SCANDINAVIA AND THE EUROPEAN COMMUNITY: POLITICO – ECONOMIC AND STRATEGIC CONSIDERATIONS

by

Erik Solem

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DIRECTORATE OF STRATEGIC ANALYSIS

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ABSTRACT

Northern Europe has, even during tense conditions of the cold war, been appreciated as a stable, low-tension region. New strategic factors are emerging which change this, and which cut across the Scandinavian and European dimensions of international politics and security.

RESUME

L'Europe du Nord a toujours été considérée comme une région stable où le climat est peu tendu et ce, même durant la guerre froide. Actuellement, les nouveaux facteurs stratégiques qui se font jour modifient cette situation et ne tiennent pas compte des cadres européens et scandinaves de politique internationale et de sécurité.
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PREFACE

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INTRODUCTION

1. Have the European communities on the one hand and the Scandinavian states on the other been pursuing paths of regional, political integration which are, somehow, contradictory rather than complementary in nature and intent? How important and/or relevant are these two models and strategies of integration in the light of the present and future challenges in the international system? Underlying these queries looms the larger, as yet unphrased assumption: Perhaps political integration itself, as it is now known, no longer matters? Could it be that the process, and theories pertaining to it, have been overtaken by events? Maybe the international system itself by now is so changed and the threats facing it are so formidable as to render many of the past and present queries almost redundant?* What is needed is a new way of examining the phenomenon of integration and its importance within the international system.

2. This is certainly partly true, and the present paper aims to illustrate how and where these changes have come about, as well as what their implications may be in the medium to long-run for the international political system in general, and for the Western alliance in particular. The level of analysis in this paper will be the relevant trans-national relationships between the European Community and the Scandinavian states, seen from an economic and strategic point of view. The units of analysis will be some of the institutions and processes, seen in the light of what they are intended to achieve, as well as their de facto achievement.

* See also Nils Ørvik's "NATO and the European Community: Merging Functions or Responsibilities?", in The European Community at the Crossroads: The First 25 Years, Queen's University Press, forthcoming.
3. Several of the above questions are still pertinent and important, not only to any theory and strategy of regional political integration, but also for a clearer understanding of contemporary European political developments as well as the evolution of whatever institutions will be set up and utilized to channel them in a desirable direction. This, to a certain extent, is almost as much a concern about perceptions which may or may not be widely held, as well as political reality itself. What is needed at this juncture, it seems, is an examination of basic, underlying key assumptions in either of the two cases - the European and the Scandinavian - and of the geopolitical framework in which they have found themselves, and of the one which will most likely unfold in the future. This type of inquiry could help to answer the question of the importance and relevance of either model (and strategy) to problems facing the Alliance in general, and Western Europe in particular during the last decades of this century. In this particular context there are two challenges which need closer scrutiny, and which will illustrate the case in point, namely the question of energy, and the role and functions (if any) of the Nordic Balance. Both will be examined.

BACKGROUND FACTORS AND KEY ASSUMPTIONS

4. It may be useful to start with the main causes and the raison d'être for regional political integration, namely the situation in post World War II Europe. Four major problems confronted Western Europe in 1945. They were: 1) the re-building of war-torn economies; 2) the growing and menacing threat of Soviet power; 3) the need for re-integration of Germany into the democratic European community of nations; and 4) the restoration of Europe's position in the world on a new and more viable foundation.
5. The experience of two world wars had taught European leaders that only a less divided, more cohesive Europe could in fact assure that continent's survival. Some of them also felt, or expressed the view, that perhaps the traditional state systems and concepts of sovereignty had become obsolete and had to be revised. Much of the earlier, but decisive, politico-economic literature on Western European affairs testify to this point.

6. It is essential to emphasize the role of the United States as a catalyst in this process of initial political integration through its Marshall aid plan. Here, promises of economic aid were linked to conditions of political efforts by Europeans themselves to put their house in order through appropriate integrative measures. American as well as European motives may very well have been mixed, as would have to be expected. At times they may also have borne more resemblance to an idealized state of affairs and to wishful thinking than to political reality. Be that as it may, it is important to note that these early initiatives, heavily supported by U.S. funds, prompted fourteen European states to form the Organization for European Economic Co-operation (OEEC) for the purpose of administering Marshall aid and pioneering economic co-operation. It is also of importance that the OEEC, eventually to embrace eighteen European states, also served as a vital forum for discussions of mutual problems and policies. Facts were gathered, data and programs co-ordinated, and new problems concerning trade liberalization, monetary stabilization and convertibility were thrashed out and discussed in some detail. And it was to this organization that the leaders and driving forces of the European movement turned when it became apparent that the Council of Europe, with its high-spirited idealism and near impossible goals, seemed, as Paul-Henri Spaak put it, "to be dying of moderation."
7. Furthermore it was through this same organization that the founding fathers of what was to become the European Coal and Steel Community (ECSC), the European Atomic Community (EURATOM) and the European Economic Community (EEC) did some of the most important work through its co-ordinating committees, while trying to convince the larger Western European grouping of nations to join them in their undertaking.

8. However, as is now known, there was no clear basis of agreement on the exact form and direction of this process within Western Europe, i.e. what kind of co-operation or integration was sought, by whom, how and what the end product was to be. Some larger, more embracing, schemes such as the European Defence Community (EDC) and the European Political Community (EPC) were stranded on the shores of this lack of consensus. Hence, the entire post-war era was dominated by a great debate about form and function, with some of the larger and perhaps more important issues being lost in that process. The great debate between the federalists and the functionalists not only overshadowed some of the more critical concerns which could have been raised, but saw Western Europe being divided into two quite distinct groups, at times quarreling, even organizing against each other. This debate, which may have seemed somewhat insular to North America, occupied much of the efforts of European statesmen and politicians, and hence proved critical for the political developments which were to follow. It soon became clear that two, quite opposing, views were held within the same camp - on the one side by France, Italy, Germany and the Benelux countries - on the other by, initially Britain, and the Scandinavians. To men like Jean Monnet, Robert Schuman, Paul-Henri Spaak, de Gasperi and others, it seemed clear enough. All of them had seen the dialectical forces of destruction,
fostered by age-old antagonisms, intensified by national pride, exaggeration and finally hatred explode into a disastrous world war. To them it was utterly clear what had to be done to prevent any kind of repetition of the political and military holocaust which had so greatly disturbed and severely endangered civilized life.

9. The 'Functionalists', led by Britain and the Scandinavians, saw it somewhat differently. Although they, with the exception of Sweden, had experienced the horrors of war and had felt the foundation of their systems shaking, they were neither willing nor sufficiently convinced to follow the early futurist blueprints of their continental colleagues. There were deep-seated reasons for this which could only be explained properly by a detailed examination of their social and political past, and according to the different evolutionary patterns between the European continent and the fringe countries. Suffice to say that, it had become clear to all that there was a split within the European movement itself. This split, as will be shown, still exists.

10. Two additional reasons should be added to the above. First, the North Atlantic Treaty Organization was seen by many as the only appropriate forum for and provider of defence and security for Western Europe. NATO was seen as a sort of international organization, rather than for what it really is: An American defence commitment to Europe. Secondly, but perhaps equally important, the notion of defence and security which was held throughout this period, and for that matter is still maintained in some circles, was entirely too limited. Only quite recently is it becoming clear that the question of security must be seen as encompassing components which, at first glance, may appear somewhat remote from military action; namely economic,
socio-political, and psychological defence. The recent energy crises, the possibilities of new, resource-related conflicts and many types of newer, non-territorial contests and confrontations are gradually making it quite clear what the future may hold in store. Although it is in fact very late in the day, hopefully it is not too late for corrective steps to be taken. What are those steps? Step number one, and by far the most important is a basic re-ordering of priorities and some change in the over-all assumptions regarding defence, security and the future of the Western World. If this is done properly, the rest will, as shall be shown, follow logically.

EUROPEAN vs SCANDINAVIAN STRATEGIES OF INTEGRATION

11. Western Europe has advanced considerably as far as regional political integration is concerned. Several quite impressive organizations and many new schemes have seen the light of day. If institutional frameworks are anything to go by, and it is suggested that, by and large, they are, then the picture is impressive. Western Europe is a potentially very large market, with a number of quite well-co-ordinated functions. Much has been achieved internal to the region. In the economic and trade fields, the Communities hold considerable promise, and they are also seen by other states, and groups of states, quite rightly as a challenge, if not a threat. This is, of course, to be expected from an organization which at the outset appeared to many as a 'closed shop' if not in fact a cartel. Agreements with new, associate members, including parts of the third world, hold added promise. This is, to a large extent, a success story.

12. In some areas, however, the Communities seem to have failed. On very critical issues, such as energy, the European Communities have, in fact, achieved relatively
little. Increasingly this may be so as one gets closer to the actual essence of sovereign power itself. Important problems which call for resolution in some basic sense have been papered over, and members have agreed to disagree. This is perhaps to be expected, given the extremely ambitious scheme upon which the original member states embarked. The notion of "supra-nationalism" itself has almost vanished, for example. Comparing, briefly, some of the main documents on which the communities are based, it can be seen that the only place where a specific mention of the term "supra-nationalism" occurs is in the ECSC Treaty, in one of its significant clauses defining the nature of the High Authority.

"The members of the High Authority shall exercise their functions in complete independence in the general interest of the Community. In the fulfilment of their duties they shall neither solicit nor accept instructions from any Government or any organization. They will abstain from all conduct incompatible with the supra-national (our emphasis) character of their functions...

Each Member State undertakes to respect this supra-national character and not to seek to influence the members of the High Authority in the execution of their duties"*

13. The High Authority, then, was the motive force in the ECSC system, the originator of almost all decisions, plans and forecasts. In fact, the other four organs were primarily designed as checks upon the power of the High Authority rather than as initiators of actions. Nine persons, no more than two from the same nationality, were to

* See Treaty Establishing the European Coal and Steel Community, Article 9.
have no connection with the industries, no instructions from any government, party or interest group, while serving a six-year term, taking all decisions by majority vote. It was, however, a pity that the Europeans concentrated on coal and steel, commodities prone to over-supply and over-production, rather than energy sources in general which have proved to be much more critical. This demonstrates quite clearly how a wrongly held basic underlying assumption will often create future problems.

14. The equivalent in the Rome Treaty to the ECSC's High Authority was the Commission, serving for four year terms. There is no formal description concerning its relationship with the Ministerial body. Article 162 simply states that

"The Council and the Commission shall consult together and shall decide on the methods of collaboration by mutual agreement"*

The deliberate playing-down of the "supra-national" element should perhaps come as no surprise. It is explainable in terms of the time factor, and it reflects the somewhat more temperate climate in which the major purpose of European integration was being pursued after its initial setbacks.

15. Most of the provisions of either treaty, however, reflect the paramount importance of integration; they take account of the fact that in the latter part of the twentieth century the State is inevitably playing a substantial role in the economic process. Apart from tariffs, the realistic objective is not the unification but the harmonization of full employment, the business cycle, investment, taxation and social policy of the member states. Provision was specially made for achieving the various objectives.

in three stages of four years each, with a possible extension - if necessary - to fifteen. The Council of Ministers should decide that each stage had been completed. Then and only then would the Community proceed to the next stage. It should therefore be quite obvious that such a process would be smoother in the beginning when the problems were wide and of a general nature, than would be the case when some basic problems of sovereignty and national self-interest were more closely approached.

16. This is not to belittle the European Communities. Much that has been achieved is admirable. But it is useful and important to identify the shortcomings implicit in such a scheme or procedure. The various results of the Communities are well illustrated, as are the failures and shortcomings. Suffice to say that implicit in the (need for) early successes was the germ of future problems and difficulties which were to haunt the Community process itself in its different manifestations.

17. The Scandinavian case is, in a way, easier to understand and explain. Being essentially of the 'functionalist' variety, schemes of integration or co-ordination were not based on notions of "supranationality". This not only made the initial task easier, it also guaranteed that the 'integrational' issues would tend to be less critical, less politically controversial, and as a result, possibly more trivial. The somewhat curious task of bringing about integration of a regional sub-system already quite well co-ordinated and, initially at least, in a certain harmony with itself, should not however be underestimated. In the Scandinavian case, the main purpose - or so it would seem - was to bring about increased harmony and 'well-being' by making intra-national agreements in a wide field of activities in which both the State and
semi-private organizations and associations were active. The central role in this task was carried out by the Nordic Council, and initially on an intra-parliamentarian basis. Elsewhere, an examination has been carried out in some detail as to how exactly this was done, what the results were in several major areas of activity, what the remaining shortcomings are, and what changes might be necessary for the process to be taken further. This analysis also contained a comparison of de facto results of European Communities integration and that of the Scandinavian states through the Nordic Council. It was found that in several of the areas specified in Article 3 of the Treaty of Rome the European Communities had achieved the stage that the treaty had called for. In other areas this is not yet so. It is also now open to doubt whether the EC can become the genuinely supranational organization which it was intended to be, and with the kinds of power its founding fathers had anticipated.

18. In one sense the Scandinavian countries appeared to be more integrated, even economically, than any other group of independent states in the world. In such a central and important area as the labor market, it was found that the Scandinavians had achieved a real community. They had in fact gone further than the stage called for by the Treaty of Rome. The same applied to the area of social policy and legislation. Concerning legal harmonization, the Nordic countries had gone further than the EC, insofar as they have now achieved a unitary system of laws covering sales, agreements, part payments, debts, insurance, commissions, trade agents, commercial travellers, power of attorney, bills of exchange, cheques, patents and life insurance. Other areas of intensive co-ordination are company legislation, marine laws, laws of patent, arbitration laws, and laws covering employees' right to their inventions.
Furthermore, the Nordic countries now have common rules for important parts of public law, family law, law of due process, and punishment. In all these fields the results of Nordic integration compare favourably with those of EC integration. In fact, in some of them it may take the better part of a generation for the Communities to reach the level that has already been achieved by the Scandinavians.

19. Other sectors to be mentioned are those of communications, travel, research and cultural affairs, to say nothing of joint and/or co-ordinated efforts with respect to international organizations and their utility. With respect to economics, the Scandinavian states constitute a partial economic union. As for the integration of capital and services, regional policy making, and the co-ordination of rules of competition, the Nordic countries have achieved less than might have been expected. The same may also in part be said of the European Communities.

20. The following features were conspicuously lacking in Nordic integration: a customs union or common tariffs; a common trade policy regarding third countries; a common agricultural policy; and co-ordination of economic policies. These are of course considerable drawbacks, if the goal is, as it is sometimes claimed, full fledged political integration. On the other hand, an important fact is that several impressive results have been achieved without the element of full or pseudo-supranationalism. For example, a joint agricultural or a fisheries policy could hardly be achieved without at least an element of supranationality, which remains very slow in developing.*

21. Whereas the Scandinavian states have been moving slowly away from the purely 'intra-governmental' model of integration (à la OECD), it is quite far from reaching anything resembling a supranational model. Simultaneously, the European Communities, having started as supranational and increasingly quasi-supranational in nature seem to be moving in the direction of becoming a variant of the more classical intra-governmental type of organization. The hunch is that both of them, at different times perhaps, will stop dead at the point where true sovereignty starts, much integration theory and literature to the contrary. It seems that some very much larger issues are in fact involved, and that these issues have been passed over or ignored in the past, at the cost of larger future problems which may soon have to be encountered.

22. Hence, the European Communities and the Scandinavian states have not been pursuing mutually contradictory paths of integration. Rather, they have come up against some formidable obstacles which require a certain re-ordering of priorities and some change of basic assumptions. Integration theory, in order to be meaningful, must be combined with the working knowledge of some substantive, perhaps more relevant activity, something relatively concrete and practical without which it cannot by itself survive. This is becoming increasingly clear, as witnessed by the exodus from the discipline of integration theory, per se and the incorporation into it of more meaningful concepts and a wider approach. The question of much of integration is primarily one of 'bureaucratization' and is a serious one which has to be answered. If more integration in Europe simply brings about an additional 1000 or more civil servant jobs in Brussels, with no corresponding reduction in national bureaucracies, what is the purpose of it all? And
what does it mean in terms of larger, over-riding issues such as security or the question of resources? Will schemes of integration help us if or when, a new energy or energy-related crisis breaks? The remaining part of this paper will examine albeit briefly, the two issues of energy and the so-called Nordic Balance as they relate to Scandinavia, and indirectly to the rest of Western Europe. They are case studies in the two different modes and strategies of regional political integration and serve as tests of their utility of facing present and future challenges to international security.

PETROLEUM - CHANGING RULES OF THE GAME

23. As is well known by now, very large quantities of petroleum have been found in the North Sea, largely in areas belonging to Norway and the United Kingdom. Official resources of oil and gas, which are revised and published annually by the Norwegian Petroleum Directorate, amounted to 3408 million tons of oil equivalent for total recoverable reserves in 1982. 'Other recoverable reserves' were set at 2405 million tons, and 'reserves under development' were 1003 millions t.o.e. total recoverable reserves of gas amounted to 2581 billion m³, with 2172 billion m³ being 'other recoverable reserves' and 409 billion m³ as 'reserves under development'. This, it should be noted, was prior to the recent Troll fields with the flurry of speculation surrounding these truly spectacular finds. The huge reserves uncovered in the North Sea Troll field west of Bergen have made Norway into Europe's most important supplier of natural gas.*

24. With this discovery, the country changed from being primarily an oil producer to a gas nation of international dimensions, since estimated Norwegian reserves of natural gas are now twice as large as its oil resources. Recoverable reserves of gas are currently put as high as 3000 billion m³, which means that Norway will almost certainly play an important role in European gas supply from 1990 and beyond. Already the country exports about 25 billion m³ annually to the U.K. and European markets, roughly equivalent to the 23 billion or so cu.m. today supplied annually by the Soviet Union. These are staggering figures, but some caution is merited. In the oil market, Norway remains a marginal supplier. Her output currently represents less than one per cent of world total. Within the North Atlantic market for light crude oil, Norway is somewhat less marginal but is in no way a leader. In an emergency, Norway could not, due to a lack of spare capacity, all of a sudden increase output in order to assist her North American or European allies. With her considerable reserves the country could become a more important supplier in the future, but this requires long term planning, appropriate agreements and a willingness to take on such a role.

25. In the international gas market, however, the situation is somewhat different. Here Norway is currently the world's third exporter, after the Netherlands and the Soviet Union. Within Western Europe, Norway is the second largest exporter, after the Netherlands. These are new strategic factors, some of which could upset previously held and cherished beliefs of very slow and graduated extraction in accordance with the predominance of national planning. This must not be misconstrued to imply that the country will lose control of her petroleum resources or their extraction, although this is of course possible in a war scenario. What
it means is that strong pressures could be applied on a
country of some 4 million inhabitants to speed up the
extraction process, parts of which could seriously affect
socio-economic planning within that country. This much is
known and admitted to, at least privately. It is Norway
which is the important actor in this process, willing or not
(and much indicates that she is,) whereas the other
Scandinavian states very much stand on the sidelines. But
what happens to Norway through this process of energy
extraction and production will have ramifications for the
rest of Scandinavia and for whatever integrative measures
the country is otherwise involved in with her Nordic
brethren. The main factors are both internal and external.

26. The petroleum activity has generated substantial
income for the licencees as well as for the Norwegian
State. Since initial production started at Ekofisk in 1971,
the gross value of production and pipeline transportation
has gone from 62 million NKr to approximately 55 billion
NKr*. Total gross production value in the 1971-81 period is
approximately 163 billion NKr. Hence there is very little
doubt that the oil activity's importance to the Norwegian
economy has showed a steady growth throughout this period.
A slight decrease was expected for 1982. Whereas the
petroleum based activities have given Norway a faster
over-all economic growth than would otherwise have been the
case, the growth since 1973-74 has been slower than was the
case in the 1960s (in pre-oil days). Oil and gas
production's share in GNP has increased from 0.5 to 15
percent in the period 1974-1980. A slight decrease was
expected for 1982, for various reasons. Furthermore,
production is not expected to increase significantly until
1985-86.

* NKr (Norwegian Krone)=$0.15
27. Oil and gas exports' share of total exports increased from 0.8 percent in the previous period to 30.7 percent in the period 1974-80. This share was expected to drop to 27 percent in 1982. Whereas the importance of oil and gas production to national economic (and for that matter social and political) activity is of course substantial, there are several side-effects which some see as being less than attractive. From the social planning point of view, a relatively cherished tradition in Norway, there are distinct drawbacks according to the gradualist, evolutionary nature of Norwegian social life. Manpower is a critical variable, and a relatively unrestrained increase in petroleum activity within the country, which could easily follow a stepped-up demand, would raise havoc with socio-political norms and goals for the development of the country. This shift is one to be expected in any major economic transformation, as the one presently under way in Norway. It will invariably affect both that country and her nearest neighbours. Scandinavian and European integrational patterns may also be affected, as the notions of sovereignty will probably be reasserted, for defensive and other reasons.

28. The second major internal change is quite likely being caused by spending patterns, especially deficit spending on behalf of the central government, as well as rising and increasingly ungratified economic aspirations on behalf of the population itself. Whereas the Government's revenues have made possible a very expansionary fiscal policy, increased income to farmers and higher pensions and other reforms, there are some definite negative aspects to all this. The Government's use of paid and future oil taxes and expansionary fiscal policy measures have resulted in price and cost pressures as well as a general deterioration of competitiveness in traditional export and import competing sectors. Some restructuring problems have also
been particularly severe where manpower is being taken away from less sheltered sectors. These are real quantitative and qualitative changes taking place in a relatively fragile country, both in terms of population (4 mill.) and influence. Some important decisions will have to be made as to what directions the country ought to follow and where her real interests lie. The separation of foreign policy and petroleum policy which seems to be taking place currently reflects a real dilemma for Norway. Given its economic openness, the country has a clear interest in furthering a prosperous international economy. As a member of NATO and, to a perhaps lesser extent, OECD, Norway may see her interest being that of having a moderate development of oil and gas prices, with a moderate supply to Western Europe and North America. However, the country has a perhaps equally clear interest in capturing the bulk of the economic rent related to oil and gas in the ground for a longer period of time, so as not to overheat the national economy.* In theory, at least, the country might ask itself which developments of, say, the West European gas market, as a proportion of the total energy market is preferable from the Norwegian point of view? Which market share in the European gas market seems desirable for Norwegian gas, and what means does Norway have to influence this market? These are, of course, peace-time considerations, to which the appropriate war or near-war scenarios must be added.

29. As the International Energy Agency has pointed out recently, the indisputable fact is that even if European governments accelerate their own gas development, this will not eliminate the need for a growing quantity of imported gas. Natural gas balances for OECD Europe in the period

1980-2000 show an alarming growth in imports from non-EEC countries as a percentage of total natural gas consumption. These countries, to be more specific, are Norway, Algeria, Libya and the USSR. Apart from the U.K. and Norway, all West European countries will be importing a substantial and increasing proportion of gas from outside NATO Europe. Pressures are almost bound to develop for Norway to start filling that gap. The main question to be asked, (if it is not already formulated in the national capitals in the West) is: How reliable are external supplies and what sort of security measures must be taken? It is beyond doubt that NATO Europe's gas security will depend on the behaviour of external suppliers. This is a potentially very critical issue, so how can it be tackled in the best manner? The two most serious problems associated with natural gas have been price disagreements with Algeria and (perceived or anticipated) political difficulties involving the USSR. Algeria has already shown that she is fully capable of somewhat erratic and rather unpredictable behaviour in this respect*. As for the USSR option, there is already considerable doubt in many circles as to the wisdom of entering into large scale arrangements of this type with an adversary super-power. The most frequently heard counter-argument to the latter is that trade itself is a weapon of peace (and co-operation) rather than war.

30. In conclusion it would seem that in order to maintain the maximum numbers of options (and they are precious few) and the maximum amount of an otherwise restrained flexibility, the attention will be fixed on Norway and - perhaps less so - on the U.K. as potential helper(s). What

* Such as unilaterally doubling its LNG prices for France and the U.S., subsequently cancelling agreements; unilaterally cancelling LNG exports project with the German Federal Republic and the Netherlands.
has to be borne in mind is that it is very late in the day, and that the resources in question belong to individual nation states, which must be offered sufficient incentives to develop and exploit their gas reserves in a way considered desirable by their allies. The scheme of co-operation which would be required to meet such a task is on a scale not yet envisaged in West European resource development, which should make it doubly challenging. It does, however, call for new and possibly different approaches to national and international policy co-ordination and planning as well as, quite likely, some basic re-ordering of priorities and key assumptions underlying these.

31. It is, however, quite possible that Norwegian gas will never be a cheap alternative to gas from the Soviet Union and Algeria for West European consumers. In the case that European purchasers are unwilling to pay the gas prices which would make a development of Norwegian gas fields commercially justifiable, Norway may have to concentrate on developing her oil fields. A clear statement to this effect was made to West European gas purchasers at a recent European gas conference in Oslo, by Mr. Arve Johnsen, who heads the Norwegian state oil company Statoil.*

32. According to its Chairman, Statoil now believes that it is technically feasible to complete the building a pipeline system for the transport of oil to Mongstad refinery on the Norwegian west coast, from fields in the northern North Sea by 1987-89. Such a system, carrying oil from fields such as Gullfaks, Oseberg and Troll may have a capacity of around 600 000 barrels per day. It may later be possible to link other oil fields up to this system,

* See 'Norinform', Norwegian Information Service, Oslo 14 June, 1983.
primarily Saga Petroleum's find on 34/4, which appears to extend into block 34/7.

33. This statement has to be viewed against the backdrop of the ongoing negotiations on sales of gas from the Sleipner field and the tug-of-war in progress between the sellers, represented by Statoil, and the purchasers, regarding the price for this gas.

34. Towards the end of this decade Norwegian gas production may be around 30 million tons of oil equivalents per year. Nearer the turn of the century this production could increase towards 40-50 million tons of oil equivalents. The decisive factor will be the price that can be achieved for new Norwegian gas.

35. From a strategic point of view it is also important that Norwegian industry is becoming steadily more dependent upon oil activities. The value-added of goods and services delivered by Norwegian manufacturers and suppliers of services to oil activities increased from U.S. $1.4 billion in 1981 to U.S. $1.8 billion in 1982. The value added in offshore-related industry increased in real terms by about 30% from 1980 to 1981 and by some 20% from 1981 to 1982*. Hence, the offshore market is still an expanding market for Norwegian industry, which continues to orient its activities in the directions dictated by this market. The Federation of Norwegian industries has analyzed this situation, by examining the figures from 280 companies which together account for at least 90% of the value-added in Norwegian offshore related industry. It was found that in 1981 offshore industry constituted 20% of 'traditional' industry, whereas in 1982 that figure was 24.2%. While traditional

industry was reduced by 2.5% in 1982, offshore industry increased by about 20%. Market growth in the offshore industry therefore serves to conceal a drastic decline for traditional industry in 1982.*

36. One of the conclusions derived from this is the fact that if a varied industrial base is to be maintained in Norway, conditions must be improved for the traditional industries. The problems cannot simply be solved by demanding and expanding more offshore activities.

37. Export accounts for only 17-18% of the total Norwegian industrial deliveries to the offshore market. Only a few concerns export. In comparison, it is assumed that Norwegian shipowners have earnings from oil activities abroad of U.S. $542 million. A substantial part of Norwegian offshore export is affected within sectors characterized by strong cyclical fluctuations, such as supply ships and oil rigs, with possibilities for overinvestment.

THE NORDIC BALANCE AND NORDIC SECURITY

38. It is important to note at the outset that the so-called Nordic Balance is neither completely 'Nordic', nor does it constitute a 'balance' in a military or other traditional sense of that term. It is not completely Nordic, as its sine qua non rests with super-power constellations and their perceptions of what goes on, and to a lesser extent what should go on, in the Nordic region. As a balance, then, it does not subscribe to normal psycho-linguistic patterns of comprehension or, for that matter, traditional security calculations. Essentially it does not constitute a common Nordic security policy. The

* Private sources.
five Nordic states have chosen or accepted their roles with regard to their own national interest. Hence the choice - or allocation - of roles in the international security game made by the Nordic countries represents the individual adjustment of five small states to the new strategic reality, emerging in 1945. The overriding factor of this new reality is, or it should be, that there is only one real superpower in Europe from which threat can come, the USSR. On this very basic point there is not always genuine agreement among the parts of the Scandinavian region, hence future problems of security policy could arise.

39. Three of the Nordic states (Norway, Denmark and Iceland) have chosen security in the Atlantic safety net of NATO. Denmark and Norway have done so on what is at times referred to as "minimum conditions", i.e. so-called base restrictions prohibiting atomic weapons as well as permanently stationed allied units in peacetime. The overall purpose of this choice seems to be the desire to acquire the greatest possible protection from the West, with the least possible provocation or perceived provocation, for the East. This, in itself, is perhaps a part of the actual Nordic Balance, although not the one which one occasionally hears about as a possible option against super-power involvement. The latter is of course only possible up to a point and, it will be argued, with the implicit approval by the super-powers themselves.

40. It may be that, domestically, this somewhat ambivalent attitude was necessary, in part due to an old tradition of neutrality in the two countries. It has been argued, and perhaps correctly, that this attitude has been facilitated by the Swedish policy of non-alignment which, in theory, makes Sweden into somewhat of an armed no-man's land
between the blocs. Finland, of course, is well known for her rather special relationship with the USSR, making her in effect a type of buffer state between the buffers. The term 'Finlandization' often describes this state of affairs. The Finns, perhaps understandably resent the term whose shorthand use as a political concept is fully understood by the rest of the world.

41. It is possible to argue that the security policies of the Nordic states have, in spite of different roles, certain quite important common features. One of these would be a common interpretation of the concept of the ideals of representative democracy and of some (but not necessarily all) principles of the 'welfare state'. In this sense there is a consensus at the bottom of things social and political. Furthermore, it could be argued that the "Nordic attitude" (or 'spirit of objectivity' as it is sometimes called) shows mutual regard for the independent national choices of security policy.

42. There are some problems with this. First, the notion of "welfare-statism" (or state capitalism) is not necessarily one on which there will be continued consensus for all time. In fact some signs indicate that the Scandinavian states may, up to a point, choose to go in somewhat different directions when it comes to state planning and co-ordination in the future. The thin but multifarious cobweb of Nordic co-operation and co-ordination which has succeeded in making the region more stably integrated from a socio-political, cultural, legal and communicational point of view and has had some spill-over on security policy discussions, may not be enough to cope with some of the more serious challenges of the future. This type of integration, as well as that of the European communities for that matter, is running out of steam when it
comes to meeting such problems as providing general but necessary security, broadly defined, and assuring adequate energy and other resources supply.

43. Other, smaller, cracks seem to be developing as well. For awhile now, there has been a critical dialogue particularly obvious between Norway and Finland. This has, essentially, been prompted by conflicting views on the merits of the idea of a nuclear arms free zone in Northern Europe. This issue, which has been raised several times in the Nordic Council to the consternation of particularly Norwegian and Danish government officials, has also become a factor in domestic politics. Signs are that it will continue to fester both internal and intra-Nordic political development and hamper the evolution of a solidly based security policy network of assumptions ('balance') for the region as a whole. It is true that Northern Europe has, even during tense conditions of the Cold War, been appreciated as a stable, low tension region, to which the major powers have been able to devote far less attention than to most other parts of the world. However, new strategic factors are emerging, which may be crucial for the Nordic area. In fact, they cut across the Scandinavian and European dimensions of international politics. These are the changing naval balance in the North Atlantic, new developments in nuclear technology and strategy, and the increasing importance of petroleum developments in Norwegian and U.K. territory. This means that it may be necessary as well as important to re-assess and re-evaluate the conditions (and assumptions) upon which the Nordic Balance is based, as well as to examine very closely some of the possible consequences of such changed conditions. These are important for the Nordic states whose individual stability is, in part, a function of the regional stability affecting all of them. The question is whether or not the changes
around the Nordic region will make its security pattern less relevant than before, and if so what, if anything, the Scandinavian states themselves can do about it.

44. Until quite recently it has been commonly accepted that the neutrals, and especially Sweden, play an important role in maintaining the balance in the North*. As Steven Canby, among others, have pointed out "It (Sweden) has provided yeoman service over the years for western defence. Without this Swedish contribution, NATO would have to shift large forces, particularly air, for Norwegian and Danish defence from an already tenuous military balance in the all-important center region"**. Whereas these observations are still valid, some changes have in fact taken place recently, followed by the 'Whiskey Class Incident' of 27 October 1981 as well as subsequent excursions into, in particular, Swedish territory by alien submarines. As a result of the above incidents, the Swedish government proposed in its 1982-87 Defence Plan an increase of some 200 million Swedish Kroner in its ASW budget, making an explicit reference to the U-137 submarine incident.

45. On 21 October 1982 the Chief of Staff of Swedish Defence set up a Commission the purpose of which was to investigate, account for and evaluate developments concerning submarine violations of Swedish territory. The task of the commission was to describe and assess the total Swedish submarine defence capacity, and to consider which additional resources might be required to face the submarine threat. The Commission was also given the task of

* For a good critique of some of these notions, see Dov Zakheim's "NATO's Northern Front: Developments and Prospects", Co-operation and Conflict Vol. XVII, No. 4, 1982.

considering whether further amendments to the Ordinance containing Instructions for the Swedish Armed Forces in Peacetime and in a State of Neutrality, due to enter into force on July 1, 1983 were required.

46. To make a long story short, the Commission made it clear that it had been fully confirmed that foreign submarines were in the Hårsfjärden area in early October 1982. It stated that during this period six foreign submarines, three of which were midget submarines of an hitherto unknown character, may have operated in the Stockholm archipelago. The Commission also found that yet another penetration of the area near Hårsfjärden by a midget submarine took place early in November, and that operations by foreign submarines on Swedish territory have continued after the Hårsfjärden incident*. During 1982 a considerable increase in the number of submarine violations took place. Seen over a longer period of time it seems clear that the tendency for submarine activities has been to increase in scope and intensity, with an increasing tendency to penetrate Swedish waters, while operating provocatively. Furthermore, the Commission determined that there had been a tendency to spread the operations to a larger part of the year and a larger part of the Swedish Baltic Coast, including Norrland.

47. The Commission underscored the seriousness and unacceptability of these violations in terms of Swedish security and defence policy, as well as Sweden's policy of neutrality. After a careful analysis of motives, a large amount of observations of various kinds etc., the Commission

* See Att Möta Ubotshotet: Ubotskränkningarna och svensk säkerhetspolitik, Betänkande av Ubotsskyddskommissionen, Stockholm 1983.
concluded that the violations made at Harsfjärden as well as other violations during 1982, at any rate to an overwhelming degree, during the 1980s as a whole were made by Warsaw Pact countries in general and, Soviet submarines in particular*. No observations obtained indicated that intrusions had been made by a submarine belonging to a NATO Country.

48. As Bjøl, among others, has pointed out, within the so-called Nordic Balance, Finland has seemed destined to be cast simultaneously in the triple role of Soviet hostage, attractive model and Trojan horse*. If Norway (or Denmark) were to change her position regarding, say, the stationing of nuclear arms or foreign troops on their territories, the USSR could, and probably would, retaliate by invoking the appropriate clauses in the Treaty of Friendship and co-operation, to which Finland is a signatory.

49. Some good analysis, and a fair bit of tripe has been written about the Nordic Balance. However, that there is something which could be covered under this particular term, slippery though its definition may be, seems to be a fact. It is however, as much a balance of political forces within Scandinavia as it is of demonstrable power. As such it is still a useful concept, regardless of its ability to provide future stability in the North. For the latter, as has already been stated, is as much dependent upon the roles, functions, and political perceptions of the super-powers from outside the region as it is upon the strength of the Scandinavians themselves.

50. Seen from a purely strategic and military point of view the most important areas of the Northern Flank throughout the present decade will continue to be the coast of Norway, the Norwegian Sea, the approaches to the Barents sea and around Iceland. Whoever controls the Norwegian airfields and harbours will, to a large extent, control the region itself.** Seen from the point of view of the USSR, the next best solution to actual possession of these areas would be some sort of neutralization process, which would deny these to U.S. air forces. From several reports, it

seems that such a process, far from having been successful so far, is nevertheless under way in Scandinavia. It is to be hoped that recent territorial intrusions, in Sweden and Norway both, as well as continued objection by, particularly, Norway to any plans of gradual unilateral de-nuclearization of the region will arrest such a process.

51. Events taking place outside the Scandinavian region have, of course, continued impact upon political developments there. Hence events in Poland have been followed quite closely, as have the direction things have taken in Afghanistan. Little by little it is becoming increasingly clear throughout Scandinavia (as well as elsewhere) that the strategic well-being of that region lies in properly identifying its ties with the larger community of interests, and the strengthening these ties where possible.
CONCLUSIONS

52. The European Communities and the Scandinavian states have not been pursuing mutually exclusive or contradictory paths of regional political integration. Rather, these have been qualitatively different forms, resting on quite different key assumptions, which have not been properly examined or understood by many theorists of integration.

53. Integration Theory, as presently constituted, is inadequate—possibly seriously so—when applied to particular case studies outside the European core-area, which seem potentially interesting. Key concepts remain poorly defined and analyzed, hence they hamper the understanding of both institutions and processes.

54. There is nothing particularly automatic or intrinsically 'good' about political integration per se. Rather, its motives and directions should be examined more critically, as already suggested.*

55. Integration Theory by itself has run into the ground. In order to be meaningful, it must be combined with the working knowledge of some substantive activity, something relatively concrete and practical without which it cannot by itself survive. The exodus from the discipline of integration theory testifies to this point. New concerns and new modes of analysis must be brought in.

56. It is suggested that in the above case studies, some appropriate concerns worthy of incorporation in the theory and strategy of integration ought to be security and resource questions.

* See also Nils Orvik's "Integration - For Whom Against Whom?", in Co-operation and Conflict, No. 1, 1967.
57. Whereas existing institutions (The European Community, the Nordic Council, NATO) have been useful, hence successful, they must be constantly reviewed in the light of new challenges, such as the above. A challenge to the European Community is the need to restructure the Community's finances, and to look more closely at certain economic and social policies. New policies must be developed in such fields as energy, agriculture and fisheries, which must be adapted to new realities. With nearly eleven million unemployed, the Community must turn its attention to policies and programmes to stimulate more directly the development of new industries. Similar trends will affect Scandinavia in the future, so new forms of intensive and direct co-operation are needed.

58. Disparities between regions, both on the European continent and within the Nordic areas, call for practical efforts on behalf of governments and private groups. Integration has to be revitalized and made more practical. For certain types of problems it will be necessary to start thinking in regional terms, for others (such as energy and security) in more-than regional terms.

59. The trends towards a rapidly growing trade protectionism and a deepening crisis of world banking require ongoing attention and, possibly, a shift of priorities. Economics and politics (including security) are interrelated, and must be treated as such. This means, in part, redesigning some of the appropriate institutions without removing the basis for their existence, but by allowing them to meet the new challenges facing the international system.
60. Obsolete notions (and institutions) should wherever possible be discarded. Where this is politically very difficult or impossible in a speedy fashion, alternate methods and institutions must be found. This is already being done, but the processes of doing it should be better known and advocated more freely than is presently the case.

61. The key concept of security (including stability, growth and systems survivability) must be widened, continuously examined and promoted.

62. International organizations are tools or instruments for policies designed for the over-all well-being of their member states. They are often and for quite obvious reasons dominated by their larger and most powerful members. If this is blatantly the case, international organizations will cease to function in an optimal sense. However, international organizations are means to an end, not the end itself. Like clothes, they are used for different functions and for different seasons; they protect against cold but are (usually) shed when it is much too hot.

63. Form follows function, therefore our understanding of the limited utility of specific organizations ought to reflect this fact. There is nothing sacrosanct about specific types of organizations or associations, or for that matter about particular organizations, provided they work. And they may not do so forever, hence it becomes necessary to redesign one's environment accordingly. European integration as well as that of Scandinavia, although having been useful and provided various practical, and perhaps some not so practical results, have run dry. New initiatives are needed, and hopefully they will be forthcoming. Larger, and qualitatively different problems will bring about these changes. The question, of course, is very much one of timing. The Alliance, to which references have of necessity
been made, is itself in trouble, some say it has been for many years now. There are however certain additional new factors, which have been discussed above. The rise of neutralism and anti-Americanism throughout much of Europe is itself a bad omen, if leaders, statesmen and politicians fail to deal with it properly. Many of the organizations and ways in which they have been used for shaping the immediate environment have been dictated from peace perspectives. The Nordic Balance, for example, is in this sense a peace-time system. The lingering question which for the moment remains unanswered is: How should the West go about re-orienting itself so as to be able to cope with a new type of situation, of 'next-to-war' scenarios or, as one could call them 'peace crises'? This is of course assuming that there by now exists a general understanding and agreement that this is in fact the more of less precise juncture where the West at this stage finds itself. There are some indications that this may be the case.

Politicians, rather than being able to lead are in fact more often than not led by the public. In a sense this has always been the case in democratic societies with (normally) functioning institutions of political representation. If politicians were ahead of the people in the sense of leading them, there would be little or no need for expert advice by forecasters and pollsters. So there is hope in this sense. What is curiously lacking are the initiatives to correlate the larger notion of well-being, security and survival of the world, to the necessity of undertaking new, and some possibly quite different measures. A good start would be to re-organize some of the basic assumptions concerning stability, growth and system survivability.
Northern Europe has, even during tense conditions of the cold war, been appreciated as a stable, low-tension region. New strategic factors are emerging which change this, and which cut across the Scandinavian and European dimensions of international politics and security.
## KEY WORDS

Scandinavia  
European community  
Strategic factors  
International politics  
Security

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