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Report

drawn up on behalf of the Political Affairs Committee

on the European Community's relations with the countries
of Northern Europe

PART B - EXPLANATORY STATEMENT

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(iii) Norway

8. Norway is a member of NATO. This policy of alignment is one which commands broad public support. However, the question of nuclear weapons is a more controversial one and Norwegian policy prohibits the storage and deployment of such weapons. Of the four Nordic countries considered in this report, Norway is the one which tends to favour the closest form of relationship with the Member States of the European Community, having almost joined the Community along with the United Kingdom, Ireland and Denmark in 1973.

9. Norway is a Member of the United Nations, the Council of Europe, EFTA and the OECD. It participates actively in Nordic cooperation and in the deliberations within the CSCE process.

(iv) Iceland

10. Iceland, which had been neutral since gaining independence in 1918, became a founding member of NATO in 1949. In 1951 a Defence Agreement between Iceland and the United States was concluded within the framework of NATO. This agreement provides for the stationing of US military personnel and facilities in Iceland. Iceland has no military forces of its own and its participation in NATO tends to be a detached one. (It has no representatives, for example, on the Military Committee and has not participated in the Nuclear Planning Group). Some groups in Iceland question its membership of NATO and are opposed to the US military base there.

11. Iceland is a member of the United Nations, the Council of Europe, EFTA and the OECD. It participates in Nordic cooperation and is a signatory to the CSCE Final Act. It tends to adopt a low profile on foreign policy issues.

12. The different principles underlying the foreign policies of the Northern European countries reflect their different geographical locations and their different experiences in the course of the Second World War. The attempt after the War to form a defence league consisting of Sweden, Norway and Denmark ended in failure. Sweden and Finland subsequently opted for non-aligned status and neutrality, while Norway, Denmark and Iceland became NATO members.

These differences in stance, however, are by no means a sign of instability in Northern Europe.

On the contrary, the situation in this area is characterized by peace and stability. The countries of Northern Europe are bound together by their historical heritage, their cultural tradition and the similarity of their chosen democratic, economic and social systems.

In respect of their external policies they also have many interests in common. Since their security is directly affected by the tension between the major powers, the countries of Northern Europe have - to varying degrees - taken active steps to promote détente, disarmament and greater confidence with a view to achieving stability between the two superpowers.

(v) Cooperation in the foreign policy field between the Nordic countries and the Member States of the Community

13. The foreign policy goals of the Member States of the Community as formulated in European Political Cooperation coincide in many respects with the foreign policy goals of the Nordic countries. All of these countries are members of the United Nations and are signatories to the CSCE Final Act, which was also signed by the Community as such. They all adopt a broadly similar approach to such international issues as, for example, East-West relations, the North-South dialogue and the situation in the Middle East.

14. Sweden, Norway, Iceland and Finland - each in its own way - wish to expand their relations with the European Community. Given the history, geographical position and foreign policies of the four countries, their attitudes to relations with the Community must be considered individually and with full respect for the options which each has chosen. All four welcome the development of economic and trade relations with the EEC. Of the four, only Norway has gone further and indicated a desire to move closer to the system of European Political Cooperation. This may be explained by the fact that the accession of Spain and Portugal to the European Community would make Norway the only European member of NATO (apart from Turkey) not involved in European Political Cooperation.

15. In this respect, during the first visit to Finland by a delegation of the European Parliament in October 1983, the Finnish side indicated that, with the strengthening of European Political Cooperation, Finland felt her initial refusal to consider accession to the European Community was justified as being incompatible with her neutralist stance. The European Parliament's delegation, in a visit to Stockholm the same month,

was informed of Sweden's twin desire to step up cooperation with the European Community wherever possible and at the same time to avoid any drift into European Political Cooperation which would be incompatible with Sweden's policy of neutrality. Sweden's desire not to be involved in European Political Cooperation does not, however, imply a lack of interest in its deliberations or a widely divergent view on a large number of international issues.

16. Norway, however, alone among the countries of Northern Europe, has indicated a desire to be more closely associated with the system of European Political Cooperation. Contacts between Norway and the Presidency of European Political Cooperation have accordingly taken place since 1982, including talks at Ministerial level. These meetings, for the purposes of consultation and information, are held on an informal basis. These arrangements are understood to be working to the satisfaction of both parties and are to be strongly welcomed.

The fact that the other countries of Northern Europe are not evincing any desire for formal involvement in European Political Cooperation should not lead to a slackening of external relations with these countries in approaching issues which are of common interest. On the contrary such relations should be strengthened, especially if the Stockholm Conference is to be a success.

17. Although it is not expected that any of the countries of Northern Europe dealt with in this report will apply for membership of the European Community in the foreseeable future, it is worth recalling that the enlargement of the Community southwards, to include Spain and Portugal, does not preclude the eventual membership of any of the countries of Northern Europe who may at some future stage wish to join. Nor should the shift southwards of the centre of gravity of the European Community in any way undermine the importance or the quality of the Community's relations with the countries of Northern Europe.

Trade relations

18. Norway and Sweden, as well as Denmark, were among the founder members of the European Free Trade Agreement in January 1960. Iceland became a member in 1970 and Finland took associate status in 1961. (The other members of EFTA are Austria, Switzerland and Portugal). On 22 July 1972, six months after the signature of the Act of Accession to the EEC by Denmark, the United Kingdom (both of which had belonged to EFTA) and Ireland, the EEC concluded negotiations for free trade agreements with Sweden and Iceland. Agreements with Norway and Finland were signed in 1973. These Agreements maintained the free trade area already established within EFTA and extended it gradually to trade between the enlarged Community and the countries remaining in EFTA. As well as providing for the establishment of a free trade area for industrial products between the EEC and each EFTA country, these agreements granted minor concessions on certain agricultural products, provided for the drawing up of common rules of origin and made special provisions to meet particular problems.

19. On 19 July 1982, on the occasion of the tenth anniversary of the signing of the free trade agreements with several of the EFTA countries, the Council made a statement stressing the special importance which the Community attached to relations with the EFTA countries. The Council expressed satisfaction at the excellent functioning of the free trade agreements and the great progress made in cooperation in many fields outside the agreements. It declared its desire to keep up the momentum of this cooperation. The European Parliament, in its resolution of 11 February 1983 concerning the free trade agreements between the EEC and EFTA, also referred to the importance attached by the Council to the development of cooperation between the Community and EFTA 'additional to the free trade agreements'.

20. Cooperation has developed between the Community and the individual countries of Northern Europe in fields which include research, technology, meteorology, environmental protection, transport and so on. The development of cooperation in such fields is welcomed both by the Community and by the countries of Northern Europe. The further development of cooperation in these and other similar fields should be encouraged.

24. The most important partner, in terms of total trade, is Sweden, but the relative importance of this country has decreased since 1973. In that year, Sweden accounted for 6.2% of Community imports and the same percentage of exports. By 1982, however, imports from Sweden accounted for only 4.0% of the Community total, whereas the proportion of Community exports destined for this country had fallen somewhat less, to 4.9%. One of the major reasons that trade with Sweden has become relatively less important over the last ten years had been the increasing predominance of oil products in Community imports. As well as affecting import shares, oil has also had a corresponding, though lesser, influence on exports since the oil exporting countries have become relatively better customers for Community goods.

25. In 1982, the balance of trade with Sweden was slightly in the Community's favour and in that year Sweden was the Community's third most important export market and its sixth most important source of imports.

26. Since Norway is an oil exporter, imports from this country have increased in relative importance over the last ten years. In 1973 imports from Norway accounted for 2.2% of the Community total whereas by 1982 this had increased to 3.5%. Community exports did not, however, progress at the same rhythm and Norway has decreased in relative importance over the same period from 2.9% of total exports in 1973 to 2.4% in 1982.

27. The effect of the increase in oil imports from Norway has meant that the trade balance with this country has turned sharply in Norway's favour so that in 1982 EC imports were 65% higher than exports. In the same year, Norway was the seventh most important source of Community imports and the ninth most important export market.

28. Community trade with Finland has shown a less consistent pattern than that of the other Nordic countries. As a source of imports, Finland has decreased in relative importance over the past ten years, again mainly due to the influence of oil on the total import figures. However, the fall has not been as steep as that observed for Sweden since imports from Finland fell from 1.9% of the Community total in 1973 to 1.6% in 1982. Exports, on the other hand, have shown a more erratic pattern, falling in relative terms between 1973 and 1978 (from 1.8% to 1.2% of total Community sales) but subsequently increasing (to 1.5%) in 1982. Over the period the balance of trade has remained in Finland's favour.

29. As a source of imports Finland is the 17th most important Community supplier and as an export market it ranks 18th in importance.

30. Although the absolute level of EC trade with Iceland is very low, in relative terms commerce with this country has remained at an approximately constant level over the last ten years, with imports accounting for 0.1% of the Community total and exports 0.2%. This has resulted in the Community maintaining a small positive trade balance with Iceland.

31. The free trade agreements which have been in operation for more than ten years have operated successfully and to the satisfaction of all concerned. It is important both for the Community and for the countries of Northern Europe, which are highly dependent on foreign trade, that free trade relations should be maintained and in particular that technical barriers to trade should be avoided.

Nordic cooperation and the role of Denmark

32. The five sovereign states in the Nordic area have always been close to one another for historical and cultural, as well as geographic, reasons. The development of parliamentary and government cooperation between the Nordic countries has been accompanied by the establishment and gradual strengthening of common institutions. A Nordic Council was set up in 1953 as an advisory body to the Nordic Parliaments and Governments. A further step was taken in 1971 with the establishment of the Nordic Council of Ministers, an organisation for cooperation between the Nordic Governments. Through these common institutions, the five Nordic States participate in Nordic cooperation. Their aims include the pooling of resources, the elimination of obstacles to trade and other contacts, the reaching of converging positions in the work of international organisations, and legislative, industrial, regional and cultural cooperation. Plans to create a more extensive Nordic economic community came to nothing.

33. Nordic cooperation has been remarkably successful in certain fields, and indeed in many respects sets an example for the Member States of the European Community. There has, for example, been a Nordic passport union since 1954. An agreement establishing a common labour market was concluded in 1954 and a convention on social security was concluded the following year. Denmark is participating fully in this cooperation.

34. Denmark has shown that its membership of the European Community does not prevent active membership and participation in Nordic Cooperation. Denmark has continued to cooperate successfully with its Nordic partners in formulating foreign policy, as reflected by the stance adopted by these countries in the United Nations, the OECD and UNCTAD. Furthermore, the future development of the European Community is not expected to prejudice Nordic Cooperation and may even help to improve its prospects of success. This applies, for example, to efforts to achieve an effective Community environmental policy to combat acid rain, which is necessary if the Nordic countries are to succeed in saving their forests and lakes.

Future Development

35. The motion for a resolution (Part A of this Report) concludes by making several practical and specific proposals with regard to the future development of the European Community's relations with the countries of Northern Europe. These proposals, which are based on the considerations outlined in this report, call in general for a Community policy towards the Nordic countries which takes account of the degree of similarity in foreign policy and economic interests, which respects the fundamental foreign policy decisions of the Nordic countries and which counteracts a one-sided attitude of the Community towards other regions of Europe and the world.