving economic growth as new products and services are developed and commercialised. One of the most important tasks for the Venture Capital Market is to channel competent capital to high-risk areas. In this context, it was decided to extend the market from a national to the Nordic level. All of the Nordic countries are on the international top ten list regarding competitiveness, technology and creativity. But we are continuously encountering tougher competition, not least from the strong Asian economies. A common Nordic effort in the Venture Capital Market could be one way of maintaining our leading position.

Nordic countries (apart from Denmark) currently have no legislation enabling Venture Capital companies to operate effectively in the Nordic region. National peculiarities in the existing tax regulations are partly to blame. The countries are too small on their own to amount to a large enough market for the Venture Capital companies. Today many of the funds that invest in Nordic business are based on one of the English Channel Islands. This is not necessarily due to the high level of taxation in the Nordic region, but is probably a result of the legislation which makes it less attractive for funds to set up themselves in one of the Nordic countries. However, registering on one of the Channel Islands may be expensive and prove a strain, especially on small and newly started funds.

On this basis, NCM in 2005 decided to work towards an efficient and common Nordic market for Venture Capital. Along with central players within the Nordic Venture Capital sector, solicitors and politicians, NICE has upon NCM's instruction, researched the measures required to establish a common market for Venture Capital companies in the Nordic region.

The project group composed of players in the Nordic Venture Capital business concluded that a common Nordic Investment Fund should be established as this would contribute to the development of the Nordic market and facilitate the securing of more risk capital for the Nordic region.



A group of Nordic solicitors participated in the project group which studied the possibilities for a common Nordic jurisdiction for Venture Capital companies. The group studied the legal obstacles in the Nordic countries to setting up the investor structure with particular emphasis on hindrances to foreign investors setting up.



The most important recommendation from the project group is that Nordic Funds must demonstrate taxable transparency. The group has written a report with conclusions and recommendations for each individual country.

The implementation of these conclusions remains. The conclusions have been put to politicians in each of the Nordic countries, and they have expressed the desire to continue working with their particular challenges.

In the light of requests from the players, NICE initiated a project which will follow the changes made in the taxation area and continue to study the need for adaptation and harmonisation of regulations.

6.2.7 The competitiveness of Nordic business

How far has industrial integration developed within the Nordic region and how competitive is the region? How does the business sector currently exploit the opportunities of the Nordic region and what are the major obstacles to exploiting these opportunities?



Oxford Research has examined these questions on behalf of NICE. The results are contained in the report, Nordic Competitiveness –barriers to commercial synergy, which is a continuation of a 1999 report.

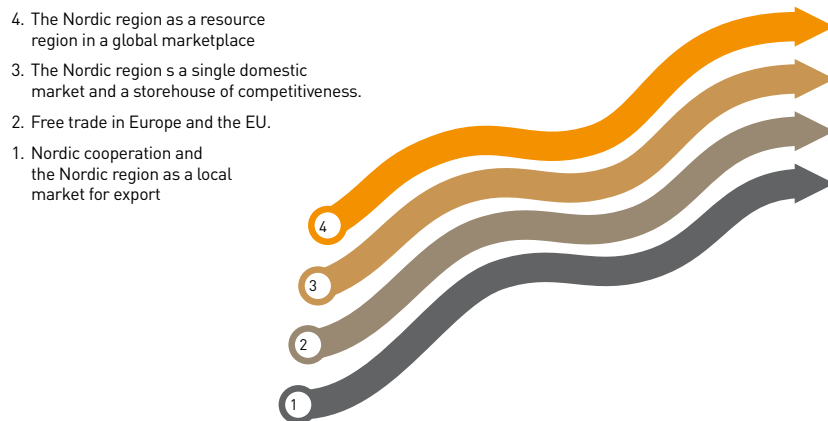
The 1999 study of business attitudes towards the Nordic region as a domestic market confirmed the impression that Nordic businesses tend to look to their neighbouring countries because of geographical proximity, similar traditions and market structure. This is still the case. Nordic businesses continue to trade and network within the Nordic region and maintain Nordic strategies for growth and development.

However, trade outside the Nordic region is growing enormously and global markets are growing faster than Nordic markets for Iceland, Finland and Norway.

A new feature is that companies increasingly view the Nordic region as a domestic knowledge market. This means that companies utilise research, innovation resources and highly-educated experts from the other Nordic countries.

While companies in 1999 viewed the Nordic region as a common domestic market for trade and were still calling for continued efforts to reduce trade barriers, there are now signs of a new wave. This wave is called the fourth wave.

Figure 1.1: Stages in the Nordic region's commercial integration



Source: Oxford Research A/S, Nordisk konkurrencekraft 2006

The wave is composed of companies who view the Nordic region as a domestic market for knowledge, while trade takes place in the global market. It is for this reason that these companies are calling for better opportunities to take part in research programmes and industrial development, as well as improved employment potential for a highly-educated labour force.

It is therefore necessary to have a shared Nordic perspective where politicians, authorities and institutions can promote the competitiveness of trade and industry. Focus is on knowledge. According to business leaders, the basic question to ask the Nordic politician is:

- How to create a coherent Nordic knowledge region?

The report also shows that fewer companies experience barriers to Nordic integration since 1999. However, a number of the companies questioned still experience cross-border barriers. For example, 29% of companies still feel that different regulations and marking arrangements for goods is a barrier. There are therefore still gains to be made from further reducing obstacles for the trading of goods and services in the Nordic region.

When asked which initiatives had the greatest impact, 84% of the companies pinpointed increased information about opportunities in the other Nordic countries.

The report sums up the following strategic recommendations for further Nordic cooperation in trade and industry:

1. The efforts to remove trade barriers for products and services must continue. The focus should be on specific branches
2. Obstacles for participation in industrial development and research programmes across the Nordic countries should be identified
3. The companies' knowledge about opportunities in other Nordic countries should be enhanced.



6.3 Other activities

6.3.1 Nordic Venture Capital Summit

Politicians, authorities and market players discussed the efforts to establish the Nordic region as one market for venture capital at a conference arranged by NICE in cooperation with the Norwegian NCM presidency in Oslo in November 2006.

6.3.2 Contributions towards the European Commission's work with the venture capital market

NICE has participated in the European Commission's expert group "Removing obstacles to cross-border investments by venture capital funds" to present the Nordic work with venture capital. In the EU Commission's report from March 2007 this work has been noted as an example of how countries can work for harmonisation in an area which is increasingly more important for the countries' economic development.¹³

6.3.3 Information meetings about the efforts to remove cross-border barriers

NICE has arranged a number of information meetings in the Nordic countries where we provide information about NICE and our work. We provide information on concrete cross-border barriers projects for business in the Nordic region, presenting various reports as well as discussing themes and focus areas for the work ahead. The objective of these meetings is to gather representatives from the authorities, industry, organisations etc. to provide information, discuss and get ideas regarding the efforts of establishing the Nordic region as an effective internal trade and industry market.

¹³ <http://ec.europa.eu/enterprise/entrepreneurship/financing/publications.htm>



7.

WHAT IS THE EU DOING?

A short summary of some of the EU initiatives within the internal market area relevant to the work with cross-border barriers for the industry.

7.1 A new strategy for the internal market

The EU's internal market works well and has produced many positive results. However, there are still many challenges ahead. There are still a number of areas that are not harmonised and some that are not functioning well, for example services, public procurement, transport, energy. The enlargement of the EU means that allowances for a large degree of diversity must be made. Globalisation will greatly change how the EU's economy functions and there seems to be a growing "innovation gap" between the EU and the EU's largest competitors. For the EU's internal market to manage the economic challenges ahead¹⁴, the European Commission has initiated efforts to evaluate the direction EU internal market policy should take.¹⁴ A report with suggestions for concrete initiatives is expected in autumn 2007.

7.2 Market access for goods

The European Commission in spring 2007 put forward a package with three regulatory proposals for goods¹⁵. Two of them relate to the harmonised goods area with common EU/EEA regulations for industrial goods. The third regulatory proposal applies to the non-harmonised goods area, where EU/EEA countries may have national regulations, but have to recognise goods legally marketed in other EU/EEA countries. The proposals are part of the Commission's overall policy in the efforts concerning the Lisbon strategy for improved simplification, regulations and market surveillance.

7.3 Market access for services

The directive regarding services in the internal market (the Services Directive) was approved December 11, 2006. The directive contains regulations covering start-up, temporary service providing and administrative cooperation. The EU/EEA countries are now working on how the directive should be implemented.

7.4 Payment services

A new directive for payment services was approved 2 April 2007 and should be completed by November 2009. The directive applies to all types of payment in Euros and other EU currencies. Legal and technical obstacles are removed so that payment across country borders with credit card, debit card, electronic payments, etc. should be as simple, safe and cheap as national transactions. International payments in Euros should not cost more than national transfers in the same currency.

7.5 Common corporate tax base

On 2 May, the European Commission presented a progress report on developments in the work towards a common corporate tax base¹⁶. A common tax arrangement can contribute towards a more effective internal market. Common rules reduce companies' administrative costs and enhance cross-border activities and investments. The proposal applies in the first instance to companies of all sizes within the EU. Tax is a national matter and agreement requires unanimity among the member states. The formal legislation process is expected to start in spring 2008.

7.6 Venture capital

The European Commission are currently examining how the EU can create a European market for venture capital companies. An expert group working for the European Commission have studied obstacles to cross border investments, possible initiatives for removing these as well as opportunities for the development of a European venture capital market for small and medium-sized companies¹⁷. The report was presented at the end of March 2007.

¹⁴ http://ec.europa.eu/internal_market/strategy/index_en.htm

¹⁵ http://ec.europa.eu/enterprise/regulation/internal_market_package/index_en.htm

¹⁶ <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/593&format=HTML&aged=0&language=EN&guiLanguage=en>

¹⁷ <http://ec.europa.eu/enterprise/entrepreneurship/financing/publications.htm>



NICE along with other Nordic players and with contributions from authorities, industry representatives and others draw up concrete suggestions for projects and reports to remove cross-border barriers.

8.

SUGGESTIONS FOR STRATEGY AND INITIATIVES

8.1 Introduction

There is political agreement in the Nordic region that removing cross-border barriers is of high priority and is one of the areas that Nordic governments will support in the future in order to face the challenges of globalisation.

In the past few years there has been a great deal of focus on barriers in the venture capital market and in the construction product sector. Limited "bottom-up" projects have tended to dominate the effort as opposed to larger, more advanced projects where it is necessary to make legislative or structural changes to get results. Many projects, i.e. the construction product sector, have focused particularly on goods, while there has been less progress on for services and for enterprise start-up. There has been more focus on creating lists and mapping problems than attempts at carrying out initiatives which would lead to greater and necessary changes.

Explicit political signals regarding forbidding unnecessary differences in regulations in the Nordic region are important. While preparing a new set of national regulations, explanations should be required if introducing regulations which deviate from the regulations in one or more of the other Nordic countries. If there is no explanation, it will give the politicians an opportunity to respond and to choose to adapt the regulations to the regulations of the other countries.





"If I were to give one piece of advice to the Nordic Ministers about how they could make the Nordic region a better place to do business, I would suggest that they become open to information and knowledge about Nordic opportunities."

Skarpir Johannesson, Director, Heflun, Island

regiontog
d Intercity Trains

8.2 A strategy proposal

The following overall strategy could form the basis for facing the challenges ahead and for creating the best possible and most efficient internal Nordic market for Nordic industry:

- The efforts towards creating a well-functioning Nordic internal market should have three focal points: 1) Remove existing barriers, 2) Avoid new barriers materialising, 3) Stimulate increased cross-border competition
- Focus needs to shift from "cross-border barriers" to "market opportunities"
- To ensure high political priority for the efforts to create a well-functioning Nordic market, the gains to be made from promoting a freer market and similarly the cost of existing obstacles should be calculated
- It is important to point out concrete results – "success stories" – which can contribute to necessary support and understanding for the efforts to create an efficient internal Nordic market among the authorities, businesses and other players
- To achieve real simplification for Nordic industry some major legal obstacles must be tackled, which requires legislative changes, such as taxation and company law. This can be done in stages or by starting with particular areas or decisions which can be phased into more complex processes over time

- The Nordic countries need to have a strong joint involvement in the early phases of the EU's regulatory processes to be able to influence outcomes and contribute satisfactory solutions. The countries in the Baltic Sea region should also be included in these efforts.

8.3 Proposals for initiatives

Proposals are a more overall description of initiatives within sectors where Nordic efforts and Nordic initiatives seek to remove existing barriers, prevent new barriers from arising as well as stimulate increased cross-border competition.

NICE along with other Nordic players and with contributions from the authorities, industry representatives and others will during the course of the autumn draw up concrete suggestions for projects and reports. The suggested initiatives are not supposed to be exhaustive.

8.3.1 Nordic legal unity in formulating new regulations

Legislation proposals often contain descriptions of other countries' legal situation to which comparisons seem natural, especially the Nordic countries. Where there has been Nordic legislative cooperation over a law proposal, the legislation will often be similarly formulated in terms of content and requirements. The same applies to the implementation of EU directives which are not open to national adaptations. If this is not the case, just one description of the legal situation is not sufficient if solutions and requirements are suggested which deviate from the regulations in the other Nordic countries. In such instances, a justification to explain why another solution is suggested and what the extra costs are for Nordic trade and industry must also be provided.

This would give the politicians an opportunity to respond and, if there is no justification, to make a decision to adjust the regulations to the other countries' regulations.

If one country is ahead in suggesting regulations in one area, it is important that the other Nordic authorities are informed about this.

8.3.2 Information

Companies need to have access to simple, clear information regarding the regulations of other Nordic countries. This applies particularly to small and medium-sized companies which do not have access to expert help at all times and perhaps would have to use considerable energy and resources to become familiar with the regulations and systems.

There are several information services in the Nordic region. Feedback shows that the majority is focused on cross-border barriers for private individuals, and the majority of requests are from private individuals. There is a need for more, easily accessible information for trade and industry. This information must cover the regulations, which authority is responsible, as well as where one can turn if one has concrete problems. Much of the information requirements should be covered by the fact that the Nordic information systems are able to connect to information services already in existence; the ministries, the Euro Info centres, SOLVIT etc. One starting point could be a "*Nordic Enterprise portal*" which can be placed on the NCM's internet pages. The portal should also incorporate information which explains different cross-border barriers and how they are regulated nationally, by the Nordic region and by Europe.

The decision-makers also need information about industry related cross-border barriers. NCM is creating a *Nordic database with a survey of such barriers*. Sufficient reporting systems for the use of business organisations and other players who know company problems should be established, so that the data base at all times is updated in terms of cross-border barriers for business.



8.3.3 Improved access to knowledge resources in the Nordic region

Nordic companies increasingly view the Nordic region as a domestic market for knowledge, where a highly educated labour force, research cooperation, and other innovation resources are important elements. However, 4 out of 10 companies point out that a range of obstacles makes it difficult to utilise cross-border resources. They feel especially hampered by a lack of knowledge about the opportunities.

It should be made simpler for Nordic companies to draw on *knowledge resources from a continued Nordic home base*. To accomplish this, more knowledge is required about the obstacles that exist and why. Both companies and various knowledge environments should be involved. In addition, there should be particular focus on how we can establish more openness, network building and easily accessible information.

8.3.4 Problem solving

NCM and NICE have become part of the European Commission's SOLVIT network. This provides an excellent starting point for cooperation between the Nordic SOLVIT centres, the European Commission and NCM/NICE. This will advance the establishment of good co-operative methods, such as exchange of information and statistics, procedures for exchange of cases, shared marketing initiatives etc.

8.3.5 Simplification of setting up cross-border companies/harmonising parts of company and taxation law

Within the EU and EEA, there is a form of limited company called the "European company" or SE company. SE companies are regulated by both an EU regulation (SE regulation) and the laws in the country where the companies are established. Only existing companies with share capital can become SE companies. The SE company must have minimum capital of EUR 120, 000. This company form simplifies cross-border business as one company can move its head office to another EEA country without having to liquidate the company and start up again in the new country. National taxation legislation is not incorporated into these regulations however, and it is therefore impossible to co-ordinate taxation.

Not many European companies have elected to set up as SE companies, and in the Nordic countries there are only a few.

There should be an initiative aimed at simplification the setting up of companies in the Nordic region that examines opportunities for harmonising elements in the Nordic region which are not harmonised in the EU.

There are many legislative challenges, for example in company and taxation legislation, that have to be studied in the process towards the creation of a "*Nordic company*" within the framework of existing EU regulations. Such a company should be able to operate as one legal entity in all Nordic countries according to one set of rules. The regulations regarding employee involvement are also important in this connection.

Small and medium-sized companies should be included in Nordic regulations.

It may make sense to concentrate on areas that hamper Nordic cooperation. This may generate important progress in the short term as well as paving the way for potentially larger harmonising initiatives.

8.3.6 Common corporate tax base

As part of the effort to harmonise taxation rules to make it easier to set up companies in the Nordic region, a joint Nordic attempt to influence the EU's work on a single company tax base should be prioritised. The EU's proposal may apply to companies of all sizes. Tax is a national matter and changes require unanimity among the member states. The process is expected to be challenging. However, a joint Nordic effort to influence the outcome in cooperation with the Baltic Sea region could produce positive results.

8.3.7 Mapping the financial costs to society caused by cross-border barriers

Several studies in the Nordic region are mapping the number of companies experiencing various barriers to trade and to setting up with the emphasis on the areas most affected. There is however very little information on the financial costs to society as a result of cross-border barriers to Nordic trade and industry.

An overview of financial costs to society is important for many reasons. The negative effects of barriers become tangible resulting in increased focus on the problem. This will also result in increased political interest, which should make it easier to raise the issue onto the political agenda in the Nordic region.

One survey can look at the cost to society of already identified obstacles as well as attempt to estimate the gains of simplified market access. The survey should in the first instance concentrate on individual areas. One such area would be the gains that could be achieved if conditions were created for small and medium-sized companies to establish cross-border companies or if access to other countries' knowledge resources was simplified.

8.3.8 Nordic venture capital market

The work towards the creation of an efficient Nordic venture capital market has received a great deal of attention. Activity is ongoing at the Nordic and national political level for pursuing the recommendations of the reports presented. At EU level, the issue is discussed as part of a larger debate on the terms of the venture capital market.

8.3.9 The service sector

There is currently a great deal of emphasis on the service sector, which currently represents 70% of GNP and employment in the majority of the EU/EEA countries. The service sector can therefore be said to be the engine of financial growth. Thus various barriers to trade in services have a negative impact on all of our economies, especially with regard to the competitiveness of small and medium-sized companies.

The EU has recently approved the Service directive that will simplify cross-border access for certain service providers. An increase in the development of harmonised standards in the service sector is expected to simplify the future assessment of quality of services.

Considering the many positive results of the joint Nordic contribution to the EU's standardising efforts regarding goods, similar initiatives should be undertaken with regard to services. This will secure high-quality standards and that Nordic requirements are taken care of.

Initiatives should be undertaken with the aim of ensuring that the Service directive's provisions function on an inter-Nordic level. There should also be initiatives for efforts in sector areas not regulated by the Service directive.



8.3.10 Standardising and innovation

The contribution of standards to the innovation processes is becoming very important. Standards play a central role in promoting innovation. Drawing on knowledge, requirements and new ideas, the market itself decides what the standards should include and which goods and services requirements should apply to Europe. The European Commission is expected to present a report about standardisation during autumn 2007. Action upon the report should be taken in a Nordic context.

8.3.11 Market surveillance

The EU/EEA countries have different systems for regulating and enforcing the regulations covering market surveillance of goods. This leads to the creation of varying conditions for competition, particularly for small and medium-sized companies. New regulations for market surveillance are anticipated by the EU. There should be a joint Nordic commitment to studying how the regulations can be best implemented in the Nordic region and surrounding area, including cooperation between authorities and the exchange of information.

8.3.12 Market access for products. Harmonisation, standardisation, conformity assessment, etc.

Regardless of all the effort to harmonise regulations and methodology as regards goods, companies in the Nordic region are still reporting so-called technical barriers to trade (rules, standards, test requirements, control, certification, marking, etc). A free market for goods in the Nordic region should continue to be a high priority.

8.3.13 Improved coordination between the Nordic institutions

The Nordic countries are small and in order to be able to face the challenges ahead, efficient cross-border cooperation and coordination is important. All the Nordic countries have similar institutions within the areas of standardisation, accreditation, industrial patenting, metrology service etc. Projects should be initiated with the aim of underpinning cooperation between such national bodies to create a sensible division of labour.

SUMMARY OVERVIEW OF PROPOSED INITIATIVES

- Nordic legislative harmonisation when formulating new regulations
- Improved information for trade and industry in the Nordic region
- Improved access to Nordic knowledge resources
- Problem solving and assistance
- Simpler establishment of companies across country borders/
harmonising aspects of company and taxation legislation
- Joint Nordic participation in EU's work on Common Company Tax base
- Surveying the financial cost of cross-border barriers to society
- Continued development of a Nordic venture capital market
- Focus on the service sector
- Standardisation and innovation
- Cooperation on market surveillance
- Market access to products. Harmonisation, standardisation and
conformity assessment
- Improved coordination between the Nordic institutions for standard-
ising, accreditation, industrial patenting, metrology service etc.





ANNEXES

gratthens

Below are listed the contributions received by NCM, the so-called special envoys for cross-border barriers, Hallo Norden and the border regions that receive NCM support .

1. Nordic Council of Ministers

1. Mandat Description of the organisation's/ your responsibilities	NCM. To facilitate mobility in the Nordic countries for private individuals and companies, by providing information and guidance as well as working to influence the countries to adapt/ amend regulations that present obstacles or impede mobility and cross-border activities.
2. Results Achieved in 2006; meetings, seminars, reports, concrete cases of cross-border barriers, etc.	See individual report presented at the Nordic Councils' 2006 session. There is also the Border Regional Forum in Copenhagen on November 14, 2006, where several working teams were employed to work on solving concrete cross-border barriers. Appointing a special envoy in the area of trade and industry.
3. Status Most important projects in 2007	Creating a Nordic portal for social insurance. Updating the web portal of Hallo Norden. Creating a Nordic database of cross-border barriers. Appointing a special envoy to be responsible for the area of social issues and health. Stronger links to other information and cross-border services, such as SOLVIT and Nordisk eTax (Nordic eTaxes).



2. The appointed special envoy for working with cross-border barriers in the business area

1. Mandat Description of the organisation's/ your responsibilities	The mandate is given by the Nordic Ministers for Co-operation (MR-SAM) and the Nordic Council of Ministers for Trade, Energy and Regional Policy (MR-NER). The objective is to achieve concrete results from the work on removing cross-border barriers in the area of business and industry.
2. Results Achieved in 2006; meetings, seminars, reports, concrete cases of cross-border barriers, etc.	My mandate started 1.11.2006. As well as taking part in the Regional Policy Forum in Copenhagen, my work consisted of getting to know the field.
3. Status Most important projects in 2007	The projects to date have dealt with banking issues, ID issues, Nordic food and concrete examples of cross-border barriers encountered by business and industry.

3. Hello Norden, Denmark

1. Mandat Description of the organisation's / your responsibilities	Hello Norden is the information forum for the Nordic Council of Ministers aimed at private individuals and small businesses moving across the Nordic country borders, and need information and guidance. Hello Norden gives guidance and consultation, and it reports problems and cross-border barriers to the Secretariat of the Nordic Council of Ministers.
2. Results Achieved in 2006; meetings, seminars, reports, concrete cross-border barriers, etc.	At the start of 2007 a seminar was arranged in cooperation with Øresund Network about recruitment of labour in the Øresund region. The focus was on tax issues and social security.
3. Status Most important projects in 2007	To continue working to abolish/relieve cross-border barriers particularly issues relating to pensions and social security in general.



4. Hello Norden, Finland

1. Mandat Description of the organisation's/ your responsibilities	The Nordic information service Hello Norden in Finland provides answers to questions regarding mobility in the Nordic Countries, asked by people (since March 2001) and businesses (since 01.01.2007) in the Nordic Countries.
2. Results Achieved in 2006; meetings, seminars, reports, concrete cases of cross-border barriers, etc.	Our task is to refer the questioner to the relevant authority and survey cross-border barriers still existing between the Nordic countries.
3. Status Most important projects in 2007	Pohjola-Norden/Hello Norden in Finland organise a three day event in June in cooperation with Cross-border Tornedalen, The information centre on the Finnish-Swedish Border and the Nordic Council of Ministers in Tornio, Finland. In order to promote recruitment across borders, we organise a recruitment conference on June 11 where those seeking employment and employers from the Northern regions can meet each other. On June 12 we will organise an information seminar for local and regional employees on the topic of free movement of labour within the Northern regions, where the points of view of the business community will also be presented. On June 13 NCM will host a Border Regional Forum in Tornio in connection with the topics discussed above.

5. The Øresund Committee

1. Mandat

Description of the organisation's/
your responsibilities

The Øresund Committee is a platform for political collaboration across the Øresund sound. The Øresund committee consists of 36 elected local and regional politicians, 18 from the Danish side and 18 from the Swedish side

The Øresund committee will work towards achieving legitimacy and making sure the integration process in the entire region has popular support. The Øresund committee aims to strengthen and make visible the role of the area in both a national and international context with the further aim of creating a basis for economic growth in the entire Øresund region – economically, culturally and socially.

The Øresund committee is in close contact with local and regional authorities and other players in the Øresund region.

One of our key issues is the work on removing cross border obstacles, in the first instance we focus on cross-border barriers and solutions in the labour market. There is a dedicated person working full time on this area.

Our working methods are:

1. Surveying and gathering facts and information as a basis for setting priorities and lobbying
2. Political lobbying, primarily on a national level, i.e. meetings with the relevant ministers and key public servants, public consultations, the Øresund delegation, etc.
3. Offensive media strategy

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5. The Øresund Committee

2. Results Achieved in 2006; meetings, seminars, reports, concrete cases of cross-border barriers, etc.	In cooperation with Skåne region, the Øresund committee has prepared a list of barriers in the Øresund region. It has been through 2 rounds of public consultation, with e.g. trade and employer organisations, but also with other players, as recently as the consultation of March 2, 2007. Based on responses to the public consultation we selected 4 specific barriers that the executive committee has presented at meetings with the Danish and Swedish Ministers for Employment with a view to implementing a process to find a resolution (The meeting with the Swedish minister was in January 2007). The meetings have resulted in the ministers signing the declaration “two countries – one labour market” at the annual assembly of the Öresund Committee, where there were Royals present from both Denmark and Sweden. The declaration will lead to focused work on finding resolutions to cross-border barriers, partially through the efforts of work groups, appointed by the two ministers. The Öresund committee monitors the work and contributes regional knowledge.
3. Status Most important projects in 2007	Cross-border barriers – highlighting and implementing solutions, financed by the Nordic Council of Ministers. We are seeking to resolve current barriers in the following areas: Long-term illness, Employer’s national insurance contributions, part time employment, pensions, political instruments in the labour market /measures.

6. The Kvarken Council

1. Mandat Description of the organisation's/ your responsibilities	The Kvarken Council The Kvarken Council is a Nordic cross-border cooperation association for the Ostrobothnian counties in Finland as well as Västerbotten and Örnköldsvik in Sweden. The Kvarken council promotes cross-border regional collaboration on issues relating to communication, business and industry, tourism, university cooperation and culture, etc.
2. Results Achieved in 2006; meetings, seminars, reports, concrete cases of cross-border barriers, etc.	Meetings, workshops, camps (10-100 persons/meeting) – about 150 Seminars, courses, conferences – 5 Events, concerts, exhibitions – 10 Reports, books, assessments – 8 Prizes: 1 Concrete cases of cross-border barriers: all activities have been taking place in the border region. In the area of business cooperation we have worked hard to create good logistics for trade of food across borders. The problem has partially been to adapt different national regulations/guidelines. In the area of university cooperation we have developed virtual meeting technology to avoid the unreliable ferry. In the communications sector we are still working to secure guarantees for continued traffic. If the traffic is discontinued, cooperation becomes very difficult. We have set up a regional border association: the Kvarken Council, with members from Sweden and Finland, to avoid double administration. We have a scheme for hiring interpreters in order to overcome language barriers.

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6. The Kvarken Council

3. Status Most important projects in 2007	• Unizon Kvarken, university collaboration • Gastro Bothnia, restaurant collaboration • Bothnia Tour, tourism cooperation • Kulturscen Kvarken, cultural cooperation • Seals – Our common resource • Sälen – vår gemensamma resurs • Kvarken environment • World heritage collaboration • Kvarken beneath the surface, charting the Gulf of Bothnia • Making use of seals and product development • Gastronomy in the Nordic countries, food as a tourist experience • Boundless strength, tourism project • Unizon in-depth + New organisation of the Kvarken Council, the founding of a regional border association and discontinuation of the old organisation model.
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7. ARKO

1. Mandat Description of the organisation's/your responsibilities	The ARKO co-operation is a Norwegian/Swedish organisation for cooperation, mainly working with network building, identification of and resolution of cross-border barriers. Objective statement: Through working with the region as a whole, we will contribute to making the border region a venue for meeting where people live and develop mutually. We will achieve this through creating and passing on contacts, information and consultancy, as well as through concrete projects in various areas of society. In the long term, the ARKO region may become a portal connecting two of the most populated regions in the Nordic countries and benefit both.
2. Results Achieved in 2006; meetings, seminars, reports, concrete cases of cross-border barriers, etc.	Attached are the status report for 2006 and a list of cross-border barriers.
3. Status Most important projects in 2007	During the first half of 2007, we have been working to come up with long term strategies and a new action plan for the ARKO co-operation. ARKO's participation in the BEN project has provided us with the opportunity to hold a three-day seminar in Fredrikstad on May 15-17. Other project activities include culture/tourist projects such as the Finnskog forest trail and pilgrimage trails, walking trails that pass through our area. In business and industry, there is the tree project, "Skogslandet" (the forested country) and a motor sport project in association with business and industry. We have carried out a commuting and living project that attempts to gain an overall, realistic picture of inhabitants' wishes and circumstances, trends and tendencies when it comes to living and commuting within the cross-border region.





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Nordisk InnovationsCenter

Nordic Innovation Centre

The Nordic Innovation Centre is the Nordic Council of Ministers' operating instrument for promoting an innovative and knowledge-intensive Nordic business sector.

NICe is working to establish the Nordic countries as a well-functioning internal market and a borderless region, where there are no barriers between the nations restricting freedom of movement of competence, ideas, capital, people and products.

Nordic Innovation Centre's office is in Oslo, but our staff come from all over the Nordic countries.

More information: www.nordicinnovation.net