



Department for  
International Trade



Department for  
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29<sup>th</sup> November 2021

Dear Charles,

Thank you to your Committee for your third report, published on 11 October, regarding the “Free Trade Agreement between Iceland, the Principality of Liechtenstein and the Kingdom of Norway and the United Kingdom of Great Britain and Northern Ireland”. The Government values your Committee’s time and insight into scrutinising this Agreement and takes note of your key findings and recommendations.

I welcomed the opportunity to respond to the Committee’s findings at the debate on 14 October and have further written to noble Lords on 3 November on the outstanding points I was not able to address at the time due to time constraints. I now attach the Government’s response to the report itself.

The UK has enjoyed a strong trade relationship with Norway, Iceland, and Liechtenstein for many years and securing this trade agreement was important to all parties. As well as protecting current trade, this agreement offers opportunities for growth, with cutting-edge provisions in areas such as digital, mobile roaming and business travel. This is good news for our consumers and businesses.

I am placing a copy of this letter in the Library of the House.

Yours ever,

**Lord Grimstone of Boscobel, Kt**  
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## **Government Response to the European Affairs Committee's Third Report of Session 2021-22: Free Trade Agreement between Iceland, the Principality of Liechtenstein and the Kingdom of Norway and the United Kingdom of Great Britain and Northern Ireland**

### Introduction

1. The Government notes the Committee's report published on 11 October.
2. The Government welcomes the overall assessment made by the Committee on the UK-Norway, Iceland, and Liechtenstein free trade agreement (FTA), which recognises the aim of the FTA is to safeguard existing trade. The Committee further reflected that whilst impact, if measured in terms of increased trade, is likely to be modest, beneficial impact is likely to be much greater if measured in terms of the avoidance of increased barriers to trade.
3. Norway, Iceland, and Liechtenstein are longstanding trade partners, with total trade worth £21.4 billion in 2020 between our countries (ONS, April-June 2021). This new agreement puts our trade relationship with these countries on a secure footing and will allow us to build even stronger trade between our nations.
4. On 14 October, the FTA was debated in the House of Lords. A wide range of areas of the agreement were discussed at length. The House welcomed the continuity that the deal will provide for businesses and recognised some provisions that went beyond the arrangements the UK had with these countries under the EEA Agreement.
5. The parliamentary scrutiny process under the Constitutional Reform and Governance Act 2010 concluded on 1 November. The Norwegian parliamentary process has also concluded, and both the UK and Norway are taking the necessary action to implement the FTA from 1 December between our respective countries. The Government plans to take forward implementation of the FTA with Iceland and Liechtenstein when they have completed their domestic processes.
6. The Committee made a number of comments and recommendations in the report, which the Government has responded to below.

### Conclusions and recommendations

7. ***We welcome the Government's successful conclusion of negotiations on a Free Trade Agreement with Norway, Iceland and Liechtenstein, and we congratulate all parties on the speed with which agreement was reached.***
8. The Government was determined to protect and build on the trade relationship that the UK enjoyed with these countries prior to the end of 2020 and is pleased that the Committee has acknowledged the speed and pace at which these negotiations were concluded.
9. ***Although this is a substantially new agreement, it has not been subject to the same levels of transparency as other new trade agreements, such as the forthcoming one with Australia. We call on the Government to ensure that it applies its commitments to parliamentary scrutiny in a consistent manner to all new trade agreements.***
10. ***The materials published alongside the Free Trade Agreement appear to have been produced in haste and are in new and in some cases unhelpful formats. We invite the Department for International Trade to confirm whether, notwithstanding previous statements by ministers, it is their intention to publish Parliamentary Reports alongside new trade agreements. If it is, the Department should bear in mind that Parliamentary Reports are intended to facilitate effective parliamentary scrutiny and should be prepared with that objective in mind.***

11. The Government regards this FTA as a continuity agreement, albeit with some changes due to Norway, Iceland, and Liechtenstein's relationship with the EU through the EEA agreement and membership of the Single Market. As such, the Government has followed the same scrutiny processes as with other continuity agreements and has updated business and others – including Parliament – on the progress of these negotiations throughout the delivery of the continuity trade programme. The Government also published a Parliamentary Report and an impact assessment, which set out key sectoral impacts as well as the impacts on businesses and consumers.
12. In relation to the materials published alongside the FTA, the Government acknowledges the Committee's concern and will consider how best to ensure such materials are published in a user-friendly format.
13. For new FTAs which the UK is negotiating with countries such as Australia and New Zealand, the Government is committed to even greater transparency. The Government has provided extensive information to Parliament on negotiations, publishing negotiating objectives and an economic scoping assessment prior to the start of talks. The Government continues to keep the public and Parliamentarians informed of the progress of negotiations via regular updates, including close engagement with the relevant Parliamentary Committees. The Government is also committed to publishing a final stage impact assessment prior to scrutiny by Parliament.
14. Finally, as the Committee will be aware, any FTA will be subject to the usual pre-ratification scrutiny procedures under the Constitutional Reform and Governance (CRaG) Act 2010.
15. ***The UK already has high levels of trade in goods with Norway and Iceland, reflecting many years of close economic integration. As a result, the aim of the Free Trade Agreement is as much to safeguard existing trade, by avoiding the imposition of new barriers such as tariffs or quotas, as it is about creating new opportunities. Its impact upon trade in goods will be incremental, but could be significant, particularly in the long term.***
16. As the Committee has noted, the UK already has close trading relationships with Norway and Iceland reflecting many years of close economic integration. Total trade with these countries was worth £21.2 billion in 2020, with just over three quarters of this being in goods trade (ONS, April-June 2021).
17. Building upon the existing relationship – the overarching objectives of the FTA were to liberalise and facilitate trade and investment, as well as to promote a closer economic relationship between the UK and Norway, Iceland, and Liechtenstein.
18. The Government's published impact assessment aims to provide Parliament and the public with an assessment of the incremental impacts of the FTA relative to the Agreement on Trade in Goods between Iceland, Norway, and the United Kingdom. The additional impacts of the FTA are expected to be concentrated across services' sectors and some agricultural sectors such as fisheries, dairy, and meat, and the impacts on producers and consumers in particular sectors could be significant.
19. ***We welcome the inclusion of provisions on services trade, though we note that as for trade in goods, the Agreement builds on already close integration. The arrangements for mobility of persons are welcome, though we note that they are more restrictive than those that applied while the UK was an EU Member State. It remains to be seen what impact these provisions will have upon trade in services.***
20. This ambitious FTA provides legal certainty for highly skilled business people and British businesses, as they will continue to have access to Norway, Iceland and Liechtenstein for business travel, providing administrative clarity and enabling long-term business planning.

21. ***We note the complex interaction between the Free Trade Agreement and the Protocol on Ireland/Northern Ireland, and we are surprised that no reference is made to this issue in any of the materials published by the Government alongside the Agreement.***
22. The Government worked closely with our partner countries to reach a shared understanding on implementing the agreement alongside the Northern Ireland Protocol. The Parties exchanged letters recording our shared understanding on this. The Government negotiated this FTA on behalf of the United Kingdom as a whole, including Northern Ireland. We have made clear that the UK must function as a single customs territory in practice as we operationalise the Protocol. That means that where the UK has FTAs, Northern Ireland businesses will benefit from preferential tariffs, just as the rest of the UK will. For Northern Ireland, our top priority remains protecting its place in the United Kingdom and preserving the huge gains from the peace process and the Belfast (Good Friday) Agreement.
23. ***We welcome the provisions on women's economic empowerment and on climate change, and the shared commitment of all Parties to the Agreement to deepen their cooperation on these issues.***
24. The Government has secured provisions committing to advancing women's economic empowerment through this FTA.
25. As part of the manifesto commitment for free and fair trade, the provisions in this FTA create the space for us to work together with Norway, Iceland, and Liechtenstein to support women who are business owners, entrepreneurs, and workers to fully access and benefit from the opportunities created by this FTA.
26. This FTA presents opportunities to promote the role of women in trade and the importance of achieving equitable participation in global, regional and domestic economies, particularly in the aftermath of Covid-19.
27. The FTA includes ambitious provisions on climate change and environment. These include reaffirming our commitment to implement the Paris Agreement, which has been built upon at Glasgow, promoting trade and investment to grow the low carbon economy, and tackling important issues such as biodiversity, deforestation and sustainable fisheries.