



# The Nordics and future Europe



A memo prepared by  
SAMAK's EU/EEA group

January 2019



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## Content

1. Our take-home message .....	4
2. The starting point .....	5
3. The future direction of EU – driving forces and processes ..	11
4. Which future EU serves the Nordics best? .....	18
5. A Nordic vision for Europe? .....	25
6. Possible follow-up .....	27
Annexes .....	29



1. SAMAK is the Co-operation Committee of the Nordic Social Democratic parties and trade union confederations (LO). See [www.samak.info](http://www.samak.info). SAMAK's EU/EEA group is chaired by Jeppe Kofod, Vice President of the S&D group in the European Parliament. Annex A is based on a note by Senior Advisor and former chief economist of the Norwegian LO, Stein Reegård. The members of the group are listed in Annex C. Facts updated by November 7 2018.

# 1. Our take-home message

The Nordics must contribute more forcefully to a social and democratic Europe.

We view the European institutions as solid, and the economy is improving. However, after the financial and refugee crises, democracy is being challenged in many countries, the trust in politicians is reduced, and the political flanks have grown. Europe's most important institution, the European Union, struggles with cooperation and political solutions, but in spite of uncertainties, the support for EU membership increases among member states.

At the same time, a more decisive Europe is needed on the global scene, with a more unpredictable US and a more aggressive Russia. International rules are being challenged, as with the WTO and the Paris agreement.

The breakthrough in 2017 for a social pillar in the EU shows that the Nordics can influence Europe, when we stand united and know our priorities. The success of the Nordic Model means that the Nordics are listened to. That also gives us responsibility.

Following Brexit, the future direction of EU is on the table, opening the door for co-determination. For the Nordics, it is essential that Europe supports the Nordic societal model, and does not undermine it. In addition to a social and democratic Europe, this demands that individual countries have sufficient political manoeuvrability nationally to protect the institutions that underpins the Nordic model, such as an organized world of work. Hence, it is important that a social protocol is added to the EU treaties.

Europe influences us in the Nordics also in a broader context, especially in the longer term. This means that we have strong self-interests in contributing to a sound and safe development in Europe as a whole. This is valid for all the Nordic countries, even though we have chosen different solutions for participation in EU/EEA, the Euro and Nato.

EU is the key to Europe. The challenge for the Nordics will be to choose which of the EU's processes and decisions to prioritise, coordinate our views, and identify the strategies for achieving good results. The Nordic countries are doing this already, but the situation demands that the cooperative effort is stepped up, and with the Nordic social democratic parties and trade unions in the driving seat. In addition, we should not underestimate the political battle throughout Europe. That is why it is equally important that the Nordic labour movement plays a more pronounced role in Brussels, together with our friends in the Party of European Socialists (PES), the S&D group in the European parliament, and the European Trade Union Confederation (ETUC).

## 2. The Starting Point

This European model came in more than one style: the “Nordic”, the “Rhine-land”, the “Catholic”, and variations within each. What they had in common was not a discrete set of services or economic practices, or a particular level of state involvement. It was rather a sense – sometimes spelled out in documents and laws, sometimes not – of the balance of social rights, civic solidarity and collective responsibility that was appropriate and possible for the modern state.

*Tony Judt, Postwar (2005)<sup>2</sup>*

### Backdrop for this report

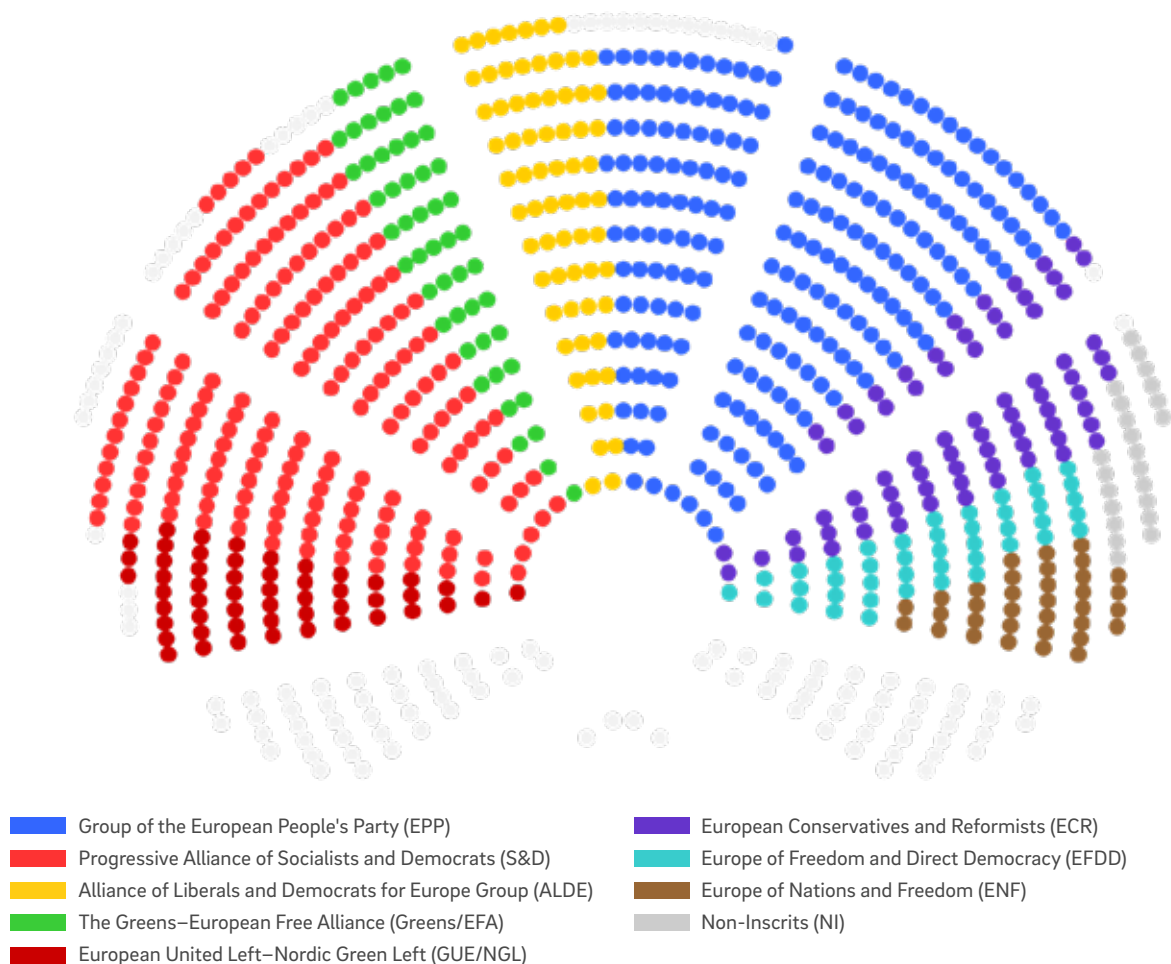
This report is a contribution to SAMAK and its member organisations’ further work on the topic of the Nordics and Europe’s future direction, up to and after the European elections in May 2019. It does not ask every question, and certainly does not give all the answers. First and foremost the report tries to **identify important questions, and provide an overview and some relevant facts**, to give a better foundation for political and trade union discussions and policy statements. Our focus will be the European Union, even though other European institutions, such as the Council of Europe, have more importance than is usually assumed. The report is prepared by SAMAK’s EU/EEA working group.

The report takes such a wide perspective because of **the large ongoing changes for the Nordics** both in Europe/EU and in the broader foreign and security policy picture. At the same time, there is increased support for populist and nationalistic forces. In addition, Europe is still tackling the effects of the financial and refugee crises, and there has not been done enough to prevent future such crises. Global climate policies are inextricably linked to EUs efforts. On top of all this, there are new challenges with democracy and human rights in Europe, and wide-ranging technological development which will have consequences for the world of work, the tax base, gender equality and economic inequality.

Popular support for the EU varies, also among countries and groups within the Nordics, and in the public debate one can often get the impression that the support is generally weak. However, if we look at the 28 member countries of the EU, the support of membership has never been stronger than now, and the Nordic membership support is higher than the EU average.<sup>3</sup> Perhaps this indicates that it is **not necessarily the basic model for European cooperation that needs to be changed, but rather EU’s specific policies**.

2. Tony Judt (2005): Postwar. A History of Europe since 1945. William Heinemann/Penguin Press.

3. <http://www.europarl.europa.eu/news/en/headlines/eu-affairs/20180522ST004020/eurobarometer-survey-highest-support-for-the-eu-in-35-years> .



*European Parliament composition 2014–2019.*

## The need for political and trade union answers

The new situation demands three kinds of political and trade union answers from the Nordic labour movement. First, we must provide our answers on the future of Europe, including the future of EU. Europe is close and large, and we are a not insignificant part of this continent. As Tony Judt asserts, we have common values regarding social responsibility and solidarity, but these are challenged. So, the question becomes pressing: **Where do we want Europe to go, and how can we influence this as much as possible? Can the Nordics formulate more clearly a European Model in which we believe?**

Second, **how can we protect and develop the Nordic Model given the international challenges and our obligations, especially in the EU and EEA?** This is a more Nordic perspective in particular. Two important examples are what we have to do in the EU and inside the Nordics to secure both our public welfare schemes as well as our labour market organisations' decided minimum wages. The answers to this challenge are partly already given in SAMAK's two projects on the Nordic Model and the challenges in the world of work.<sup>4</sup>

4. NordMod2030 final report: "The Nordic model towards 2030: A New Chapter?". Dølvik, Fløtten, Hippe og Jordfald. Fafo 2014. NordMod 2.0: "Den nordiske modellen – hva kreves". Jesper Bengtsson. Tankesmedjan Tiden 2018 (Nordic languages). See [www.samak.info](http://www.samak.info).

Third, **how we can get a broader debate on European issues in the Nordics?** This varies between the countries, but a future-oriented policy on Europe in general demands a broader and deeper public discourse on Europe than we have had so far in the Nordics. This also goes for the debate inside the labour movement.

## Europe impacts the Nordics – and vice versa

The developments in Europe at large increasingly influence the Nordic countries, irrespective of what kind of association our countries have to EU/EEA, the Euro and Nato.<sup>5</sup> **The Nordic countries do have different relationships to these organisations and institutions, but none of us can choose to disregard neither Europe nor the global security situation.** Even the debate of different kinds of associations between countries and institutions, which we will not cover here, certainly warrants a knowledge-based view of the major processes and developments of Europe.

Still, the Nordics, with its 25 million inhabitants, its stability, and its high income levels, also influences the rest of Europe, especially through EU/EEA. **The establishment of the EU Social Pillar in Gothenburg in November 2017 is evidence that we can succeed.**

**This implies that a proactive, comprehensive and well-grounded policy towards Europe is a necessary part of the political programs** in our parties and trade unions, regardless of the kind of association each country has to EU and Nato.



Foto: Regjeringskansliet/Government Offices of Sweden

*EU adopts a Social Pillar at the social summit for Fair Jobs and Growth, Gothenburg 2017.*

5. Denmark and Sweden participate in EU/EEA (European Economic Area), but not in the Euro. Finland participates in both EU/EEA and the Euro. Iceland and Norway are only participating in the EEA. All countries participate, but with somewhat different association, in Schengen, which gives common external border and freedom of travel.



Foto: Adobe Stock

## Europe's global role

The Nordics' ambitions for the development of Europe and EU must, however, be seen in an even broader perspective. The global uncertainties, as well as uncertainties just outside of Europe's border, have the last few years increased substantially, both in foreign and security policy, but also in international trade, which is very important to us. Challenges in the Middle East and Africa influence migration. The development in the Arctic has a pronounced global aspect, where also EU is a major actor. Hence, **the Nordic countries have a responsibility to evaluate Europe's and the EU's future global role and the many issues concerning the areas close to Europe's border.**

With a more aggressive Russia, an expansive China and a more unpredictable and near-sighted US, all with markedly different values from our European ones, **much can be said for enhancing this role.** Three concrete examples are that Europe should increase responsibility for its own security; we should contribute more both abroad and at home to a sustainable migration policy; and we should strengthen the efforts for fair taxation of global, digital companies. EU's major role in climate policy must be sustained.

## Jobs, the economy, gender equality, and security

At the same time, the labour movements' most important approach – also to our policies for Europe – must be how these policies influence individuals, the world of work, and the local communities, in the short term as well as the long term. This first and foremost means to safeguard an organisation of society that allows everyone to have access to a decent job, competencies, and an acceptable income. In



addition, many feel a need for security in their daily lives, which demands preventive efforts and sufficient resources for law and order. **When we ask ourselves the question of what kind of Europe and EU we want from the Nordic labour movement, our first priorities should be jobs, economic equality, gender equality and security for everyone.** This is also fundamental to sustain democracy in Europe and the Nordics. Furthermore, the United Nations' 17 sustainability goals towards 2030 are a crucial guide for policy both within and outside of Europe.

Europe and EU have for many years been unable to deliver good enough results on the inhabitants' jobs and security, especially in the east and south. At the same time, developments in jobs and the economy are influenced mostly by the nation-states, at least in the big or economically strong countries. **The Nordic success story shows that weak results in large parts of Europe originate from bad policies, not coincidences or necessity.** A major reason is the impact from neoclassical and neoliberal political forces over the last two or three decades, undermining the reputation of politicians and the public sector. This has led to increased inequality and alienation. Parts of social democracy in Europe have also been influenced by this turn towards the political right, with negative consequences for voter support.<sup>6</sup>



Foto: Adobe Stock

6. This, of course, pertains less to the Nordics, even though voter support has fallen here as well compared to the very high levels the first decades after WW2. In the Nordics this phenomenon should also be seen in the context that the Nordic Model has gained broader support from parties both to the right and to the left of the social democratic parties, though especially rhetorically.

Implementation of the single market and the four freedoms has led to unforeseen issues through political and juridical dynamics. This is illustrated by two topics of great importance for the Nordic Model:

- The four freedoms can come in conflict with basic workers' rights and national wage formation.
- Rules for collaboration between government and the market increase red tape and inspire pressure to privatise.

The "Laval Quartet" (438/05, Laval C-341/05, Rüffert C-346/06, Finland C-319/06), and in Norway the Holship case, shows that there in some areas may exist a friction between EU/EEA rules and the ECHR and ILO core conventions. A social protocol in the EU, where the EU/EEA explicitly states that the ECHR/ILO core conventions is given prejudice if the conventions on any point collide with the four freedoms, can solve these issues satisfactorily on a permanent basis.<sup>7</sup> Additionally, the working life regulations on the EU level must, as a general rule, be designed as minimum protection, without reducing the nation states' room of manoeuvre if national governments wish to have higher levels of protection.

**The efforts to regulate public sector must give larger possibilities for subsidiarity and national decision making power**, for instance by strengthening the recent EU Commission's program for modernising state aid, with consequences for the whole EEA.

In addition, it is becoming increasingly clear that the nation states' own homework may prove very important for the practical effect of rules and institutions at the EU level. Countries as well as politicians may create and use the room of manoeuvre when vigilance, competence and resources are channelled in the right direction.

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7. See <http://fafoestforum.no/index.php/temasider/rettsavgjorelser#lukk> for an overview of the Laval case and several other court decisions on labour immigration (in Norwegian).

### 3. The future direction of EU – driving forces and processes

The substantial changes in Europe and globally, Brexit, and the advancement of populist movements have led to **a renewed discussion of which direction EU should choose in the years to come**. This has opened up the possibilities for changes, and it is important for the Nordics to take this opportunity.

**The direction of EU is a multidimensional entity**. Some of the important dimensions are:

- Political direction – along the right/left axis, the democracy/authoritarian axis and others
- Which and how many countries are EU members
- The areas of responsibility and the decisions mechanisms
- The size and utilisation of the EU budget
- Different participation/multiple speeds

Of course, these dimensions are not independent of each other, and we will return to them in a moment. **Taken together they contribute to defining much of the future EU, including how much and what kind of power EU will have relative to the nation states, and globally**. This is relevant for individual cases as well as overarching political direction, and shorter, medium, and long term consequences.

The desired power balance between the EU and the nation states may depend on ones' ideological point of view, in the sense that **a left leaning person may feel**



Foto: Adobe Stock

**inclined to hand more power to the EU if the expectation is that the EU is heading towards more leftist policies – and vice versa.** A robust policy from the Nordics should take into account that the political winds in Europe and in the EU will shift in the future as well.

In addition, the desired power balance will depend on **the possibilities for influence.** The more of our most important issues which in reality is decided upon by the largest countries, or by the European Commission, the less tempting it is to transfer power from the Nordics to the EU. Nonetheless, the Nordics, of course, must show due respect to the rest of Europe and other EU countries, and it is self-evident that all cooperation will require compromises. Especially in the role of rich countries we cannot expect to be well understood if we only want to reap the benefits without any of the costs.

### **The direction of EU – The explicit process**

In the wake of the Brexit decision, the Commission took the initiative for an explicit process on the future direction of EU. In the spring of 2017 the “White paper” was issued with five different scenarios:<sup>8</sup>

- **Carrying on.** EU-27 focus on creating results based on its positive reform agenda.
- **Nothing but the single market.** EU-27 gradually shifts its focus back on the common market.
- **Those who want more do more.** EU-27 makes it possible for some member countries to do more in specific areas.
- **Doing less more efficiently.** EU-27 focus on doing more and doing it faster on selected areas and do less on others.
- **Doing much more together.** The member countries decide to do a lot more together in all policy areas.

Following a comprehensive round of consultations the process is planned to be concluded by the heads of state or government in the European Council in December 2018. It remains to be seen how specific the decision will be, but this process can nevertheless give guidance and influence further debates, institution building and political direction.

### **EUs direction – the big issues**

More than the process of the White Paper, **EUs direction will probably be determined by the large ongoing institutional and political issues:**

- **Brexit.** Brexit has important consequences for United Kingdom, the EU countries (including the power balance between them), and for Iceland and Norway.

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8. Source: The EU Commission. See a more detailed description in Attachment B.

UK has been restrictive regarding cooperation on workers' rights, but at the same time been an ally for Nordic countries wanting to limit the transfer of power to Brussels.

- **Possible further expansion.** A possible extension of EU to more countries on the Balkans will give us a larger EU with more weight in the south-east, and put EU's decision-making mechanisms under even greater stress.<sup>9</sup>
- **The content of the social pillar.** The next Commission period will be pivotal in giving the social pillar a concrete content, and deciding whether we get a substantial shift of the EU in a social direction. The strength in the new European Parliament is important, but also the continued efforts in the S&D group, from the Nordic governments and the Nordic labour movement.<sup>10</sup>
- **EU budget.** The EU budget for 2021–2027 (Multiannual Financial Framework, MFF) will probably not be decided upon before the European elections in May. The Commission has proposed a budget of 1.3 % of EU's GDP. Priority is given to safeguard external borders, with Frontex to increase their staff from 1 200 to 10 000 employees, as well as increasing R&D with Horizon Europe (following Horizon 2020). Agricultural support will in 2027 still demand 27 % of EU's expenses according to the Commission's proposal.
- **Migration.** As late as the meeting between the heads of state or government in the European Council on June 28th–29th 2018 there was substantial disagreement concerning migration policy, and especially the distribution of refugees and asylum seekers between EU countries. The points of disagreement were well known, but with a new, active player, the populist government in Italy. The agreement with Turkey in conjunction with the refugee crisis in 2015–2016 showed decisiveness, and it is agreed to strengthen the efforts in Africa in addition to safeguarding EU's borders. The ability to develop a more robust migration policy, which also reduces the risk for new refugee crises, now appears the most important challenge for the trust in EU.
- **Development of the Eurozone and a banking union.** Especially President Macron of France wants more cooperation on Eurozone budget policies, including a new post as Minister of Finance of the Eurozone.

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9. The EU Commission on February 6 2018 put forward a strategy for the Western Balkans on possible EU membership for several countries. See [http://europa.eu/rapid/press-release\\_IP-18-561\\_en.htm](http://europa.eu/rapid/press-release_IP-18-561_en.htm). Serbia and Montenegro are as of today the only two countries with are in accession talks with EU, and the strategy sets out preconditions for these if accession is going to take place in 2025. Other possible accession countries are Albania, North Macedonia, Bosnia & Herzegovina and Kosovo. In total there are approx. 18 million inhabitants in these countries.

10. In his "State of the Union" speech of September 12 2018 Jean-Claude Juncker said it is time we turned the good intentions that we proclaimed in Gothenburg Social Summit into law, but did not specify how or when. [https://ec.europa.eu/commission/sites/beta-political/files/soteu2018-speech\\_en\\_0.pdf](https://ec.europa.eu/commission/sites/beta-political/files/soteu2018-speech_en_0.pdf)

The work on a banking union, the purpose of which is to be better prepared for new financial crises through deposit insurance and stability funds, is slowly moving forward.

- **Secure the tax base.** The scandals from the last few years, as LuxLeaks (2014) and Panama Papers (2016), and far too low tax incomes from multinational corporations such as Apple, Google and Amazon, has propelled safeguarding the tax base onto EUs political map. Together with the OECD, EU has increased its efforts for fair tax rules and better enforcement substantially. The European social democratic parties have been a driving force in this fight, and we should keep on utilising this position of strength to secure our tax-financed welfare societies and fight inequality.<sup>11</sup>
- **Digital Europe.** Under the heading of “Digital Single Market” the EU is running a program to develop further a digital Europe. Among the measures are abolishing roaming expenditures, strengthening digital infrastructure, initiatives for cyber security, better privacy regulations (GDPR), and simplified e-commerce.<sup>12</sup> In addition to stimulating future productivity these efforts have the potential to enhance EUs reputation, and in this way influence EUs direction indirectly.
- **Development of EUs energy union.** The stated goal of the energy union is that Europe shall have secure, affordable and sustainable energy. The strategy covers five areas: security, solidarity and trust; a fully integrated single energy market; energy efficiency; climate mitigation measures – decarbonisation of the economy; and research, innovation and competitiveness.<sup>13</sup>
- **Strengthening of trade policies.** With an aggressive stance from US, and Brexit, EUs trade policy will probably be even more important in the future than it is now, for the economy, employment, the development of rules and regulations, and foreign policy in Europe. From a Nordic point of view it is paramount to avoid a trade war and protectionism, and at the same time trade agreements are used to strengthen workers’ rights. EU is engaged in the World Trade Organisation (WTO) as well as making trade deals with third countries.<sup>14 15</sup>

11. The EP S&D group is heavily involved in efforts to make the tax base of the future more robust. In the spring of 2018, the EP followed up on their earlier efforts to establish a special group on “financial crimes, tax avoidance and tax evasion”, see <http://www.europarl.europa.eu/committees/a/tax3/home.html>. Total EU tax evasions are estimated at some 1000 billion Euro, which is about 2 000 Euro per. inhabitant (Source: Richard Murphy, Tax Research UK 2012).

12. More from the Commission on this question is posted here: [https://ec.europa.eu/commission/priorities/digital-single-market\\_a](https://ec.europa.eu/commission/priorities/digital-single-market_a)

13. [https://ec.europa.eu/commission/priorities/energy-union-and-climate\\_a](https://ec.europa.eu/commission/priorities/energy-union-and-climate_a). An example of a new initiative is a bioeconomics strategy to increase the use of renewable resources, see [https://ec.europa.eu/commission/news/new-bioeconomy-strategy-sustainable-europe-2018-oct-11-0\\_a](https://ec.europa.eu/commission/news/new-bioeconomy-strategy-sustainable-europe-2018-oct-11-0_a)

14. The EU has recently proposed a plan to further develop the WTO, see <http://trade.ec.europa.eu/doclib/pressure/index.cfm?id=1908>

15. For an overview of the status of EU’s bilateral trade agreements as of October 2018, see [http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc\\_118238.pdf](http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc_118238.pdf)



- **The development of common security and defence.** Especially because of US policy changes, this area is now being discussed in the EU, together with Nato. This is obviously important for EU's future responsibilities and role, even though a certain increased cooperation so far has been relatively uncontroversial in the public debate.<sup>16</sup>

All these issues are important in themselves, and have their own, comprehensive processes. But at the same time they will contribute strongly to define the political and organisational direction of EU as an institution.

### **EUs direction – structural and economic driving forces**

In addition to the “White paper” process and the solutions to the issues above (and others), **more structural developments will play a role.** This goes for population aging, low birth rates, a less homogeneous population, large geographical imbalances and the climate crisis. The technological development, with large challenges as well as large possibilities, will also be important.

Of course, the EU will also be influenced by **global developments.** The actions of the United States, China, India, and Russia, and potentially larger conflicts, for instance in the Middle East, will have importance.

**Not least will the economic development in EU and the member countries, the development in inequality, unemployment, and possibly new financial crises be important for EU's future content and character.**

It is unlikely that there will be fewer questions in the future that demand international cooperation, but it is less self-evident that this means that EU gets, or should get, ever more **tasks and decision power.**

The structural and economic developments, and the perception of how EU tackles and governs them, will be crucial for the **support for EU in the member countries** – which then again will have repercussions on EU's content and character. The involvement of nationalistic sentiments will also play a part.

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16. See more from the Commission at [https://ec.europa.eu/commission/priorities/stronger-global-actor\\_en](https://ec.europa.eu/commission/priorities/stronger-global-actor_en)



## **The role of Germany**

Germany, with its 82 million inhabitants and strong economy, is EU's mightiest country. At the same time, Germany, with its social ambitions, after World War 2 clearly stood closer to the Nordic Model than for instance France or Italy. Germany has since 2005 admitted the emergence of a substantial low wage labour market, which over time induces forces for more inequality also in the Nordics. **Nevertheless, Germany's strong position in EU gives a certain amount of security for EU's future social and labour market developments,** especially in light of Brexit.

The Nordic countries in general have a very good relationship with Germany. Not least does the Nordic labour movement cooperate closely with the German Social Democratic party (SPD) and with the German labour movement. In addition to the labour movement's influence on the EU through the Nordic governments, and directly in Brussels, **it is desirable with a stronger, more targeted dialogue with Germany on EU-questions.**

## 4. Which future EU serves the Nordics best?

In this chapter we will offer some reflections – not final answers – on **what kind of EU is preferable for the Nordics – from the Nordic labour movement’s perspective**. What is most important and best for us? We will start with the overall political direction, and afterwards discuss some issues concerning possible institutional solutions.

### **A European Model strengthening, and not weakening, the Nordic Model**

In principle, the Nordics need **a future EU which strengthens, and does not weaken, the preconditions to sustain the Nordic Model**. The Nordic Model has been a unique success, but it is challenged.<sup>17</sup> Of course, as of today there are parts of EU’s policies that strengthen as well as weaken the Nordic Model, but today’s balance must be improved, not worsened.

Firstly, this implies that EU should develop **a European societal model which to a larger extent is funded on community and equality values**. The starting point must be the needs of the inhabitants, that “everyone must be on board”, and acknowledge that well-functioning societies demand cooperation and political governance – even if it is demanding. EU must be a driving force to replace the exaggerated market liberalism in the western world the last three decades with a policy of more solidarity. Europe, and not only the individual countries, must have cohesion.



Foto: Arbeiderpartiet

<sup>17</sup>. Documented in the NordMod-projects, see footnote 4.

EU must therefore fight inequality with more vigour. Full employment and decent work must be placed higher on the political agenda. The social pillar must be filled with content. In addition, the EU must contribute even more to safeguard the tax bases in a digitalised time, also in the Nordics.

Secondly, **EU rules and enforcement must not prevent the functioning of the Nordic labour market model with an organised world of work, impair our political efforts for gender equalisation, or undermine our public welfare schemes.** This includes that EU must have rules for movement of people, and allow necessary actions against social dumping, so that the Nordics can avoid a development towards ever more two-tiered and precarious labour markets. A fundamental prerequisite from the Nordic labour movement is that a social protocol is introduced to EU's treaties to create a balance between EU's economic freedoms and basic worker's rights, and where the latter must be prioritised whenever the two contradict.

### **Stable, democratic surroundings**

Thirdly, we must secure and **strengthen EU's responsibility and measures for stable, democratic surroundings** with respect for human rights and freedom of speech in and in the vicinity of Europe. Europe must secure its borders, but not be self-centred. This goes for foreign policy, security and defence policies, and the fight against terrorism, but is also connected to a socially responsible EU. The development the last two to three years has reminded the inhabitants in the Nordics of the importance of external as well as internal security.

Fourthly, the future EU must keep contributing, actively and substantially, to the fight for a **sustainable climate and the green restructuring.**

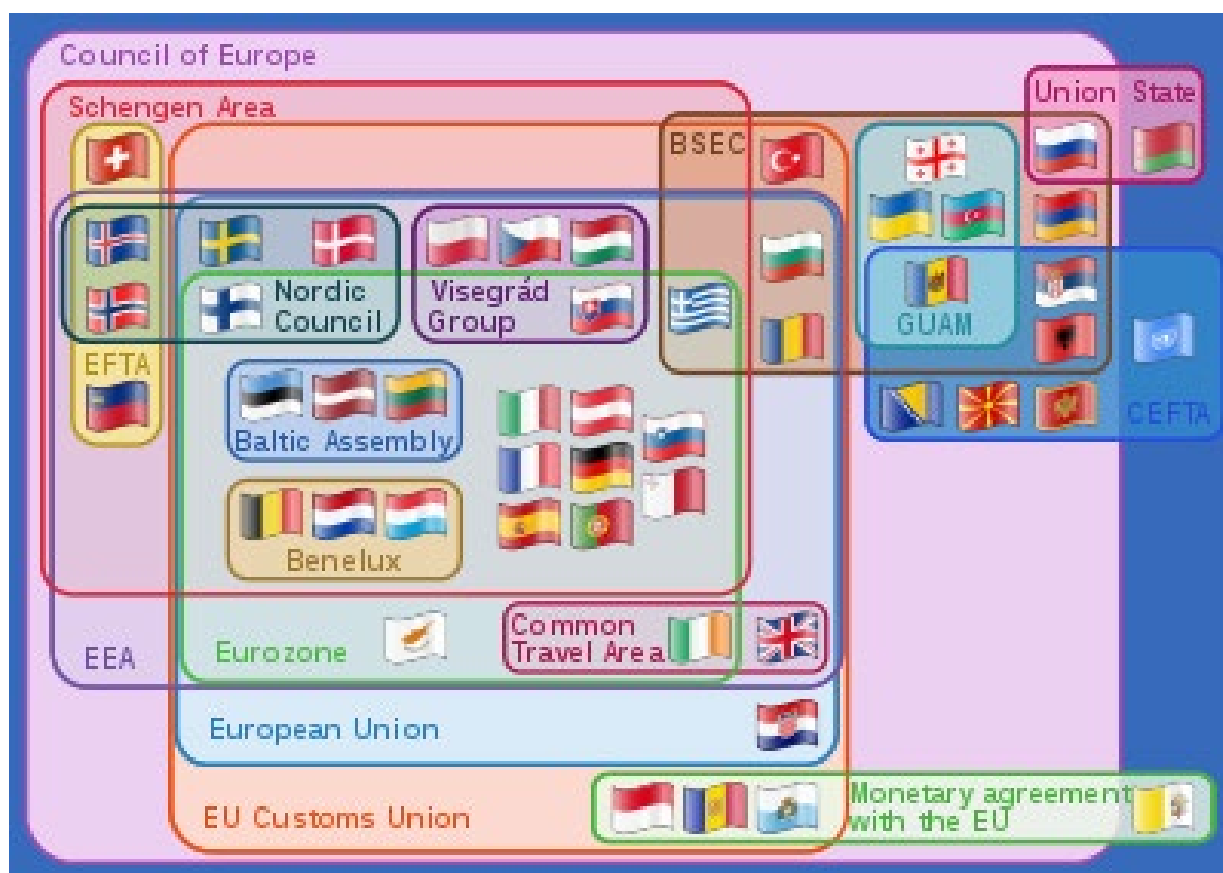
That the EU is succeeding sufficiently well in these areas is imperative for the Nordics, but it is also in line with what we believe is best for the rest of Europe and its people.

### **Institutional solutions**

What kind of institutional, future EU may these "Nordic demands" imply? There is no direct link between EU's institutional solutions and political results. Different political trends will find their expression and influence society independent of how one organises EU. However, EU's future design will influence Europe and the Nordics; **some institutional solutions will be better than others from a Nordic perspective.** If the Nordics want to have a say in these solutions, we must have reasoned opinions on them.

### **The number of EU countries – and which**

How many and which countries should take part in EU in the future? The backdrop is a momentous extension of EU from 2004, from 15 to 28 countries, due to the fall of



the Berlin Wall and the wish to prevent a relapse to dictatorship in Eastern Europe, which has led to much larger economic, cultural and political differences among EU countries.<sup>18</sup> One can safely say that EU in this period has been stretched to the limit of what is possible institutionally, economically and in terms of internal support.

A further extension during the 2020s with up to 6 new countries on the Balkans, with 18 million inhabitants, seems clearly less dramatic in isolation, but it does come in addition to the previous increase, and without the United Kingdom. **The challenges with these countries' inclusion in the EU must, as with Eastern Europe in 2004, be weighed against the possibilities for a better and more stable development in the accession countries** – for the best of all of Europe. At the same time this means that the “stretch” within the EU increases even more.

The interests of the Nordics will probably coincide fairly well with most of today's other EU-countries, except when it comes to possible changes in EU's decision-making procedures. The Balkans are also farther away than the Baltics and Poland. We must obviously **follow these processes closely**.

18. 2004: Estonia, Latvia, Lithuania, Poland, the Czech Republic, Slovakia, Hungary, Slovenia, Slovenia, Malta, Cyprus. 2007: Bulgaria, Romania. 2013: Croatia.

An **extension to Turkey seems, for the time being, unrealistic**. Substantial objections will remain even if the political winds should turn in a favourable direction.

A greater number of EU countries as a result of national “splits” (as some wish for instance for Catalonia), seems not very likely in the foreseeable future. And the same goes for more “Brexit”, making the number of EU countries smaller. All in all, **a reasonable estimate on the number of EU countries at the end of the 2020s may be somewhat above 30**.

### **Which EU-countries – after Brexit**

More important, and already evidenced, are the effects of Great Britain’s exit from EU on March 29 2019. As mentioned, Brexit implies that **the power balance in EU shifts towards large countries who have so far wanted gradually more decision power to the EU** (“an ever closer union”, but always with limitations, and on their own premises).

From a Nordic point of view, a straightforward conclusion is that we need an even tighter dialogue and promotion of Nordic stances, especially with Germany and France, but also increased cooperation with other countries on general as well as specific EU-related questions, not least the Baltic countries.



Foto: Adobe Stock

## The scope of tasks and decision making procedures

Which aspirations and interests do the Nordic countries have for EU's future areas of responsibility and authority? Historically, **we have, as small, rich countries, kept a limiting stance**, not least because of the desire for national political and economic governance.

This political line should be continued, and with Great Britain no longer a member of EU we will need to pursue it with more vigour than before. It will be counterproductive to oppose authority transfers in areas clearly in need for more international cooperation and where EU is the natural body, but **those who wish for transfer of new areas must have the burden of proof**; it is transfer of power to Brussels which must be explained, not the opposite.

Two such areas are the **foreign, security, and defence policies, and the taxation of multinational (especially digital) corporations**. However, formal decision making power must not or should not necessarily be transferred, wholly or partly.

The discussion of authority of specific policy areas must be seen in context with the decision-making mechanisms. Which decisions should demand unanimity (and hence give veto rights), qualified majority and simple majority? The same goes for this issue. **The burden of proof to introduce more majority decisions must lie on those proposing this**. The danger for the Nordics is that this, in practice, leads to the largest countries and the Commission making the decisions.

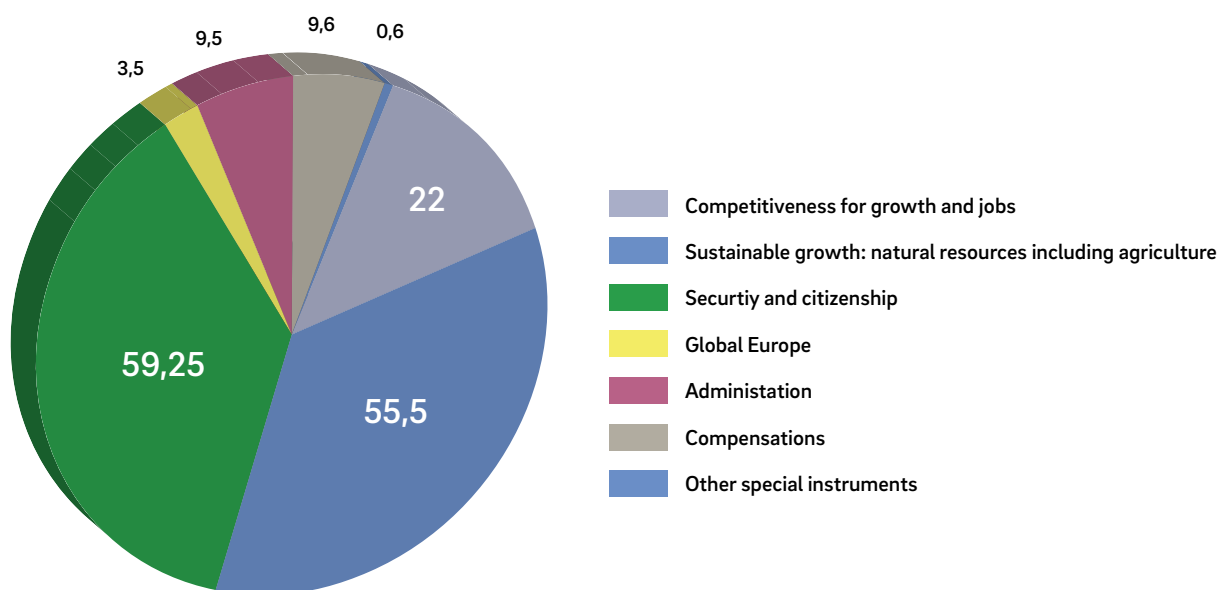
**Status quo may also mean loss of control in some areas**. Not least in the **tax area**, where the countries in Europe seem to be caught in a race to the bottom. In the period 1997 to 2017 the average corporate tax rate in EU28 has fallen from 35.2 to 21.9 per cent, and we see no indications that this development should stop unless political action is taken.

The balance of power between the Commission, the Council and the European Parliament is steadily evolving. Over time the Parliament has gained more power, and there is now considerable cooperation between these bodies, as with the introduction of the Social pillar. **This increases the return of political work in the European Parliament**, a fact we in the Nordics should bear in mind and consider more closely.

## EU budget

Denmark, Sweden and Finland want to **reduce EU's budget for 2021 to 2027 to 1 per cent of GDP**, compared to the EU Commission's proposal of 1.3 per cent, but they will have to fight hard to get a breakthrough in the further negotiations.

**EU budget:**  
Numbers in Euro (billions)



The need for redistribution between countries and regions, and a possible more active role for fiscal policy in economic policy, as well as research and safeguarding of the outer borders, are some reasons for an increased EU budget. On the other hand, the considerations of the power balance between the EU and the nation states, the fact that the Nordics are net contributors to the EU/EEA and the still very high agricultural subsidies (where among others France receive large sums), points to **a sustained restrictive line from the Nordics to the EU budget**, not least with Brexit in mind.

**The future Euro**

The participation in and design of the Euro-cooperation the coming years is **important for economic policy, but this is also a crucial mechanism for political cooperation in general**. In the Nordics, it is only Finland which is currently taking part in this “core” of EU (Denmark “only” pegs its currency Danish kroner to the euro).

The Euro has well-known advantages and disadvantages. The Nordics will gain from a governance of the Euro which both underpins economic stability and puts **sufficient weight on employment**. A stronger coordination of fiscal policies in the Euro member countries may reduce the risk for economic as well as democratic relapse nationally and regionally.

For the Nordics, a coherent policy to **prevent and limit future financial crises** may be of comparable importance. This concerns the Euro, but also the ongoing efforts to establish a banking union and numerous other issues.

### **Differentiated participation and speeds**

When we know that only 19 of 28 EU countries have the Euro, and that for instance Denmark has four derogations or “opt-outs” from the EU cooperation (Monetary Union, Common Security and Defence Policy, Justice and Home Affairs and the Citizenship of the European Union), it is clear that we as of today already have differentiated participation in EU. This will continue, and it is **difficult to predict the consequences of possible future scenarios** of more or less differentiation, especially for the Nordics, who want an effective but not too federal EU with sufficient legitimacy nationally.

When one speaks of “an EU with multiple speeds”, the underlying premise is usually that the EU is in an almost automatic process for an “ever closer union”. Although this has matched reality so far, it is neither obviously preferable or a sure prognosis if we look ahead. **Quite on the contrary, the Nordics should try to diminish the impact of this kind of framing the debate on differentiated participation.**

### **Our attitude to other processes and issues**

The Nordic EU countries as well as the S&D group in the European Parliament take stand on an ongoing basis to comprehensive and complex issues which contribute to form the future direction of EU, as listed above, and new such issues of defining character will arise. For the Nordics, and the Nordic labour movement, **the challenge in our context is to see the importance for the long term impact of EUs development of the issue at hand, and to coordinate the views on the issue and the process sufficiently with the other Nordic countries.** Even though there is functioning Nordic cooperation on the governmental level as well as in the labour movement, this is a topic it is natural to investigate closer, a subject we raise as a possibility in the final chapter.



## 5. A Nordic vision for Europe?

We have covered some institutional issues. However, there is also a need to develop **a more succinct narrative or vision for future Europe** – and the Nordics should contribute to this, both as input to the European debates and to stimulate and clarify our discussions in the Nordics. This is not the same as proposing that the Nordic Model should be implemented in Europe, which is neither realistic nor constructive. The three following points is a contribution to further thinking and dialogue for such a vision and direction, founded on the values of the labour movement.



Foto: Adobe Stock

### A new social contract

Europe needs a new social contract between the politicians and the **women and men on the street**. Democracy will erode if people do not trust that politicians – locally, nationally and in the EU – see their personal challenges and act out of concern for their interest. For the politicians, this is about morals and competencies, and a search for institutional frames that can contribute to this. The image of the public sector as an efficient and competent problem-solver must be strengthened, and this is also a necessary prerequisite to secure the willingness to pay tax. EU treaties must not be designed so that companies move around Europe on a hunt for the lowest taxes. Increased security, inside each country but also along Europe's external borders, must be ensured, and this also implies increased engagement especially towards countries outside Europe's southern borders.

## Rebalance power and living conditions

We must build a clear political commitment to give back power from capital and elites to the political community, labour market organisations, and civil society, and to each employee and citizen. Development of an organized, responsible social power, as the trade unions here in the Nordics, must be put on the agenda. The right-wing trend which started in the 1970's and 1980's has gone too far, and **the goal should no longer be limited to stop increasing inequality, but rather be to rebalance power and living conditions in Europe.**

## Promote the European Model

In a more pluralistic and polarized daily life we have to gather support for what is genuinely European: **Our social values and the belief in cooperation and political governance.** We must clarify the basic pillars of the European societal Model when it works; what is needed to succeed. There is also a need for an educational effort on this, especially among the European youth and migrants.

Of course, it is more than difficult to establish new visions which have effect in practice. To attract support to a vision of Europe's further direction, **political priorities, strategies and measures must be decided and implemented.** Here in the Nordics we have a potential to communicate better to what works and what does not work here, as well as being more open-minded to learn from other European countries.



## 6. Possible follow-up

We recommend that the Nordic labour movement strengthen the efforts to promote Nordic points of view towards Europe and especially EU/EEA. It seems clear that there should be **a more pronounced “Nordic bloc”** among the governments as well as in the labour movement, with cooperation also with the other Baltic Sea countries, and probably with a strengthened institutional aspect. How this may be done in practice should be investigated further. This note can be seen as a starting point for such an initiative.

The challenges will especially be to (1) prioritise clearly which of EU’s large issues and choices SAMAK and its member organisations should engage more closely with, (2) put **more weight behind coordinating the SAMAK member organisations’ views**, and (3) find the best practical strategies to get concrete results towards EU/EEAs governing bodies, both via the Nordic governments and via PES, the S&D group and ETUC.

If SAMAK so desires, the EU/EEA working group may contribute to **specify this recommendation**. This will demand a closer survey of today’s cooperation and contacts between SAMAK/the member organisations and governments and other actors, and an evaluation of whether there are needs for guidelines or institutional measures to achieve such a strengthening in practice. It may for instance be a possibility to establish rolling two year plans for selected EU/EEA processes (because of their importance and our possibility for influence) which SAMAK and the member organisations shall prioritise in their cooperation.

It is necessary, also for the Nordics’ own sake, **to influence as constructively as possible the development in the whole of Europe** when it comes to stability, economy, climate change, world of work and inequality, like we for instance will contribute to developing the social pillar.

At the same time, it will be very important for the Nordic Model that we strengthen our cooperation to **secure our room of manoeuvre on the topics of jobs and welfare/public sector**. As elaborated earlier and in attachment A, the starting point must be that the nation states – above minimum standards – have the authority to decide regulation on areas of labour law. For example, regarding the public sector, the practice of the EU/EEA state aid rules has led to more red tape and pressures for privatisation.

Within its scope **SAMAK can support the Nordic countries’ work** to strengthen national room of manoeuvre to promote these crucial parts of the Nordic Model. This can be done by cooperation across countries, for example in expert groups, in

Nordic research and development projects and through influencing the EU Commission and the EEA-agreements' surveillance authority ESA, including the ongoing process to modernise the state aid rules.

This note can also be used as a background for possible resolutions from SAMAK, for instance on the SAMAK Annual meeting 2019, including as input for political initiatives in the months before the European elections in May 2019 and the demands which should be put forward to a new European Commission.

In addition, **work should be done to develop the public debate on European issues in the Nordics and inside our labour movement**, e.g. together with related think tanks.



*“Far far away Soria Moria Castle shimmered like gold.”*

# ANNEXES:

## Annex A Facts and background analyses

### Innhold

1. Briefly about the interaction between the Nordic countries, Europe and the EU .	29
2. The Economy: Employment and distribution .....	30
3. Some institutional challenges .....	33
4. The possible importance to the Nordic model of the direction chosen by the EU	36
5. The road ahead.....	40

### 1. Briefly about the interaction between the Nordic countries, Europe and the EU

All of the five Nordic countries are part of the single market. Their participation takes different forms:

- Iceland and Norway take part through the EEA agreement.
- Finland is a full member of the EU and the Euro.
- Sweden has an informal exemption from the Euro.
- Denmark is in monetary practice in the Euro, but also enjoys other exemptions.

All countries will be profoundly affected by the choices made by EU in the immediate future, including Brexit and different alternative evolutions of the economic and political integration processes.

Switzerland and the EU negotiate on more EEA-like institutional dynamics. New applicant countries are on their way into the Union.

No matter which course integration takes in the coming years, the economies of all of the Nordic countries will feel the impact through their extensive connections to the EU. We do not here discuss advantages and disadvantages of the different forms of integration adopted by the Nordic countries. In the following, we sum up the economic point of departure and some main features of the opportunities and scope of action at the institutional level.

## 2. The economy: employment and distribution

Even if the EU and the EEA are far-reaching and ambitious political cooperation projects, it is the functioning of the economy that is the critical tool and mechanism for integration.

In the Nordic countries, Social Democracy contributes to concentrating public debate largely on fostering employment and fair distribution of wealth and benefits. But in a European perspective the absence of economic success is a pressing problem to Social Democrats and the EU as an institution alike.

High unemployment rates are in themselves a major problem, socially and in terms of distribution of wealth and benefits. Meanwhile, high levels of public debt that are in part the result of unemployment, create tremendous governance difficulties in the EU and individual countries.

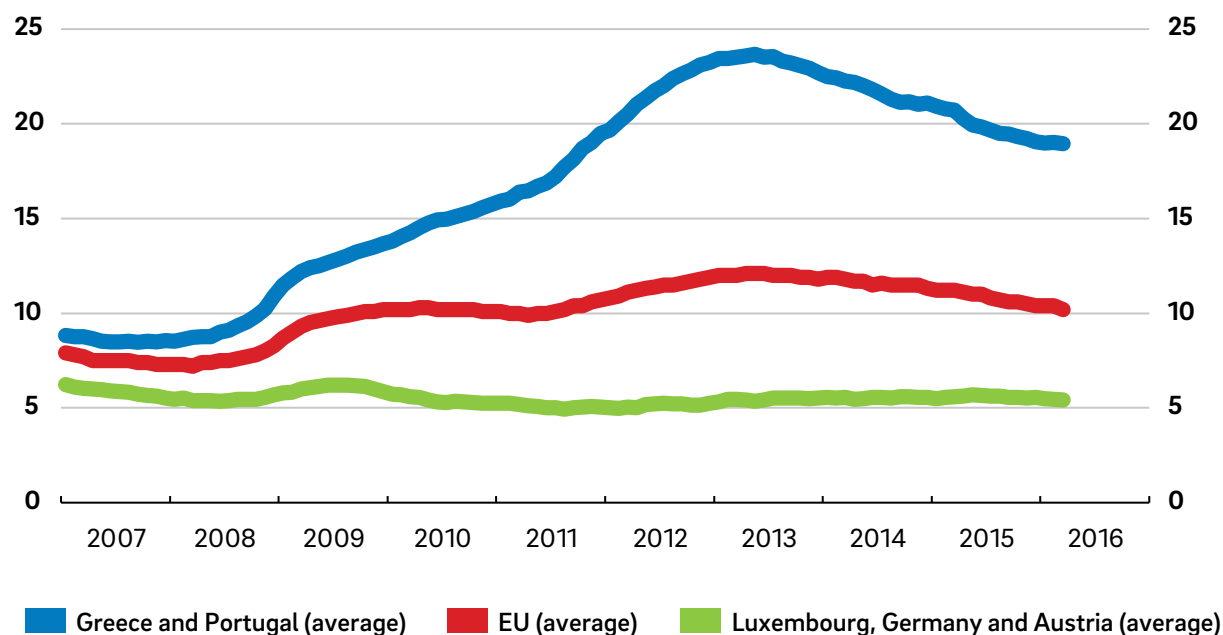
Western Europe of the 1950s and '60s was a place where everything went well for "all" countries. But especially from the end of the 1970s, most countries suffered a high and rising levels of unemployment. The long-term trend, excepting the short-term fluctuations, was one of generally limited improvement.

Following the first oil crisis in the 1970s, mass unemployment resurfaced in Europe and unemployment rates have, to a varying degree, remained high ever since. The measured rate is high. In the EU, about 17 million people are out of work as of June 2018 (7 per cent of the total workforce). After the financial crisis, unemployment peaked in 2013 at 26.5 million. The low employment rate, especially in Southern Europe, is of even bigger concern.

An important bright spot is that there are major differences in how countries succeed in handling the problem. This indicates that the condition is not decreed by fate and can be remedied through appropriate policies and societal organization.

The following graph illustrates the above: Big differences in unemployment rates between groups of countries, both in the current rates and their development over time. In the most "successful" countries (Germany and Austria) rates have both been lower and more stable than in less successful countries and in the Euro zone as a whole. The Nordics would in this context be closest to Germany and Austria.

**Big variation in unemployment (in pct.) between the EU countries; both in current levels and trends**



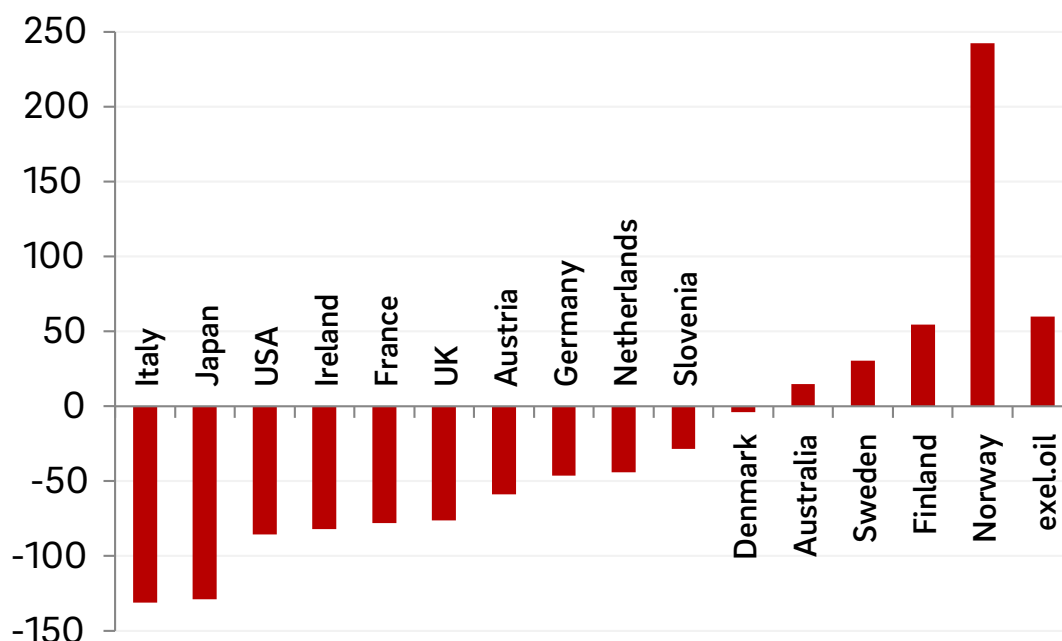
And there is reason to claim that these differences in employment to a considerable degree are because policies and societal organisation have been more successful in these countries compared to many others. Other countries that have done fairly well have used many of the same recipes as in the Nordic countries. Germany, The Netherlands and Austria have also had success because they have a relatively better interface between their economic policies and labour markets than other countries.

Reference is made to higher employment rates and healthier public finances. The explanation lies in their ability to collect tax and also that high employment rates entail reduced social expenditures while the tax base is strengthened. The following graph illustrates the magnitude of net debt in the public sector (accumulated deficit/surplus).<sup>19</sup>

19. This is a more elaborate figure than what is usually used (among others, in the Maastricht criteria) in that receivables are also calculated in and are deducted from the rate of Government debt to the GDP..

### Solvent states a Nordic feature

Net public debt as per 2014 in per cent of GDP (Norway excluding oil).



Source: The OECD

And for the EU as a whole, we need to admit that the financial policy areas have produced disappointing results. Assessments of the impact of the Euro zone cooperation will vary but there seems to be general agreement that there is an imbalance in the system in that there is complete coherence between policies for interest rates and currency, while decisions on budget policies and other means are more decentralised, in each country. Some claim that the remedy lies in bigger budgets at the EU level, and thus more community policy even on budgets, while others argue that it is precisely "too much" power to the federal level that undermines the legitimacy of the Union.

One can safely assume that both the issue of economic problems and the degree of integrated policies in different fields will be at the centre of the European debate going forward. Accordingly, this is important also to the Nordic countries' own development and their ambitions and roles in the EU /EEA processes.



### 3. Some institutional challenges

We are at a time when important aspects of Europe's future are shaped through changes to the European institutions. Added to the adhesions of two new Member States, the two most important institutional challenges may well be:

- Brexit
- Consolidation, weakening of enlarging the Euro zone?

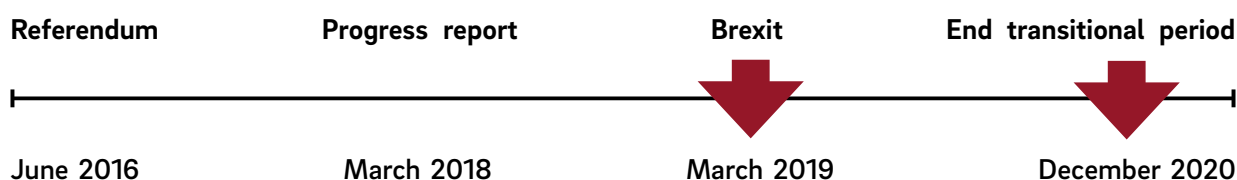
#### The importance of Brexit

Great Britain's (UK) decision to leave the EU may have great impact on the EU but also on the Nordic countries both individually and as a region. Individually, because the UK is a major economic partner, especially to Norway. As a region, because all five Nordics are members of the EEA and are deeply affected by what the new EU without the UK will look like.

The most immediate consequences will follow from what happens to relations that already have been established through the EU and EEA agreements. The cross-border movement of people, and business and cooperation between the UK and the Nordic countries are extensive.

The withdrawal process is to be clarified first, then comes the establishment of new systems for trade, investments and institutions. These will in turn require transitional regimes and financial settlements.

At present, it is impossible to predict much of this but the impact on economic relations with the UK will be major, as it will be on the EU and EEA as institutions and systems. The solutions and the way it is done will probably also influence the progress and results of the EU's own plans and reform processes, independently of the UK..



#### Consolidation, weakening or enlarging the Euro

Crisis in public finance restrict States' scope of action in their economic policy. Some countries in the Euro zone are so vulnerable that it gives rise to insecurity about the Euro as a common currency. On the other hand, individual withdrawal from the Euro is so institutionally and politically complicated that it is safe to assume that the system will remain.

A new Euro crisis can, however, emerge at any time, and will have vast, international financial consequences. And possibly equally grave consequences for the EU as institution.

The debate going forward could therefore span everything from ambitions for an enlargement of the Euro zone and strengthening the common economic policy, to actions to save or reduce the number of countries in the Euro. Decisive for the direction this process takes will be a combination of the economic development in Euro zone and the political ambitions and abilities that are developed in the EU and relevant Member States.

Views on EU's prospects will probably vary over time. At present, in the middle of 2018, with a reasonable degree of stability in the Euro zone, ambitions for strengthening the Euro through more federalism are being promoted, probably mainly among Social Democrats. Increasing the number of countries in the Euro may also be put forward, and then only Denmark (and the UK) would be allowed to opt out of the obligation to participate in the common currency.

What might hamper the debate on more federalism is an admission that the scope for increasing the EU budget is narrow, If one measures federalism against the need to achieve a better balance between currency/monetary and budget polities, high fees to fund the EU will be needed.

A separate issue is of course the number of countries not in the Euro. Even if it is hard to strengthen federalism with larger budgets, including all member States in the Euro might prove equally difficult. And if that is the case, a new alternative emerges, an extra budget for the countries using the Euro. And then an equally demanding question may pop up: should countries that have their own currency have to pay in to that budget? The economic logic would indicate that budgets and currency are linked. In the political and institutional logic, however, an additional budget exclusively for the Euro zone might seem more foreign.

### **Briefly on alliances**

The possibilities for a breakthrough for Nordic views in the EU depend to a considerable degree on the ability and willingness to build alliances with third countries. This is relevant both to the big questions related to the direction of the EU and to individual issues where desirable and possible allies could vary from issue to issue. We will not discuss this topic in detail here but make reference to two tables from an article published in August 2018 by the European Council on Foreign Relations.<sup>20</sup>

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20. Source: European Council on Foreign Relations, article published 7 August 2018. [https://www.ecfr.eu/article/commentary\\_eu28survey\\_coalitions\\_like\\_mindedness\\_among\\_eu\\_member\\_states?utm\\_content=buffer4e416&utm\\_medium=social&utm\\_source=twitter.com&utm\\_campaign=buffer](https://www.ecfr.eu/article/commentary_eu28survey_coalitions_like_mindedness_among_eu_member_states?utm_content=buffer4e416&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer)

Strong partnerships in the EU			
Couple	Most contacted	Shared interest	Most responsive
FR-DE	●	●	●
DE-NL	●	●	●
CZ-SK	●	●	●
PL-HU	●	●	●
SE-FI	●	●	●
GR-CY		●	●
EE-LV		●	●
FR-ES		●	●
ES-PT		●	●
FR-IT	●		
BE-LU		●	
EE-FI			●
LT-LV			●

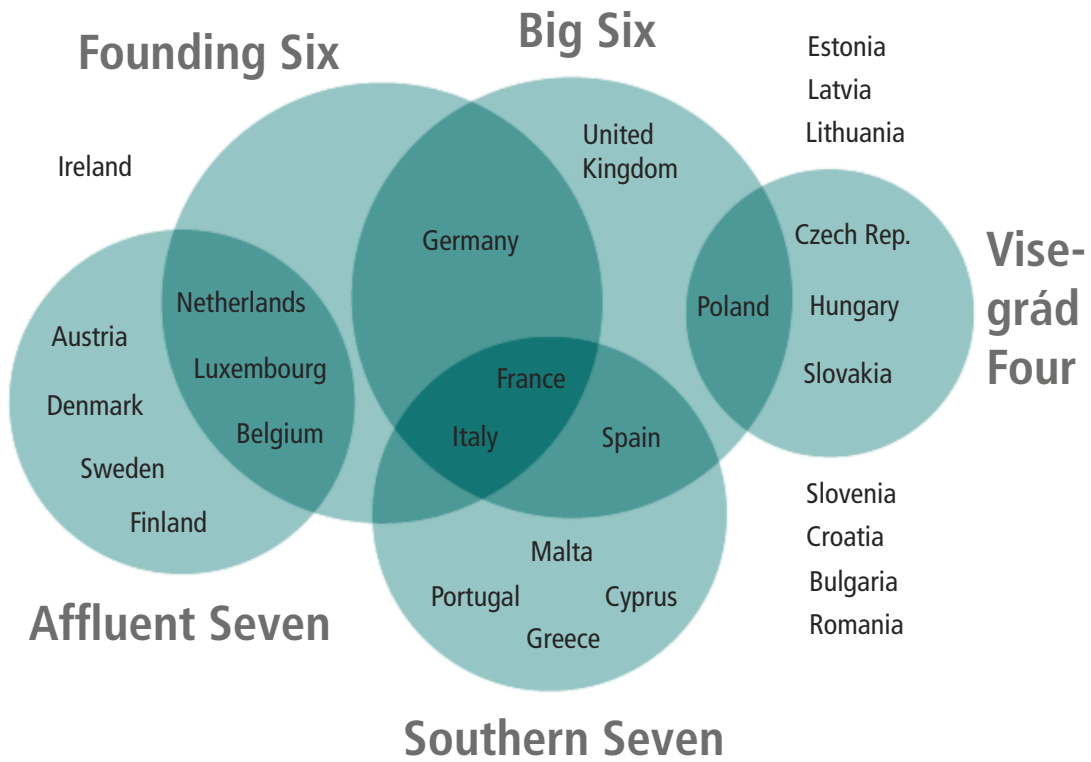
Source: ECFR's EU28 Survey

As strong relationships we consider reciprocal nomination at a high level of consensus within the national sample.

Questions (select up to five EU member states):

- Which EU member state(s) would your government generally contact most on European policy matters? (3377 votes by 877 respondents)
- Which EU member states generally share many of your country's longer standing interests on EU policy? (3250 votes by 831 respondents)
- Which EU member states have been most responsive and are easiest to work with for your country's government? (2742 votes by 774 respondents)

### EU Survey Country Groups



#### 4. The possible importance to the Nordic model of the direction chosen by the EU

It is vital to understand that "the Nordic model" is more than simply a geographical phenomenon. It is about a way of organising society that has some salient features common to our countries and at the same time quite different from others, especially in respect of the resilience and extent of public welfare systems and the much greater importance in the Nordics accorded to tripartite cooperation through negotiations and an organised world of work. The comprehensive SAMAK project NordMod2030 sums it up in a graph.

##### The three basic pillars in the Nordic model:



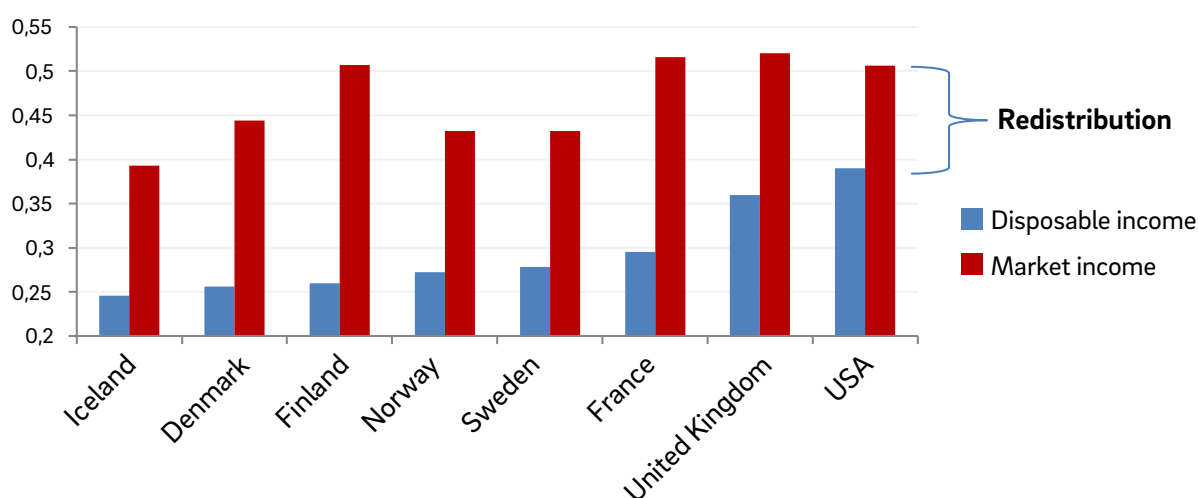
One feature that the Nordics have in common with other European countries is that their economies are open market economies, in which public governance and welfare play heavily in. They are different in that:

- Labour markets are to a greater extent characterised by organisations and bargaining/negotiations
- Taxation and publicly organised welfare services are more extensive
- Economic governance is more robust

The factual political and economic situation of the Nordic countries has features that are clearly shared with the rest of Europe but problems are, in general, less serious and less pressing. It is in part due to the fact that support for good Social Democratic policy generally has been greater than in many other countries, that unemployment rates and income distribution are somewhat better in the Nordics.

A salient feature of the Nordic countries is a more equal income distribution than in most other countries. In the following graph, this is expressed by a calculated number for total income inequality per person.

**Disposable income before and after redistribution through taxes and transfers**  
Gini-indeks. **Source: OECD.**



Furthermore, in the Nordic countries a relatively high proportion of their population is employed, although even we are far from fully achieving our goal. Our long-term trends have parallels in the world that surrounds us. Underlying unemployment is, after considerable fluctuations, clearly higher now than three or four decades ago. In terms of income distribution, inequality has increased, albeit still at lower levels in the Nordics than the European average. And it is clearly lower than in those countries that have organised their labour markets and welfare systems more in line with the ideas of political right.

## Employment rates 2017 (percentage 15–64 years)

Kilde: Eurostat

Iceland	86,1
Sweden	76,9
Netherlands	75,8
Germany	75,2
Denmark	74,2
UK	74,1
Norway	74,0
Austria	72,2
Finland	70,0
Portugal	67,8
France	64,7
Belgium	63,1
Spain	61,1
Italy	58,0
Greece	53,5
The EU	67,7

It is important to highlight that the Nordic model contributes to this rather positive picture. As has been extensively documented in SAMAK's two joint NordMod projects, central elements of the model, especially the fundamental pillar of an organised world of work, are under pressure.<sup>21</sup>

It is not possible to present the impact and importance of the EU and the EEA on the development of the Nordic countries in an incontestable manner. What is important, is to recognize that these institutions do influence our countries. And it is precisely economic policy that to a large degree has been not only a justification for active participation but, above all, that has set the framework and established the mechanisms for European cooperation in practice. Both the single market and the Euro are very ambitious cooperation projects that require comprehensive institutions, processes and political mobilising.

It could be that the economic arguments have been overstated for political, tactical and communication purposes in the complex political day-to-day. Economic policy is still primarily a national matter. EU budgets are small and most policies and institutions function in a national logic. What has made countries more economically integrated could above all be:

21. NordMod2030 final report: "The Nordic model towards 2030: A New Chapter?". Dølvik, Fløtten, Hippe og Jordfald. Fafo 2014. NordMod 2.0: "Den nordiske modellen – hva kreves". Jesper Bengtsson. Tankesmedjan Tiden 2018 (Nordic languages). See [www.samak.info](http://www.samak.info).

- The Euro for those who are in the Euro zone
- The movement of labour, especially between high and low cost countries
- New political and institutional logic

### **The Euro and employment**

Documenting that employment rates would in general be better without the Euro than with it is not easy. What is reasonably certain is that a common currency imposes important restrictions on the possibilities of reducing the big differences in unemployment rates. Countries can of course not adjust their exchange rates but they are also quite locked-in in terms of budgets. And taking joint decisions on what could have been effective actions in a more limited national logic is a demanding exercise.

### **Labour migration**

Migration and the free movement of labour can have many different consequences, positive as well as negative. A lot depends on the baseline and how the new the situation is handled. Effects may also vary in the short and long runs, respectively.

There can be no doubt, however, that countries that have experienced large influxes of foreign labour have seen the balance of their labour markets tip. Established domestic labour have seen their bargaining position undermined, in part by market forces and mobile capital, in part because of lower trade union membership and more brazen and less law-abiding companies. Meanwhile, public authorities' scope for controlling and applying corrective measures has been restricted. Supranational regulations at EU /EEA levels can play both a positive and a negative role and are subject to fierce political battles in the EU, as was evidenced for example by the debate on the posting directive a few years back. Indubitably, case handling and political decisions on complex and controversial issues will be more time-consuming and less perspicuous. The public's perception of these issues and of the EU qua institution can also be affected.

### **Political and institutional logic**

Not only labour market regulations are influenced by more integration of labour markets and regulations. The institutional structures can change the way politics work. It is clear that there may emerge a sort of competition between or displacement of national and international competencies.

One consequence is that things become less clear. Is it a matter for national regulations or are the EU bodies responsible? It could also happen that national competencies and efforts are weakened because they believe that it is the European authorities that are responsible for sorting things out. People relax and push "responsibilities further up". This is quite evident in the debate on public finance imbalances. It is

harder to mobilise responsibility for correcting a budget if you simultaneously use a lot of energy on finding out who should do what and how.

Should the nation state decide, or maybe the EU or maybe the IMF? Should the social partners take action in their own country or should their European opposite numbers find a solution? We may well see such passes between levels of decision and responsibility.

## 5. The road ahead

The Nordic model is, with its equality, efficiency, gender equality and trust unique in the world. This shows that both employment and distribution largely depend on national policies and societal organisation. This recognition is at the core of any assessment of Nordic policies towards Europe and other international cooperation. To a great extent, the purpose of such cooperation goes further than the purely economic, including peace and security, the environment and development in a global perspective. But even these elements need to be gauged against the day-to-day political challenge: how to ensure job and income security for the population.

In this way, the Nordic policy on Europe becomes an important mechanism for international cooperation and values, while also contributing to safeguarding the economy and the social pillar. **The Arlanda declaration** summed up the three main challenges to politics in practice:

- A historic competence boost in the labour market. Companies need to meet change by strengthening their workers' competency, not by replacing them
- Action plans against social dumping and labour market crime in all Nordic countries.
- A real boost to the organised world of work. Otherwise, not only the world of work will fail, but the entire Nordic model.

This tallies well with the text of the declaration the EU summit in Gothenburg on the social pillar.

*The European Pillar of Social Rights is about delivering new and more effective rights for citizens. It has 3 main categories:*

- *Equal opportunities and access to the labour market*
- *Fair working conditions*
- *Social protection and inclusion*



The main alternatives for the EU/EEA going forward need to be considered against the backdrop of challenges faced by the Nordic countries themselves, but also against the backdrop of future decisions. Essential concretisations of this might be reflected in two principal institutional challenges:

- Europe's and the Nordic countries' adjustment to Brexit
- The EU's and the Nordics' adjustment to the Euro system and the EU's economic system in general

These can in turn be sorted into some of the issues addressed by EU President Juncker in his presentation for a discussion of alternative developments. Five varieties are put forward, described in Annex B. "Status quo" is included as an independent alternative. Consequently, to get a better overview, one may say that there are three main issues:

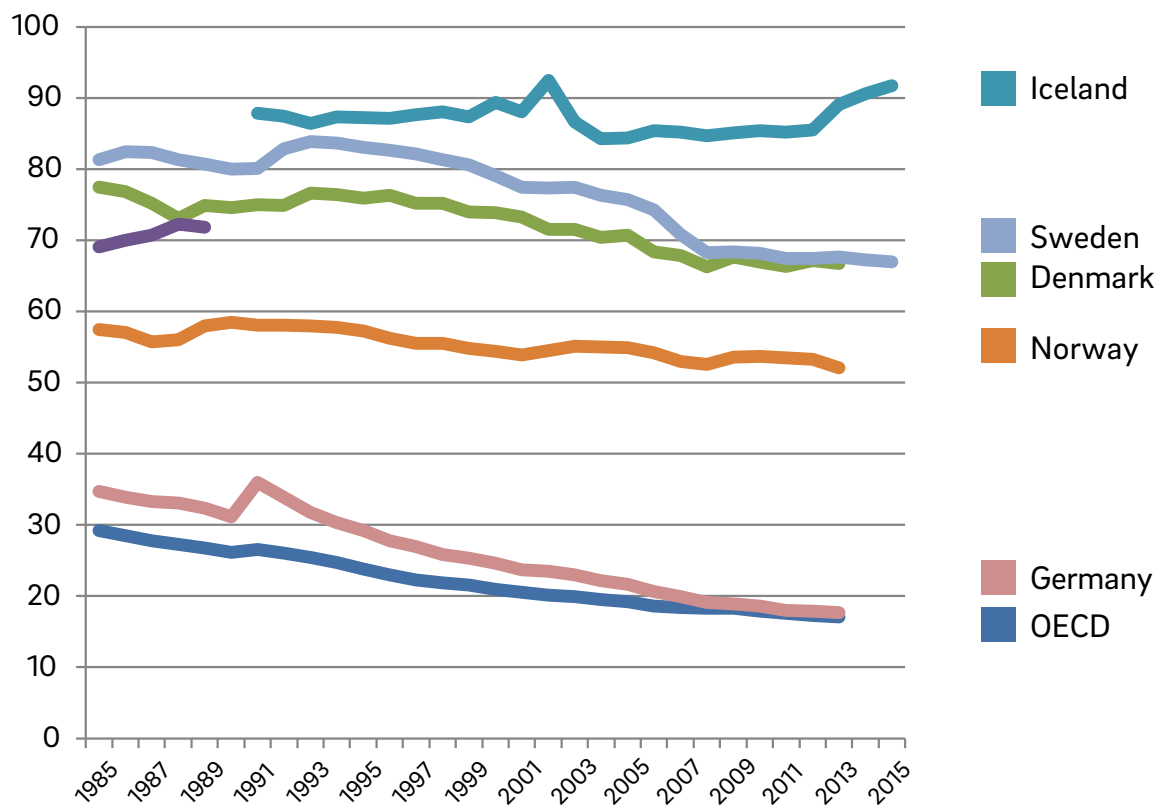
- Reducing ambitions and concentrating on the Single market
- More federalism
- In this context, also the future of the Euro

We can argue that societal organisation, both in terms of economic policies and the labour market, are in general decided nationally. But there is clearly more or less direct influence from the countries one works most closely with, both economically and institutionally. Arguably, the Nordic countries have tried to curtail the impact of EU policies.

The most noticeable expressions of these efforts are the absence of membership in the Union and important processes related to labour market legislation but also in other important areas of the national economy these countries have been among the most restrained, including taxation and Social Security schemes. One might say that the distance to the Nordics and the rest of Europe has diminished as to the global tax level and the social welfare system, although differences persist. This is even more so in terms of the impact of an organised world of work. This is an area in which we rightly can affirm that Nordic model stands out from the rest of Europe. While all of the Nordic countries have a trade union density of 50 per cent or above, among the other Europeans, only Belgium comes close. Despite a decline also in the Nordics, density levels are still much higher than elsewhere. The importance of collective agreements, however, is greater in many of the non-Nordics than density levels would indicate. This is because legislation makes them apply to a much larger number of workers.

## Trade union density, levels and evolution since 1985

Unionised workers in per cent of total workforce, according to the OECD



Source: The OECD Database

Finland: Figures for individual years show 65 pct. in 2013 against approx. 70 pct. in 1985

# Annex B The Commission's 5 scenarios for the EU <sup>22</sup>

## Scenario 1: Carrying on

In a scenario where the EU27 sticks to its course, it focuses on implementing and upgrading its current reform agenda. This is done in the spirit of the Commission's New Start for Europe in 2014 and of the Bratislava Declaration agreed by all 27 Member States in 2016. Priorities are regularly updated, problems are tackled as they arise and new legislation is rolled out accordingly.

As a result, the 27 Member States and the EU Institutions pursue a joint agenda for action. The speed of decision-making depends on overcoming differences of views in order to deliver on collective long-term priorities. EU legislation is checked regularly to see whether it is fit for purpose. Outdated legislation is withdrawn.

## Scenario 2: Nothing but the single market

In a scenario where the EU27 cannot agree to do more in many policy areas, it increasingly focuses on deepening certain key aspects of the single market. There is no shared resolve to work more together in areas such as migration, security or defence.

As a result, the EU27 does not step up its work in most policy domains. Cooperation on new issues of common concern is often managed bilaterally. The EU27 also significantly reduces regulatory burden by withdrawing two existing pieces of legislation for every new initiative proposed.

## Scenario 3: Those who want more do more

In a scenario where the EU27 proceeds as today but where certain Member States want to do more in common, one or several "coalitions of the willing" emerge to work together in specific policy areas. These may cover policies such as defence, internal security, taxation or social matters.

As a result, new groups of Member States agree on specific legal and budgetary arrangements to deepen their cooperation in chosen domains. As was done for the Schengen area or the euro, this can build on the shared EU27 framework and requires a clarification of rights and responsibilities. The status of other Member States is preserved, and they retain the possibility to join those doing more over time.

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22. EU Commission: White paper on the future of Europe (2017).

[https://ec.europa.eu/commission/sites/betapolitical/files/white\\_paper\\_on\\_the\\_future\\_of\\_europe\\_en.pdf](https://ec.europa.eu/commission/sites/betapolitical/files/white_paper_on_the_future_of_europe_en.pdf)

#### **Scenario 4: Doing less more efficiently**

In a scenario where there is a consensus on the need to better tackle certain priorities together, the EU27 decides to focus its attention and limited resources on a reduced number of areas.

As a result, the EU27 is able to act much quicker and more decisively in its chosen priority areas. For these policies, stronger tools are given to the EU27 to directly implement and enforce collective decisions, as it does today in competition policy or for banking supervision. Elsewhere, the EU27 stops acting or does less.

In choosing its new priorities, the EU27 seeks to better align promises, expectations and delivery. A typical example of recent mismatch is the car emissions scandal where the EU is widely expected to protect consumers from cheating manufacturers but has no powers or tools to do so in a direct and visible manner.

#### **Scenario 5: Doing much more together**

In a scenario where there is consensus that neither the EU27 as it is, nor European countries on their own, are well-equipped enough to face the challenges of the day, Member States decide to share more power, resources and decision-making across the board.

As a result, cooperation between all Member States goes further than ever before in all domains. Similarly, the euro area is strengthened with the clear understanding that whatever is beneficial for countries sharing the common currency is also beneficial for all. Decisions are agreed faster at European level and are rapidly enforced.

## Annex C SAMAK's EU/EEA group

The following are members of the SAMAK EU/EEA group as of September 2018:

- Socialdemokratiet (Denmark): Jeppe Kofod (Leader), Peter Hummelgaard. Deputy Christel Schaldemose and Ole Christensen.
- LO (Denmark): Maria Bjerre. Deputy Peter Waldorff.
- SDP (Finland): Tero Sheimeikka
- FFC/SAK (Finland): Pia Björkback. Deputy Annika Rönni Sällinen.
- Arbeiderpartiet (Norway): Svein Roald Hansen.
- LO (Norway): Vidar Bjørnstad. Deputy Robert Hansen.
- Socialdemokraterna (Sweden): Marie Granlund, Olle Ludvigsson.
- LO (Sweden): Johan Danielsson. Deputy Åsa Törnlund.

Secretary: Jan-Erik Støstad, SAMAK Secretary General.





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