

## Are the Nordic Countries Ready for a New Europe?

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It is always a pleasure to come to Berlin. To neglect what is happening here is to neglect being part of what shapes the future of our continent.

In the beginning of this year I was here in Berlin – at the Humboldt University – to discuss whether Europe is ready for the future.

My answer was rather hesitant. We face major challenges in the years ahead that we have not fully faced up to. We are proud of much that has been achieved – but not sufficiently aware of all what remains to be done.

We are – at the best – half the way towards fulfilling that great agenda of building a new system of peace and prosperity in all of Europe that history presented us with here in Berlin in November of 1989.

And we are – at the best – in the beginning of answering the call for a new understanding of our world and the agenda that was thrown upon also us in September of 2001.

The 1989 and the 2001 agendas are the dominating agendas of this our time. We live with the challenges they represent, as well as with the tensions between them that are apparent.

But today my task is not to discuss whether Europe is ready for the future, but whether the Nordic countries are ready for the new Europe and its new challenges.

Again, I fear that my answer will be somewhat hesitant.

For me, the Nordic environment is an essential part of my political home. From my earliest days in student politics through nearly a quarter of a century in the Swedish Parliament as well as in the Nordic Council, contacts and interactions between our Nordic countries was a natural part of everything we did.

The nature and the value of all these contacts were and remain somewhat difficult to explain to those not taking part in them. And you often found those questioning whether all these Nordic meetings – the Nordic Councils – really produced anything of substance.

It is certainly true that the main achievements of Nordic integration were made in a rather distant past, and that they have since in most cases been repeated within the

framework of wider European integration. We had Schengen decades before Schengen itself.

And it is equally true that the main steps towards integration among the Nordic countries in recent decades have been taken as a result of the pressures of and participation in wider European integration.

It was the European Free Trade Agreement that created free trade between our countries, later reinforced with the agreements with then European Economic Community in 1972. And it was the European Union that created a customs union and an integrated single market between most of our countries through the EEA agreement.

But the value of our cooperation has still been substantial.

Critical journalists sometimes suspected that the Nordic Council, in view of the extent of its production of paper, was just a complicated way of subsidizing the Swedish and Finnish paper and pulp industry.

But it was more than that. Only half jokingly, I used to say that the annual sessions of the Nordic Councils during those decades was like putting all the leading politicians, civil servants and journalists in this part of Europe in a common cocktail shaker, and then both shake and stir the entire thing for some days and nights.

What came out was different from what was put in – although not easy to say exactly in which way. We – as a minimum – got to know each other far better than would otherwise have been the case. We developed an understanding not least for how different we were within that common framework we always talked about.

Today, the meetings of the Nordic Council are far less central in the annual calendar of the politics of our countries than used to be the case. The one report after the other is looking at ways to recover a past that has so obviously slipped away. There is talk of a crisis of Nordic cooperation.

To me, this crisis is part of a transition that is necessary. And in much the same way as we have seen before, it is a transition driven by developments around the Nordic countries rather than within our confines. It is part of the attempt of our countries to find their new role in the new Europe that is emerging.

It goes without saying that the Nordic countries have a glorious history in interacting with the outside world. There were the days when we ruled England, created Russia, discovered America and destroyed Germany.

But the last few centuries we have been more tranquil and better behaved. Gradually, we have retreated from wider European political engagements. Gradually, a sense of detachment from the rest of the European scene become part of our political cultures.

A sense of belonging together in the Nordic area developed during the 19<sup>th</sup> century as we wanted to have a certain distance both to the Tsar in St Petersburg and to the Kaiser in Berlin. As Europe during the 20<sup>th</sup> century was thrown into turmoil, conflict and confrontation by first the rise and the subsequent fall of Germany from 1870 to 1945, and then the rise and subsequent fall of Russian and Soviet power from 1917 to 1991, the Nordic countries sought detachment from rather than engagements in the turmoil's and troubles of the rest of the continent.

Sweden was more fortunate others, due mainly to the circumstances of geography, but all certainly tried.

The different fates of our Nordic countries during the Second World War decided our different orientation in terms of security policies during the following decades.

And Nordic cooperation – the Nordic Council since 1952, the Nordic Council of Ministers since 1971 – developed as a way of compensating for this obvious split in orientation in our relationship with the outside non-Nordic parts of the world.

The present generation of leaders in all our countries are all products of the pre-1989 situation in Europe.

These were very different days. Those were the days when foreign and security affairs were taboo topics in the discussions of the Nordic Council, neutrality has been elevated to the level of liturgy in Sweden, there seemed to be more members of the Finnish-Soviet Friendship Society than citizens in Finland and the North Atlantic with its islands, shores and dark depths was judged to be the perhaps most critical strategic piece of property on the globe.

But for all its peculiarities, the pattern of security that had come to be established in our part of the world in the years after World War II seemed to work. We lived in a rather comfortable corner of a not too comfortable world. It was perhaps not unnatural, that not rocking the boat was the dominant tendency in the policies of our countries during those years.

We must also remember, that these were days when the Nordic countries – some more than others – were seen by themselves as models in terms of social and economic development for the rest of Europe and the world. We genuinely believed that we were more social, more moral, more peaceful, better ordered and certainly richer than virtually anyone else.

When there was a debate in our countries about our relationship to the rest of Europe, it sometimes sounded as if we were waiting for the rest of Europe to join us rather than the other way around.

There were not many in our countries that had expected the Berlin wall to fall, Germany to be reunified, the Soviet Union to disappear and the nations of Estonia, Latvia and Lithuania to be able to re-establish their independent states.

And there might have been even fewer that had expected that little more than a decade after these truly earth-shattering events, we would see the borders of the Atlantic Alliance extended to the Narva River and Riga to be the capital of a country in the European Union.

During the past decade, we have been struggling to keep up with the rapid pace of change. We have been trying to move from a Europe in which the Nordic nations, if they looked only to themselves, felt themselves rather comfortable, to a new Europe where they are somewhat uncertain of where we are all heading on where they themselves should go.

Early on, Sweden, Finland and Norway applied for membership in the European Union, following the lead that had been taken by Austria.

We all initiated accession negotiations in early 1993, concluded them a year later, signed our Treaties of Accession on Midsummer Day 1994 and – with the regrettable exception of Norway - entered the European Union on January 1<sup>st</sup> 1995.

The fact that we succeed in our ambition to enter the European Union as fast as we did, was in no small measure the result of the support we had of not the least Germany, in particular Chancellor Kohl himself. It would in all probability have happened anyhow – such were the trends of history – but certainly not as smooth, as easy and as fast as it was achieved.

In the autumn of 1994 we had referendums in first Finland, then Sweden and last Norway on our membership in the Union. Finland had the best result, in Sweden we did manage to get a slight majority in favour and Norway registered a result where the swing from No to Yes in comparison with the previous referendum in 1973 was in the order of one percentage point and thus insufficient to bring also Norway in.

There were certainly differences between the results, but there was more that was in common.

The capital regions, expanding cities, the young and the forward-looking in all three countries voted a resounding Yes to membership. The No vote was particularly heavy in the more remote and more rural areas of the countries. Those that had felt neglected within their own nations feared that they would be even more neglected within the wider European framework.

And security policies played their part. In Finland, a search for increased security contributed to the Yes vote. In Norway, a feeling that NATO brought more security contributed to the No vote. In Sweden, differences between the leading parties kept discussions on these issues to a minimum. And we should remember that Denmark after its problems with the Maastricht Treaty ratification in 1992 had acquired an opt-out that covered also the evolution of a European security policy.

When we signed the Treaties of Accession, we were hoping that our Nordic countries together could join the core of European cooperation. We were committed also to the goals of the economic and monetary union, and in light of both the necessity to secure the future of the Baltic countries, and to be able to deal with challenges like those we saw in the Balkans, we certainly saw the need to develop also more of a common foreign and security policy.

Since then, things have turned out somewhat different. Today, in spite of all of its potential, and in spite of our past achievements in international integration, the Nordic region is one of the most fractured regions in Europe in terms of its approach to the wider issues of integration. I am convinced this is to the detriment of our countries, and I also believe that it is to the detriment of Europe as a whole.

The monetary issues can serve as a good illustration.

Today, the three Nordic members of the European Union have managed to set up three completely different monetary regimes, and to do this at a time when most of the rest of Europe have achieved a common currency. Finland has adopted the Euro, Sweden in the referendum September 14 decided to stay with a free floating currency, and Denmark has opted for the half-way house of only the ERM2 mechanism for the Danish crown.

We could not be more disunited than we are on this issue.

But there are, unfortunately, other examples as well. On the issues of security policy, Denmark has managed the feat of shaping a policy that allows it to take part in the war against Saddam Hussein, but prevents it from being part of EU-lead peace

operations in the Balkans. And while there is an intense debate in Finland on the security policy choices ahead, and virtually no debate whatsoever in Sweden, they have both declared their opposition to moves towards any reinforced cooperation on defence within the European Union, saying that NATO is what counts, although this NATO is not something for them.

Anyone searching for patterns of logic in the patchwork of policies we see on these and other issues is likely to be disappointed. It's not the vision for the future, but the weight of the past, that has played the dominating role in creating this patchwork of diverging and uncertain policies throughout the Nordic area today.

But the Nordic area is today too limited an area for these discussions. Particularly when we discuss issues of security, but increasingly also when economic issues are brought into the picture - and most certainly when we are discussing the evolving structures of integration in Northern Europe - we need to broaden the perspective and bring in Estonia, Latvia and Lithuania.

More than a decade ago, I wrote that the position of these three small countries in many ways would be the litmus test of the new Europe we then saw the possibility of.

Would a new Russia accept that they were independent, and also had their independent right to see membership in the structures of integration they preferred? And would the key powers of Western Europe – Germany, France, the United Kingdom – accept that these countries had the same right as others to join the European Union and the Atlantic Alliance, if they so wished?

Today, we are on the verge of all three of them becoming full members of both the European Union and NATO, and we can expect at the least Estonia and Lithuania to join the euro area as soon as 2007, with Latvia possible at the same time but certainly not much later. A million people of Russian nationality will then be living within the European Union.

Thus, we are soon in a situation where the governments in Vilnius, Riga and Tallinn sit on all the councils there are to sit on, while no one of the “older” Nordic countries

for some time will have this possibility. Denmark is outside the Euro and some other areas of European integration, Sweden is outside both the Euro and NATO, Finland is outside NATO, Norway is outside the European Union and Iceland is in the same position.

It's a patchwork of exemptions and self-exclusions that is an anomaly in the new Europe that is gradually appearing.

Over time, this will change, thus creating new possibilities also for cooperation between the Nordic and Baltic countries, increasing their weight within the overall European structures, and creating better possibilities also for the prosperity of the region.

Earlier this year I predicted that it would take in the order of a decade for all this to change in all of our countries in the direction that political logic and the course of development in Europe since 1989 points towards.

The Swedish referendum on the Euro on September 14 was naturally a severe setback in this respect. The size of the defeat was – we now know – a result of the way in which we reacted to the extremely tragic murder of our widely popular Foreign Minister. But the defeat itself was the result of a combination of a lack of leadership on European issues during the years since 1994 and a sense of disillusionment with the way in which key parts of our country has developed since the mid-1990's.

It wasn't the metropolitan growth areas that swung from Yes to No. And it wasn't the rural and remote that become even stronger in their No. Moves in both these areas were not central to the outcome.

What happened was that the Sweden-in-between – the medium-sized cities of the industrial revolution, the semi-rural communities feeling that they had been abandoned – turned heavily from Yes in 1994 to No in 2002.

And – even worse – that young people voted No in what might well have been more of an anti-establishment and pro-world than an anti-Europe vote, but nevertheless

represented a significant change in relation to the wave of support among the youth we had in the early and mid 1990's.

It will take time until Sweden can revisit the issue of the Euro. Whether it can be done before the 2010 general election is highly doubtful. We might well have an adventurous ride on the currency markets in the meantime – at the moment it's up, but tomorrow it could be anything.

As we speak, the 25 Foreign Ministers of the new European Union are meeting in Naples for the beginning of the final phase of talks on the coming constitutional treaty, as well as to have a look at the final proposal for a common European security strategy.

I hope that they have time to look also at the world around them.

In Georgia and Moldova, we see failed or failing states, with the risk of instability and chaos and criminality spreading. Three quarters of all the heroin on the streets of our countries is coming from Afghanistan, much of it smuggled through the weak states of the Balkans, in which recent elections point at a resurgence of forces with an extreme nationalist background. In Russia, the so-called guided democracy of President Putin seems to become more guided, and less democratic, by the day. In Istanbul, one is still picking up the pieces after the most devastating multi-wave terrorist attack we have seen in Europe, directed against Jewish and European interests.

And beyond our immediate "near abroad", we struggle with the issues of nuclear proliferation in Iran, highly uncertain state-building in Iraq, the effects of the creation of a new wall to separate not only Israel from Palestine, but also Palestine from Palestine, a series of state failures and conflicts in Western Africa as well as the demographic, economic and political time-bomb that is ticking in all of that part of the Islamic world that lies closer to Europe.

Our Europe has never been so free, so democratic and so prosperous as it is today. That is one side of the coin.

But the other is the marriage of ancient hatreds and modern technologies that is transforming the global scene and directly affecting all of our societies.

And we should have learnt from our bitter experience in the Balkans that while the potential enemy that was here only recently in the form of the Soviet Union is gone, the enemy that is our own history of national rivalries, cultural divisions and ethnic strife hasn't gone away, might easily come back and is in many ways much more difficult to deal with.

Nuclear deterrence doesn't work against ethnic cleansing. Military power can destroy enemies, but alone cannot build friends.

I belong to those that believe it is a moral imperative for our generation to build those structures of integration that can secure the peace and prosperity for as many Europeans as possible for as long a time into the future as possible. And I believe that the only real alternative that is there after 1989 is to move step by step in creating a federation of nation states, encompassing all of Europe to the West of Russia and the Ukraine, stretching from the Arctic Ocean in the North to the Mediterranean in the South, eventually bringing stability also to the post-Ottoman areas of the Southeast, and making its contribution to overcoming the critical divisions of our time by offering a place for Turkey as well.

And I also believe that the Nordic nations have a potential in becoming key partners in the shaping of this endeavour that is much greater than we have seen so far. Still, there is too much the weight of the past, and too little of the vision of the future. But slowly and steadily, there is somewhat less of the former, and somewhat more of the later.

In parallel to the need to become more active in shaping our external European environment and future, we obviously also face the need to become more active in reforming our domestic state and other structures.

With very few exceptions, all the countries of Western and Northern Europe faces a substantial reform Lisbon reform deficit, highlighted just this week by the gloomy report on job creation issued by the high-level European group lead by former Dutch Prime Minister Wim Kok.

As our populations are starting to stagnate and even decline, our productivity growth remains well below what we see on the other side of the Atlantic, investments in both research and development and higher education are lagging and our societies are confronted with the task of integrating people with different national and cultural backgrounds, there is no doubt that we are facing a crisis of the classical welfare state across Europe.

The modern welfare state was a German invention that was developed to alleged perfection during the golden post-war ages in Scandinavia. For a time, we presented it as the solution to all problems. But during the 1990's we in our Nordic countries have been forced to start a process of reform that, in my opinion, will have to accelerate in the years ahead if we are to avoid a potentially dangerous combination of economic stagnation and social strife.

And the challenges we face are challenges we in many ways have in common with many of the other countries in the European Union, and not the least with present-day Germany. Here, reform and change is now considered imperative, and the issues of how to go forward with very major changes are at the core of the public debate.

In many ways, Germany is the most interesting country in Europe today, not because of its successes, but because of its failures and the way in which it deals with these in the years to come. It might be too late and too little, but no one can doubt the seriousness with which these issues are now tackled in this country.

This will affect our Nordic countries. And we will be affected also by the economic performance of the new member countries of the European Union. The top income tax in Estonia is 26 % with intense discussions on further reduction, with the corresponding figure in Sweden above 55 % with further increases almost certain. In

Finland, we already see discussions on the need to undertake reforms in order to withstand the magnetism of the possible economic tigers across the Gulf of Finland. Helicopters are bringing commuters between the city centres of Helsinki and Tallinn every 20 minutes - vividly remember the not too distant days when the Iron Curtain made virtually any contact impossible.

We live in a time of profound change, and will continue to do so for a long time to come. New challenges require new approaches, and while the Nordic area has been somewhat hesitant to fully seek a new orientation in the post-1989 Europe, the potential for them is most certainly there.

I certainly belong to the impatient – but I definitely don't belong to those that have given up hope.

I believe we will see a Nordic and Baltic renaissance – but we will only see it as part of full commitment of all parts also of this part of Europe to the wider agendas that history presented us with in first 1989 here in Berlin and then – more globally – in 2001.