

## The myth of Swedish superiority

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The result of the referendum on euro membership on September 14 will set the course for Sweden's foreign and domestic affairs for years to come.

So far, the No side is solidly ahead in all the opinion polls. That is hardly surprising. The Yes side has manoeuvred itself into a prolonged debate on different ways of countering the alleged risks of membership, leaving the public largely unaware of the more profound risks of staying out. It is also suffering from the open split in the government and Social Democratic party, as well as from years of neglecting to provide political leadership on wider European issues.

A new Europe is emerging. The countries of eastern Europe will shortly be part of the European Union and Nato and are looking to introduce the euro as soon as possible. It is obvious that countries staying outside core areas of EU co-operation will lose out in terms of influence and opportunity.

Sweden has had a more difficult time adjusting to a united Europe than other countries. For many, particularly on the left, neutrality was not only a question of geopolitical necessity but also an ideological choice linked to a myth of some superior form of society.

This myth was sustainable during the three decades after the second world war, when Sweden was among the richest countries of the world. But during the past 25 years, its relative wealth position has fallen to the EU average and Sweden has fallen behind all its Nordic neighbours. The custodians of the myth have had difficulty adjusting to the post-cold-war Europe, and especially to Sweden's membership of the EU since 1995. They now fight against euro entry with the same arguments they have used against every move towards closer integration with Europe. They strike a chord in a nation that has for too long preferred to stay on the sidelines of Europe's affairs.

Their voice has been strengthened by doubts about the EU's economic performance, above all by Germany's malaise. While those on the left fear the programme of market liberalisation and welfare reform agreed by EU leaders at Lisbon in 2000, there are those on the right who suspect that nothing serious will ever come of it.

When Sweden signed the treaty of EU accession in 1994, we asked for no opt-out from monetary union. Although there were those who downplayed the issue in the subsequent referendum on membership, there was never any question of failing to live up to our obligations. I know - I was the prime minister who signed the treaty.

Since then, the government has stayed outside the euro by not joining the exchange rate mechanism, and thus not meeting the criteria for membership. But this strategy would not last. If Sweden decided to stay outside the euro for the foreseeable future, the question of a formal breach of the treaty would arise. Sooner or later, there would have to be negotiations on some sort of abrogation. And a price would have to be paid.

The repercussions of a No vote next month would last a long time. The present parliament runs until 2006. A re-run in the following four-year parliament is unlikely. With a second referendum campaign and preparations for membership, Sweden would be outside the euro until perhaps 2015.

There is no doubt Sweden would lose out on economic opportunities. Recent findings - confirmed in studies by the UK Treasury - show bigger positive effects on trade than previously believed. Sweden is a country more dependent on foreign trade than most. The effect on inward investment would be more dramatic. The only reason to invest in Sweden for export to a wider EU market would be on the assumption of continued Swedish economic failure and thus further devaluations of the krona. It is an approach that could even endanger Sweden's membership of the single market. No wonder Sweden's business leaders, with a few exceptions, have spoken out in favour of the euro. So have the trade unions in the private sector.

If the long-term economic consequences of a No vote would be bad, the political implications could be worse. On the domestic front, a No vote will be a severe setback for the forces of modernisation and reform. The custodians of the myth of Swedish superiority will recover lost ground. Structural reforms have already stalled and economic policy has started to drift.

In the EU, Sweden is unlikely to be listened to on the important issues. Even the new members are unlikely to seek alliances on different issues with a country that is outside the trans-atlantic security dialogue and the big

European economic decisions. A country that has chosen to be on the margins will remain on the margins.

The looming defeat on September 14 can still be averted. But it requires a debate that gives a positive vision of all that Europe is trying to achieve, while highlighting the real risks of Sweden's marginalisation.

*The writer was prime minister of Sweden 1991-94*