

Nordic Political and Economic Cooperation: Context, History and Outlook

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Executive summary

Key Observations

- The master plans for political unification of the Nordic region have all failed. Instead, Nordic cooperation and integration have progressed in a piecemeal fashion, driven not by top-politicians, but by the relevant actors themselves.
- Nordic cooperation is characterised by a lack of formal rules and treaties, which is compensated by a high degree of trust, originating in a long history of interaction and a strong sense of affinity.
- The official institutions of Nordic political cooperation – the Nordic Council (NC) and the Nordic Council of Ministers (NCM) – were established in the 1950s and 1970s, and are celebrated as important arenas for networking among Nordic politicians and as crucial facilitators for cooperation in research, arts and culture.
- All decisions regarding the (125 million euro) budget of the NCM have to be taken unanimously by the five governments. This ‘principle of consensus’ is often hailed as democratic, but it is also the source of much criticism as it makes the NCM a slow and bureaucratic organisation. Indeed, recently, many of the most successful cooperation ventures have been pursued outside of the NCM.
- The key areas of Nordic cooperation have traditionally been ‘soft areas’ such as culture, welfare and law. Since the end of the Cold War, defence and security policy has become the most vital area. This cooperation with a new organisation called NORDEFKO (*Nordic Defence Cooperation*), which is not part of the NCM.
- The Nordic countries are among the most integrated economies in Europe, but this is not a direct result of Nordic political cooperation. Rather, it has been facilitated by European integration (EFTA, EU and EEA) in combination with a general sense of Nordic cultural affinity.

Policy implications

- Strong top-political commitment is necessary, but practical cooperation is most effectively pursued if delegated down to the relevant actors themselves.
- Common regional institutions, programmes and projects in research and culture facilitate for informal experience exchange and an innovative transnational climate. In the long run, it forms a basis for social capital in the form of trust across the region.

- There is an advantage of a clean table. Cooperation is easiest in periods of rapid development. Nordic cooperation is today flourishing in areas where there is little successful history of cooperation.
- Allow for bilateral solutions. Many of the grand successes of Nordic cooperation have their origin in bilateral solutions, which were expanded across the region at a later stage.

1. Introduction

The aim of this paper is to provide an overview of the historical foundations, present organisation and future challenges of Nordic cooperation.

Focusing on the official organisations of Nordic cooperation, the Nordic Council of Ministers (NCM) and the Nordic Council (NC), one of the key arguments is that Nordic cooperation has been most successful when it has been pursued by the relevant actors themselves (bottom-up), rather than by means of ambitious political treaties (top-down). A crucial condition for the success of this practical ‘every-day’ cooperation is the strong sense of affinity and trust across the region, which is based upon generous investments in cultural cooperation over a long period.

The paper starts with a discussion of the (historical, economic and political) context of Nordic cooperation. It proceeds with an overview of the governance of Nordic cooperation, before analysing the state of Nordic cooperation in different policy areas. The paper ends with an outlook on the future of Nordic cooperation.

2. Context of Nordic cooperation

2.1 History, culture, values and sense of affinity

Nordic affinity is based upon geographical proximity, cultural similarity and a long history of interaction and cooperation.

A key factor is **the similarity of the Scandinavian languages**. Swedish, Danish and Norwegian are mutually understandable, particularly in written form. Icelandic is usually seen as Old Norse, distantly related to the modern Scandinavian languages, whereas Finnish is of a completely different origin, but for historical and cultural reasons all Finns learn Swedish in school, precisely as the Icelanders learn Danish.

Other common features of the Nordic societies include **the Lutheran legacy**, which among other things has fostered a peculiarly close relationship between the state and the church. The legal and moral norms are the same, which has the positive effect that the Nordics are among the most law-abiding and state-trusting people in the world, but which also means that the Nordics have certain difficulties in managing disagreement and competing value systems (Markkola 2011; Stenius 1997).

Important is also that **the Nordic countries were comparatively lately industrialised and urbanised**. During the phase of political and national mobilisation in the 19th century, the large majority of the Nordic citizens lived on the countryside, and therefore the peasants were given a large political role. Democratization was a comparatively peaceful process (Sørensen & Stråth 1997; Árnason & Wittrock 2012).

The most well-known common feature of the Nordic societies is **the social democratic welfare state**. Its historical roots are a matter of heated debate, but usually it is said to originate in the class compromises that followed upon the Great Depression in the 1930s, which paved way for a Social Democratic dominance of Nordic politics up until the 1970s. The essential ingredients in the Nordic model are said to be generous and universal social benefits which are financed

through a high tax rate and distributed in the form of services such as free health care, schools and higher education (Christiansen et al 2006; Esping-Andersen 1990).

But the affinity of the Nordic countries is primarily a result of **the long history of manifold multilevel Nordic cooperation**. The Napoleonic wars around 1800 ended three centuries of repeated conflicts between the empires Denmark (including Iceland and Norway) and Sweden (including Finland), and marked the beginning of the process by which the region would consist of five independent states. Having been reduced into the small state category in Europe, the Nordic countries opted for a policy of peace, non-aggression and cooperation. The Nordic peace has now lasted for over 200 years and the region is referred to as a paradigm example of what Karl Deutsch called a '**security region**'. (Archer & Joenniemi 2003; Deutsch et al 1957).

A critical contribution to the establishment of a Nordic 'us' was **the Scandinavist movement** of the mid-19th century. Originally a liberal student movement, it soon developed into a (pan-) nationalism comparable to those that produced Germany and Italy. Ultimately, however, Scandinavism failed on the point of military solidarity when Sweden in 1864 decided not to intervene in the Danish-Prussian conflict over the Schleswig region. But **a more moderate 'nordism'** survived and gradually evolved into a central part of the five national identities. During the last couple of decades of the 19th century a great number of Nordic and Scandinavian associations were founded covering a wide range of voluntary organisations, professions and interest groups (Hemstad 2008). During the first decades of the 20th century this was gradually completed with a more formalised cooperation also at the political level.

Approaching the Second World War, the idea of a particular Nordic social model and geopolitical concerns coincided, and the region started to brand itself as democratic haven in a European continent plagued by totalitarianism (Kurunmäki & Strang 2010). Once again Nordic cooperation failed again to produce a military alliance. As a result, Finland fought two wars against the Soviet Union (1939-40 and 1941-44), whereas Denmark and Norway were occupied by Nazi-Germany (1940-44). Sweden succeeded to remain neutral, balancing between its loyalties towards its neighbours and its own security concerns. These different experiences determined the ways in which the Nordic countries approached the Cold War. Discussions on a Scandinavian Defence Union miscarried when the Norwegian government in 1948 opted for NATO-membership, with Denmark and Iceland following suit. NATO-membership was never an option for Finland because of restrictions on its foreign policy put down by the Soviet Union, and for Sweden, neutrality had by become part of national identity (Hilson 2008; Olesen 2004; Strang 2016).

But despite these different alignments, the idea of Norden as an especially peaceful region with a unique welfare model proved to be a key ingredient in the way that all five Nordic countries positioned themselves in the world. This peculiar feature was labelled '**the Nordic balance**'. The Nordic Council (NC) was founded in 1952 and the Nordic Council of Ministers (NCM) in 1971. Foreign and security policy was exempted from the agenda, and discussions on a Nordic customs union (1950s) and a Nordic economic area (NORDEK) (1960s) proved fruitless. Instead, the NC and NCM were more successful in initiating cooperation on mobility, social issues and arts and culture (Strang 2016).

After the fall of the Berlin Wall, doubts were raised regarding the idea of a special Nordic region. Finland and Sweden joined the EU in 1995, with Norway voting no, and Iceland not even considering membership. (Denmark was a member since 1973.) But if the period from 1995 to 2005 signified a slump in official political cooperation, Nordic integration continued and even accelerated in the economic area as a result of globalisation and Europeanisation.

More recently, official political cooperation has returned to the agenda particularly in the area of foreign and security policy.

Indeed, looking at the history of Nordic cooperation, one is struck by its endurance. The failures at the top-political level to produce a more formalised union, have repeatedly provoked new cooperation measures with more practical and less ambitious agendas. This has been labelled **the Phoenix effect of Nordic cooperation** (Anderson 1967; Olesen & Strang 2016).

To sum up, **the sense of Nordic affinity is very much a living fact in the Nordic countries today**. The Nordics like to think of themselves as belonging to a group of similar small northern welfare states that regularly end up close to each other (and often at the very top) in different international rankings, whether they concern prosperity, transparency, gender equality or happiness. The Nordic countries still like to compare themselves and their societies to each other, and more often than not, there is also a strong sense of (friendly) competition between the countries.

At the same time, it should be emphasised that Nordicity does certainly not form a vivid part of the political discussion in the region. Nordic cooperation is never an issue in election debates and there is a very limited common-Nordic public sphere. The Nordic citizens do not read each other's newspapers or watch each other's TV-channels, and they do not know many of each other's celebrities. There is no apparent Nordic dimension to the new social media. Still, the expectation is always there, that the political and cultural discussions follow the similar broad lines, that there is a basic Nordic community of shared values.

2.2 State of recent national political and economic development

The Nordic countries are well-functioning and highly competitive welfare states. Highly dependent on export, they have also proven themselves adaptable embracing technological innovations as an impetus for change.

The economic development after the Second World War has in rough numbers followed similar lines, despite the different market orientations of the Nordic countries.

Having escaped direct involvement in the war, **Sweden** was for long the most affluent economy. It is a leading manufacturer of skilled goods and machines, with a highly developed steel and forest industry. During the 1960s and 70s, the Sweden attracted a lot of immigrants from particularly Finland (at least 500 000 out of a population of 4.5. million).

Indeed, in economic terms, **Finland** has always lagged behind the other Nordic countries. The market orientation is quite similar to that of Sweden (electronics, forest and steel industries), but less diverse, and having relied heavily on trade with the Soviet Union and Russia it has been much more vulnerable. Today, the sanctions put up by the EU following the Russian annexation of Crimea contribute to the struggle of the Finnish economy, and the fall of Nokia and being part of euro-zone does not help.

For **Denmark**, agriculture has always been the most important economic sector, and it was also the main argument behind the Danish EU-membership in 1973. Shipping is another key sector, along with, for example, biotechnology and pharmaceuticals. But in general, the Danish economy relies less on large scale industries.

Shipping and fishing was traditionally pivotal to the economy of **Norway**, but with the development of hydropower energy became more central. With the oil-industry, the Norwegian economy has since the 1990s greatly surpassed its Nordic neighbours.

For **Iceland**, fishing remains the most important sector, although it has more recently become supplemented with investments in aluminium industry, fuelled by hydro- and geothermal energy. The international offensive of the Icelandic banking sector ended in a dramatic collapse in 2008.

Intra-Nordic trade has fluctuated but has always been quite significant, with Sweden being among the most important trade partners for all of its neighbours. However, export to foreign countries such as Britain, Germany and Russia (particularly for Finland) has generally exceeded intra-Nordic trade.

The political debates in the Nordic countries concern similar issues, and the menu of political parties is also more or less the same. There is a large Social Democratic party and one or two minor socialist parties on the left, and a group of liberal, conservative and agrarian parties on the right. Moreover, during the past years all Nordic countries have also seen a major breakthrough of populist parties with a welfare nationalist, anti-EU and anti-immigration agenda. The high number of parties represented in the parliament has spurred a strong tradition of (minority and majority) coalition governments. The strong position of the trade unions in negotiating salaries and labour conditions is an essential feature of Nordic political life. Another commonality is local democracy: the municipal councils have a large responsibility of, particularly, welfare services.

But there are also a lot of **differences between the Nordic countries**. Most notably Norway, Denmark and Iceland are **NATO**-members, while Finland and Sweden remain unaligned. Moreover, whereas Denmark (since 1973), Finland and Sweden (since 1995) are members of the **EU**, Norway and Iceland remain outside, but are members of the European Economic Area (EEA). The different choices reflect the different foreign policies during the Cold War, but also the different market orientations of the countries.

From an energy point of view the Nordic countries rely on very different sources. Norway is blessed not only with oil and gas, but also with unique conditions for hydropower. Finland and Sweden invested heavily in nuclear energy in the 1970s, while Denmark has recently pushed for wind-power in order to compensate for their dependence on fossil energy sources.

2.3 Motivations for and common challenges requiring cooperation

Nordic cooperation is pursued out of a variety of motivations. Externally, the idea has often been to increase one's influence on a larger international arena. Internally, the aim has been to exchange experiences and best practises, but sometimes also to pool and share resources. In small specialised fields, the Nordics are often forced to collaborate just in order to gather a critical mass of professionals.

Military security has also been a motivation, but historically (both in the 19th century and in the 1930s) closer military alignment has toppled on diverging security concerns: Denmark has looked south, Finland and Sweden east. During the Cold War period, security policy was a forbidden cooperation area, but the Nordic countries aligned in order to keep the region a low-tension area. Today, with the Russian annexation of Crimea, and repeated violations of Nordic

air-space, Nordic cooperation has, arguably, become more explicitly motivated by security concerns.

Since the 1980s, the globalisation of the economy has been met by means of large scale fusions of Nordic businesses and corporations. For some, this has been done defensively in order to withstand external pressure and becoming swallowed by larger American or European multinational companies. For others it has been an offensive strategy of using the Nordic home market as a stepping stone for operations in larger European or global frameworks.

There are also many challenges which the Nordic countries do not cooperate on. Most notably, the Nordic countries have failed to cooperate on their relation to the EU. Also, with ageing populations, comprehensive reforms of the welfare systems are discussed in all countries, but not on a Nordic level (Kettunen et al 2016).

3. Philosophy and principles underlying Nordic cooperation to date

The most fundamental condition for Nordic cooperation is the **security community** based upon mutual recognition of each other as separate nation states. On top of this, there is **the common Nordic identity (*nordism*)**, which does not compete with the national identities, but adds a regional dimension to it.

The Nordic identity has never been strong enough to push for a federation, but it has kept Nordic cooperation alive also after grand failures such as 19th century Scandinavism, defence cooperation deliberations around the Second World War, and the NORDEK-episode in the 1960s and 70s. The failures of the grand schemes has encouraged a more **piecemeal approach** to Nordic integration and cooperation. With the leading politicians unable to concord, the most successful cooperation ventures have been pursued by the relevant actors themselves (bottom-up, not top-down).

Adding to this **democratic image** of Nordic cooperation, one can also point at the strong base in civil society, with voluntary associations, professional organisations and sports clubs all pursuing Nordic cooperation – sometimes, but not always, with the financial or institutional support of the official organisations of Nordic cooperation. The degree of participation in trans-Nordic activities is high, which means that Nordic cooperation enjoys strong public support.

Cooperation within the official framework of the Nordic Council (NC) and Nordic Council of Ministers (NCM) is based upon the **principle of consensus**: cooperation is only pursued when everyone is on board. The lack of supranational ambitions adds to the democratic image of Nordic cooperation, but as the ‘principle of consensus’ effectively means that it is the most reluctant country that decides the tempo, the NCM is also often been criticised for its inefficiency. Urgent matters have therefore often been pursued outside of the NCM, a trend that is only increasing.

The question of regional leadership is delicate, but it can be argued that Nordic cooperation has been most successful with **Sweden as a regional locomotive**. Sweden is the largest Nordic country (10 million inhabitants, which is double the size of either Denmark, Finland or Norway) and geographically positioned in the middle. Moreover, during the latter half of the 20th century, Sweden was regionally, if not globally, perceived of as a frontrunner and a model, epitomising all the values (prosperity, welfare state, gender equality and international

solidarity) associated with the Nordic brand. All of this meant that the three neighbours were united in a complicated ‘big-brother relationship’ with Sweden. Recently, the position of Sweden has been somewhat weakened, which arguably is not entirely fortunate from the perspective of Nordic cooperation. It has certainly reduced the traditional Norwegian scepticism towards Nordic cooperation, but cooperation and integration might prove difficult without a strong and distinct locomotive.

4. Governance of Nordic cooperation

4.1 Key organisations and agencies of official and formalised Nordic cooperation

The Nordic Council of Ministers (NCM) (www.norden.org/en/nordic-council-of-ministers), founded in 1972, is the main organisation of official Nordic cooperation. It is the inter-governmental body for cooperation between the five Nordic countries, and Greenland, Faroe Islands and Åland Islands. The NCM has an annual budget of ca. 125 million euros and is financed by tax revenues from the Nordic countries. The costs are distributed according to a key that, roughly, corresponds to the GNI of the individual countries. In 2015, Denmark covered 20%, Finland 15.5%, Iceland 0.7%, Norway 31.5% and Sweden 32.3% of the budget.

The five Nordic Prime Ministers (as well as the heads of the autonomous regions) have the overall responsibility for the NCM, but in practice this responsibility is delegated to the Ministers of Nordic Cooperation, which usually are members of the government responsible for a minor sectorial ministry (currently, the Norwegian Fishing Minister, the Danish Defence Minister, and the Finnish Minister of Transport and Communication are also Ministers of Nordic Cooperation). The Ministers of Nordic Cooperation form an executive group which, on behalf of the Prime Ministers, take all important decisions on the NCM. Their work is supplemented by the Nordic Committee for Nordic Cooperation composed of senior officials (civil servants) from the national foreign ministries, which all have a Nordic office with a handful of employees, usually as part of a larger European division.

The NCM divided in sector-wise councils each covering a particular policy area. These Councils are run by the corresponding ministers from the national governments, but in practise all issues are prepared by so called Committees of Senior Officials, which consist of civil servants from the national ministries. Currently, there are ten Councils representing the following areas

- labour (annual budget in 2015: 2 million euros)
- gender equality (1 million)
- business, energy and regional policy (18 million)
- culture (22 million)
- law (0.2 million)
- fishing, agriculture, food and forestry (5 million),
- environment (6 million),
- education and research (30 million),
- health and social affairs (5 million),
- finance (0.25 million)

The NCM also has a permanent secretariat in Copenhagen, with approximately 90 employees headed by a Secretary General, usually a former leading politician from one of the Nordic countries. Formally, the task of the secretariat is to prepare and arrange meetings between the

national officials and ministers, but they are also expected to be proactive with political initiatives of their own.

All decisions within NCM are taken unanimously, and therefore the five governments also generally implement them. This 'principle of consensus' is sometimes referred to as one of the sources for the high democratic legitimacy and strong public support of Nordic cooperation. But it also makes for a rather slow and bureaucratic system of decision-making. Moreover, concerns have also been raised that many innovative proposals (from the NC or the secretariat of the NCM) are stopped by the Committees of Senior Officials before they reach the ministerial level. In order to politicise the NCM, a rotating presidency was introduced in the 1990s, and some funds were also made available for the president-country to launch initiatives of their own. This sum has gradually risen to approximately 10 million euros in 2015.

The budget of the NCM is distributed over the different sectorial councils (see above). However, a large part of their budgets (and of the NCMs total budget) goes to the running of some 20-30 semi-independent institutions such as NordForsk (the Nordic Research Council, 15 million euros from the Council of Education and Research), Nordic Innovation (10 million from the Council of Business, Energy and Regional Cooperation), the Nordic TV- and Film fund (4 million from the Council of Culture), as well as the Nordic offices, institutes and culture houses (between 0.3 and 2 million euros each) that you find all over the region and in the adjacent areas, particularly in the Baltic States and Eastern Europe. All of these institutions have a specific task of furthering Nordic cooperation in a particular geographic or thematic area. Many of them also fund projects on the basis of applications handed in by researchers, innovators or artists. The Nordic Energy Research Institute (NEF) was founded in 1999 on the basis of more project based energy research cooperation since 1975. With a staff of 10-12 people it has an annual budget of almost one million euros and is located in Oslo in the same building as NordForsk and Nordic Innovation.

The Nordic Council (NC) (www.norden.org/en/nordic-council) was founded in 1952 and was until the establishment of the NCM in 1971 the main organisation of Nordic cooperation, but has since then been 'degraded' into a parliamentary body, providing democratic legitimacy to the NCM. The NC consists of 87 members elected among the national MPs. Iceland has 7 members, whereas the other four countries have 20 members each (with two of the Finnish members representing Åland, and four of the Danish representing Greenland and the Faroe Islands). The budget of the NC is on about 4.5 million euros, and it is run by a secretariat of 20 people in Copenhagen, located in the same building as the NCM. The national parliaments also have one or two civil servants responsible for NC-matters.

On the surface, the NC works like a parliament, with the difference that the members do not merely represent a political party, but also a national delegation. The sessions of the NC are unique in the sense that a parliamentarian from one country can ask a question of a minister from another country, and expect an answer. However, the NC does not have any formal power over the NCM (except concerning its budget) or the national governments. Its main instrument is the recommendations, which, despite having a certain normative force, regularly are ignored by the national governments. This has given rise to criticisms that the NC is a wining and dining club for elderly parliamentarians. That said, some important innovations, such as the increased cooperation in foreign representation, originate in NC-recommendations.

The NC convenes once or twice a year, and the main annual session is considered to be the key event of official Nordic cooperation, gathering the prime ministers, government

representatives, MPs as well as a plethora of NGOs to a four-day exercise in Nordic networking. In connection with the sessions, the NC arranges gala ceremony in which the five Nordic Council Prizes (in literature, children's literature, music, film and environment) are handed out. Particularly the literature prize is highly esteemed and recognised in media all over the region. Not least because of this prize, the Nordic Council is a stronger brand than the Nordic Council of Ministers.

The Nordic Culture Fund (www.nordiskkulturfond.org/en), founded in 1966, is the major regional sponsor of cooperation in arts and culture. It is led by a board appointed by the NC and NCM, and has a permanent secretariat of 5-8 persons in Copenhagen (also in the same building as the NCM). It is financed directly by the Nordic governments, and hands out a total of 4 million euros annually on the basis of project applications from institutions and groups of artists in the Nordic countries.

The Nordic Investment Bank (NIB) (www.nib.int) was founded in 1976 (after several failed proposals in the 1960s and 70s). With its headquarters in Helsinki, Finland, it has approximately 180 employees. NIB is run by a board of governors with one member from each country. Since 2005, the Baltic States have joined the Nordics as full members of the NIB, which makes it different from the other official institutions of Nordic cooperation. NIB finances large scale projects that support the national competitiveness of the member states or the emerging markets, as well as projects that further sustainable development. The bank has been very successful and the financial report for 2014 stated that NIB would pay 55 million euros in dividends to the member countries.

Nordic Defence Cooperation (NORDEFECO) (www.nordefco.org) is not part of the official Nordic cooperation run by the NCM – this is because of the different alignments of the Nordic countries during the Cold War. NORDEFECO was established in 2009 when different Nordic cooperation programmes on acquisitions and peace support were merged into one body. The basic idea is to save costs and increase military capability through joint acquisitions, pooling and sharing of defence material, as well as joint by exercises and common task forces.

The Ministers of Defence are responsible for NORDEFECO, and they are supported by a Policy Steering Committee of civil servants, as well as by a Military Coordination Group consisting of flag officers representing the Chiefs of Defence. NORDEFECO is a very slim organisation with no permanent secretariat. Instead they have a rotating chairmanship, where the chairing country covers the costs for the meetings (approximately 100 000 euros annually). All cooperation schemes and projects are financed directly through the national defence budgets, and each country participates only as much as they want – there is no 'principle of consensus'. In practice, Norway, Sweden and Finland have been the most active members, with Denmark gradually increasing its activity.

NORDEFECO is often highlighted as an example of innovative regional cooperation and as a model for both other regions (for the Visegrad interest, see Rieker and Terlikowski 2015) and for Nordic cooperation in other policy sectors (see Strang 2012). Flexible (opt-out principle) and pragmatic (cooperation takes place in English, not Scandinavian), its results are certainly impressive, particularly when it comes to rapidly advancing areas such as cyber defence. However, there seems to be a limit to Nordic cooperation in security policy, which has to do with the fact that Finland and Sweden remain outside of NATO on the one hand, and with different interests and needs of the Nordic countries on the other. Most notably, none of the

neighbouring countries seem particularly interested in purchasing the Swedish fighter plane JAS.

Not being part of the official structures of Nordic cooperation means that NORDEFECO lacks the stability and possibility for long term planning provided by a permanent secretariat and a common budget. Moreover, NORDEFECO also lacks a formal anchorage in the parliamentary body of the NC. This democratic deficit is somewhat amended by the annual reports by the defence ministers at the sessions of the NC since 1997, as well as by the annual roundtable discussions between the Defence Ministers, Chiefs of Defence and leading parliamentarians from both the NC and the national parliamentary committees of foreign and defence policy, which have been arranged since 2013.

In general, however, Nordic defence cooperation enjoys strong popular support among both NATO-supporters (who see it as a way of preparing Finland and Sweden for membership) and opponents (who see it as an alternative to membership).

4.2 Key organisations and agencies of unofficial and informal Nordic cooperation

Besides the organisations for official Nordic cooperation, it is important to emphasise the myriad of bilateral and multilateral unofficial or informal networks and contacts between the Nordic countries, which is impossible to do justice for within the realms of this paper (see Häggman 2013).

Nordic cooperation is part of the everyday routines at every **ministry**, but to various degrees and taking diverse forms. These contacts are often highly dependent on personal relations between civil servants. Something similar can be said of **the social insurance and pensions institutions**, as well as the civil servants at the **municipality** level.

The political parties and their youth organisations are all engaged in some kind of Nordic cooperation. SAMAK – *The joint committee of the Nordic Social Democratic Labour Movement* – is the most well-established organisation with a small secretariat in Oslo employing two people. For many of the other parties, cooperation is organised loosely, without a permanent secretariat.

The labour unions have a regional trade union federation (*Nordens fackliga samorganisation, NFS*) that arranges meetings and seminars between the national labour unions. It has a small permanent secretariat in Stockholm with four employees. **Other actors and agents such as voluntary associations**, sports clubs, scouts, churches, schools and universities usually have some form of Nordic cooperation as well, but the model of organisation varies. For example, Greenpeace has a common Nordic division (without any national organisations), whereas some associations do not have any formalised organisations at a Nordic level at all, but compensate for this by arranging informal meetings and study trips.

The Nordic Associations (founded in 1919) are the only voluntary associations dedicated to furthering *nordism* and Nordic cooperation. Before the establishment of the Nordic Council in 1952, the board of the Nordic Associations often consisted of leading politicians. Even today, it is usually a leading politician that is Secretary General of the national Nordic Associations. In total the Nordic Associations have around 50 000 members in the Nordic countries. The national Nordic associations have secretariats of their own, usually with around 10 people employed. Moreover, they also have a Nordic umbrella organisation (*Föreningarna Nordens Förbund*) in Copenhagen with a secretariat of around 10 people.

4.3 Key rules and treaties governing cooperation

Nordic cooperation is generally characterised by a lack of formal rules and treaties, compensated by a high degree of trust, originating in a long history of interaction and a sense of affinity (or even brotherhood). The popular support of ‘nordism’ has also amounted in an abundance of general and non-committing declarations of goodwill, by which the politicians have sought to compensate for their moderate results in formalising Nordic cooperation. The lack of binding treaties was particularly apparent in the latter half of the 20th century, when the Nordic countries formed a border region in the Cold War. The Nordic Council was, for example, established in 1952 without any formal treaty, but on the basis of a legal adoption in each country (Finland was able to join only in 1955).

At the same time, the Cold War is also referred to as a golden age of Nordic cooperation. The grand successes of Nordic cooperation are usually said to be **the three conventions agreed upon in the 1950s**.

- the passport convention of 1954-57 guarantees free movement in the region
- the common labour market convention of 1954 guarantees that a Nordic citizen can apply for work in the whole region
- the social convention of 1955 guarantees that Nordic citizens are entitled to the same social provisions as natives

All of these agreements were very ambitious in their time, predating similar arrangements within the EU with almost 50 years. Still in effect, they have been amended several times since the 1950s. In addition, there are Nordic conventions on taxation (1989), on language (1981) and education, research and culture (1971).

The Helsinki Treaty of 1962 is usually referred to as the Basic Law of Nordic cooperation. It is 70 articles long and defines the aims and forms of Nordic cooperation with regards to both the NC and NCM framework and to specific policy fields. However, the formulations of the Helsinki Treaty are rather vague and do not commit the government to anything (‘the governments *shall seek to*’). Still in effect, the most significant amendment to the Helsinki Treaty was in 1972 in connection with the establishment of the NCM.

NORDEFECO is based upon a ‘memorandum of understanding’ signed by the Ministers of Defence in 2009. It is also more a declaration of Nordic goodwill than a formal treaty. It describes the formal organisation of NORDEFECO and pays special attention to the fact that Nordic cooperation should not interfere with the NATO-commitments of Denmark, Iceland and Norway. Significantly enough, this memorandum was in 2011 supplemented by a **Nordic declaration of solidarity**, signed by the foreign ministers. Even if the declaration focuses on issues like terrorism, environmental disasters and cyber-attacks, rather than direct military threats, there was some discussion regarding the relation between the Nordic solidarity declaration and NATO’s article 5. The general interpretation seems to be that the NATO-commitments trump the Nordic declaration in all respects (Forsberg 2013).

The lack of binding treaties have often been said to be a sign of the fact that Nordic cooperation is based upon democratic principles and a high degree of trust. But it has also been a source of criticism of Nordic cooperation, especially in comparison with the more ambitious integrative and federative steps taken by the EU. Indeed, if economy has traditionally been a difficult area for Nordic cooperation, the Nordic countries have during the past couple of decades taken huge

leaps in economic integration thanks to **the formal and binding treaties and rules put in place by the EU and the EEA.**

5. Main fields of internal cooperation

5.1 Main fields of intra-Nordic cooperation

Traditionally the key areas of Nordic cooperation have been arts and culture, social policy and law. These fields were selected not least because of the impossibility of cooperation in foreign and security policy during the Cold War on the one hand, and the failures of the grand schemes of Nordic economic integration during the 1950s and 60s on the other. Indeed, it is often claimed that cooperation in ‘soft’ areas served as a compensation for failures in ‘hard areas’ (e.g. Mai 2016). However, cooperation in ‘soft areas’ was undoubtedly also a conscious investment in creating a cultural belonging and a sense of ‘us’, which has paid dividends in the longer run also when it comes to geo-politics and economic integration (Strang 2016).

Cooperation in **arts and culture** is based upon the affinity of the Scandinavian languages and a general sense of ‘nordism’. Arts and culture still forms a prioritised area of cooperation within the NCM-framework. Cooperation in **social policy** was important during the Cold War period as a way of positioning oneself as a neutral welfare block between capitalism and communism. Cooperation was particularly lively during the period of rapid development of the welfare state. Paradoxically, however, it has faded away with the rise of the Nordic model as an international brand (Kettunen et al 2016). Cooperation in **the field of law** was pursued since the late 19th century and was often been coupled with an explicit ambition of harmonising the Nordic legal systems. Law was also the first field mentioned in the Helsinki Treaty of 1962. But cooperation in law has gradually faded away, and since the accession of Finland and Sweden in the EU, the eyes of Nordic legislators, bureaucrats and lawyers have turned towards Brussels (Letto-Vanamo & Tamm 2016).

Since the end of the Cold War, **security policy** has gradually become the most thriving field of Nordic cooperation. The reasons were originally economic as the national defence ministries were struggling with the equation of rising costs following technological sophistication on the one hand, and decreasing shares of the national budgets on the other. Actors within the Norwegian and Swedish defence ministries and armed forces approached each other with proposals for joint acquisitions, pooling and sharing of defence material and joint military exercises. Finland and Denmark were soon invited to join in and cooperation was later taken to another level by the report of the former foreign minister of Norway Thorvald Stoltenberg in 2009. Later the same year, Nordic defence cooperation was formalised in NORDEFECO. Recently, following the Russian annexation of Crimea and repeated Russian violations of Nordic air-space, Nordic cooperation has to an increasing extent become motivated by security threats.

Another post-Cold War development is the integration of **the Nordic economies**. Traditionally a very difficult area for intra-Nordic cooperation, Nordic economic integration has instead been facilitated within larger European frameworks. The efforts to create a Nordic customs union was buried in prolonged deliberations in 1950s, but was realised through the establishment of EFTA in 1960. The projected Nordic economic union NORDEK miscarried in 1970, but was later largely realised within the framework of the EU and EEA. But on a corporate and consumer level, the Nordic region has formed a natural framework. Already the 1980s saw

many large scale Nordic corporate fusions and acquisitions (ABB-Strömberg 1987), and this trend increased considerably in the 1990s. The Nordic customers have grown accustomed to Nordic dairy products (Arla Foods, 2000), banks (Nordea, 2000), media houses (Schibsted or Bonnier), telecom-operators (TeliaSonera, 2002) and forest industries (Stora Enso, 1998). By aligning on a Nordic level, the companies seek to avoid absorbed by American and European multinational companies, but for some, it is also a stepping stone for operations in larger European or global frameworks

It is as part of this development that Nordic cooperation in **the energy sector** needs to be understood. The common Nordic energy market was not a result of an articulated political ambition at the top-political level, but something that was pursued by the relevant actors themselves in order to meet the challenges of globalisation and Europeanisation. Of course, leading politicians encouraged cooperation, but they did not interfere by, for example, investing huge political prestige in the venture.

Nordic cooperation has also been quite successful in **environment protection**. To a large extent, this cooperation has been pursued externally (see below), but a significant breakthrough was also the establishment of the Nordic Ecolabel (the Nordic Swan) in 1989, which has become one of the world's most successful ecolabels, covering a wide range of consumer products, from soap to hotels.

5.2 Least successful fields of intra-Nordic cooperation

It is often argued that Nordic cooperation has succeeded in 'soft' areas such as welfare, law and arts and culture, but failed in 'hard' areas such as security policy or economy. Today, it seems to be the other way around. Cooperation and integration is flourishing in security policy and the economy, whereas cooperation in law and welfare is struggling.

Divergent economic interests have also hindered cooperation in sectors like fishing or agriculture. Arguably, energy policy can be added to this because despite the common energy market and much cooperation on energy research, large scale projects such as gas-pipes across the region, or the Volvo-Statoil cooperation, have all failed (Tønneson 2002). There is little hope for a common Nordic energy policy in terms of having a joint approach to, for example, nuclear energy.

5.3 Discussion

To sum up, it seems that **Nordic cooperation has been most successful in periods of rapid development**. Cooperation in law and in the social sector was particularly active in periods of legal codification (late 19th century) and expansion of the welfare state (1950s and 60s) respectively. The Nordic Ecolabel was a success because it pushed the limits of national environmental conscience. Lately, economic globalisation and rapid technological development in areas such as IT, defence and energy has pushed for cooperation.

Also, **external pressure**, be it in the form of economic challenges or perceived security threats, have also facilitated for Nordic cooperation. Both of these factors have been important for the rise of Nordic defence cooperation. Similarly, Nordic energy cooperation was initiated in reaction to the oil crisis of the 1970s.

A final observation is that **Nordic cooperation tends to work better among the relevant actors themselves, than at the top-political level**. The grand schemes for cooperation and integration fail with astonishing regularity, but cooperation continues in everyday practise. The reason for the success of this more moderate form of cooperation is, in turn, surely to be found in the general sense of affinity and trust, to which the investments of the NC and NCM on political as well as cultural and academic networks have contributed significantly.

6. Main fields of external cooperation

6.1 Main fields of external cooperation

The Nordic countries have generally succeeded very well in cooperating on international arenas – some scholars have even argued that the whole idea of a specific Nordic region was construed abroad (Götz & Haggren 2009). Even if a united Nordic **foreign policy** was impossible in the Cold War period, the Nordic countries still succeeded in creating a common Nordic brand of peace and solidarity through cooperation in international organisations. The Nordic countries have, for example, been very active in the United Nations (UN). One fourth of all UN peace keeping soldiers in the period 1946-2006 were from the Nordic countries, and the Nordic countries have also been among the most generous with foreign aid. The Nordic countries often negotiate a common position in the UN, and they generally support each other's initiatives as well as candidacies for international posts (such as a place in the Security Council).

Since the end of the Cold War, Nordic cooperation in foreign policy has conquered new areas, such as foreign representation. The Nordic countries have a joint embassy complex in Berlin (*Nordische Botschaften*) and a division of labour is discussed in parts of the world where there is a limited need for five separate embassies. The Nordic countries have also recently made some common efforts in nation/region branding, promoting Nordic companies abroad and attracting foreign investments to the region.

6.2 Least successful fields of external cooperation

The success of Nordic defence cooperation (NORDEFECO) and cooperation in international organisations, needs to be moderated by stressing **the lack of Nordic coordination in transnational security alignment**. Denmark, Iceland and Norway are founding members of NATO (1949), while Finland and Sweden remain unaligned. The background for this is to be found in the different experiences of the Second World War (described in section 2 above). Even if NATO-membership has been a regular topic for discussion in Finland and Sweden since the end of the Cold War, political and popular support of membership has never been strong enough to push for membership.

Nordic cooperation in European affairs has also been an area of very limited success. The Nordic countries have never formed a united block in the EEC, EFTA or EU, and cooperation between Denmark, Finland and Sweden within the EU is also rather limited.

Denmark joined the EEC in 1973 at the back of the failed NORDEK-negotiations. Norway had applied for membership, but it was turned down in a referendum. In the 1970s, the ideal of neutrality made EU-membership impossible for Finland and Sweden, but the question emerged on the table in the 1990s, there were little efforts to concert a Nordic approach. As a result Finland and Sweden joined the EU, while the Norwegians, once again, turned down membership.

Within the EU, it took quite some time before the three Nordic members established formal and informal channels of cooperation. This lack of coordination is most notable in the fact that Finland joined the European Monetary Union introducing the euro in 2002, while Denmark (partly) and Sweden (fully) remain outside.

The reasons for this lack of coordination on EU-matters is to be found in the diverging security and economic interests described above. Moreover, particularly Denmark and Sweden have had large EU-critical oppositions to take in consideration, which they had to deal with in different ways. All of this gave little space for Nordic alignment.

The Nordic countries different positions with regard to NATO and EU have been the source of much discussion and debate, not least by those who feel that this constitutes a major impediment for closer Nordic cooperation. However, with the European Economic Area-agreement of 1994 and the NATO Partnership for Peace-programme in which Finland and Sweden are core members, the difference between member states and non-members of both the EU and NATO is being increasingly blurred. Against this background, the former Norwegian foreign minister Thorvald Stoltenberg has noted that the Nordic countries, in fact, have a rather common approach: they are unenthusiastic members, but very enthusiastic non-members, of both NATO and EU.

6.3 Discussion

To sum up, external Nordic cooperation seems to work best in areas of a more moral-political character, than in areas that requires a more formalised alignment. The Nordics have cooperated in questions of disarmament, peace keeping, foreign aid and human rights, and have established a joint brand as 'norm entrepreneurs' (as they are called by the apologists e.g. Ingebritsen 2002) or 'moral imperialists' (as they are called by the critics). However, formalising a joint Nordic position in security or economic affairs has time after time proven impossible due to dissimilar security and economic interests.

7. Assessment and outlook

With the economic and political struggles of the EU on the one hand, and the perceived security threats in the region following Russian mobilisation on the other, Nordic cooperation is currently increasingly vibrant. But there seems to be some hesitation regarding how to proceed. On the one hand we have the Scandinvist position represented most extremely by Gunnar Wetterberg's (2010) call for a United Nordic Federation. On the other hand we have the NORDEFECO-approach of Thorvald Stoltenberg (2009) which focuses on actor-driven piecemeal progress in specific areas. Curiously, these positions reflect different understandings of the history of Nordic cooperation. From the Wetterberg-perspective, Nordic cooperation is viewed as a long series of failures to produce a more formalised unit, whether in the form of a Scandinavian nation state, a Nordic federation or an economic/defence union. From the Stoltenberg-perspective, Nordic cooperation is viewed as a success, where five independent nations have succeeded in establishing an extraordinary close relationship through practical piecemeal cooperation.

However, the future of Nordic cooperation is closely intertwined with the future of the EU. Today, a strong federative EU of 28 equally integrated member states seems unlikely. Instead, the possible scenarios seem to be either an 'EU a la carte' of different forms of attachment, or

a return to a looser 'EU of cooperating nation states'. Both scenarios allow for a strengthened Nordic cooperation. Indeed, in contrast to the situation a couple of decades ago, the EU is likely to become increasingly supportive of regional cooperation and integration initiatives.

The question is, however, whether the current institutional setup of Nordic cooperation is ideal for pursuing such initiatives. The official organisations of Nordic cooperation, the Nordic Council (NC) and the Nordic Council of Ministers (NCM), have so far been unable to capitalise on the Nordic renaissance. Significantly enough, the two great successes of Nordic cooperation at the moment are not associated with the NC and NCM. Defence cooperation is pursued within the realms of NORDEFECO, while Nordic economic integration has been facilitated through the EU and remains an area where the NCM has little to say. As a result of this, there is some dissatisfaction with the Nordic organisations, and calls for revamping them are frequent.

If the Nordics want their internal cooperation to deliver at the top-political level, they need to develop a model that combines the flexible and result-oriented NORDEFECO-approach on the one hand, with the more stable institutional cooperation facilitated by the NC and NCM on the other (see Strang 2012). The all-embracing and consensus-driven model of the NCM needs to be abandoned, but at the same time, the Nordics need to recognise that the main strength of Nordic cooperation, i.e. the manifold multilevel contacts between actors across the region, is a result of generous investments in Nordic institutions and networks, not least in the field of research, arts and culture.

Nordic cooperation in energy and environmental policy is a case in point. It shows how the strong cultural affinity of the Nordic countries can facilitate cooperation even in areas where the provisions for cooperation and the interests of the five countries seem far apart. It also serves as an example of how areas of rapid technological development tend to be easier to pursue jointly, than areas with strong established national traditions. Finally, Nordic cooperation in energy and environment also show that Nordic cooperation still can serve as laboratory of transnational cooperation. The Nordic region has unique cultural and political preconditions for forging transnational solutions, which can serve as a prototype for all-European solutions, or as a model for other regions in the world. This was the case with the GSM-standard for mobile communication in the 1990s, and it seems to be the case for Nord Pool today.

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