

Connecting in Europe: The different approaches of the Nordic and the Baltic countries to European integration

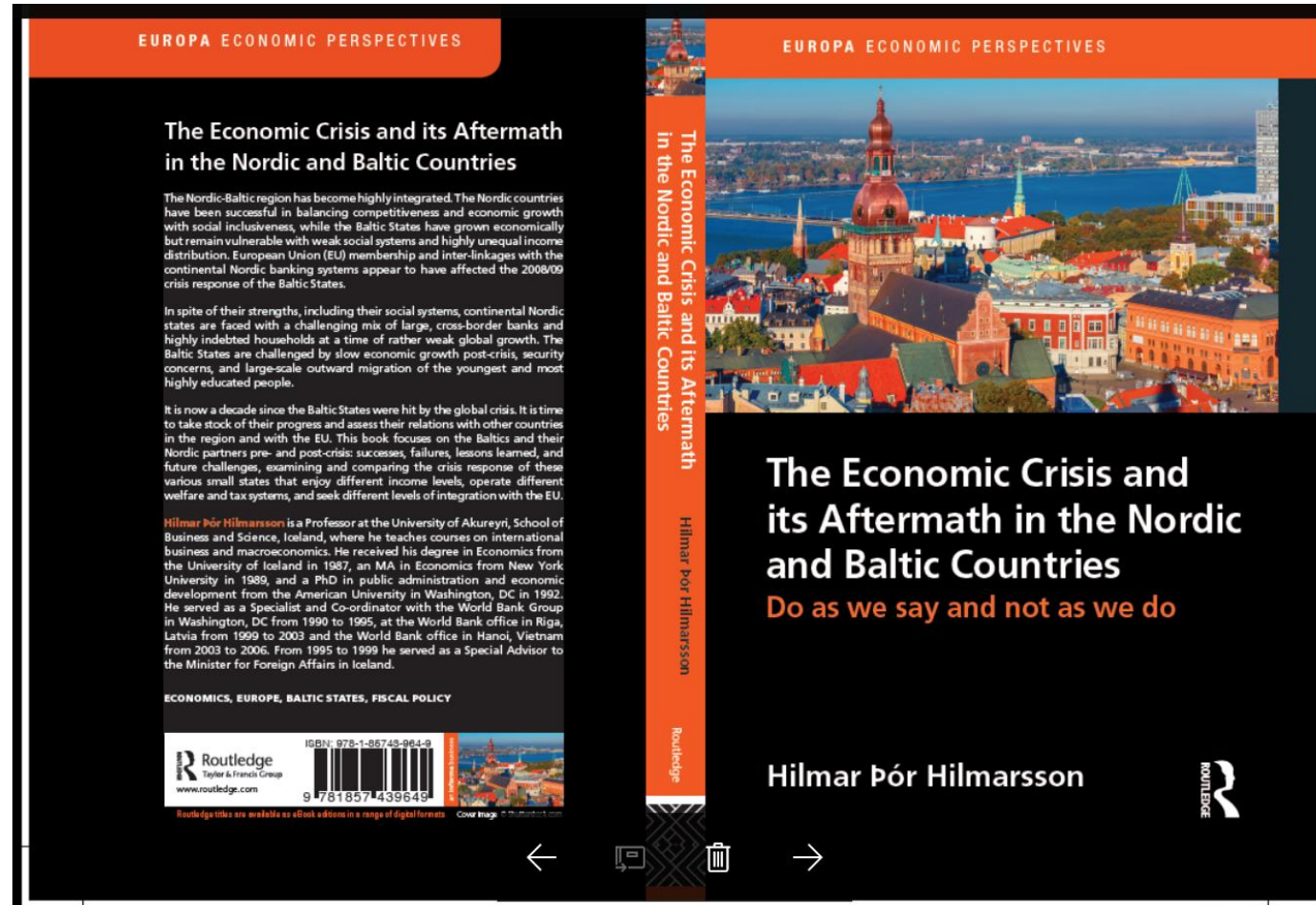
PECSA International Conference
Connecting the European Union of Shared Aims, Freedoms, Values and
Responsibilities

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New book



Introduction

- The five Nordic countries and the three Baltic States are closely interlinked via trade, investment, mobility of people, and banking
- Because of this integration, as well political, cultural and historical ties, they are sometimes referred to as the Nordic-Baltic region or simply the Nordic-Baltic countries
- But can these small countries as a group cooperate more closely and perhaps exercise more collective authority in Europe?

The Nordic-Baltic Region

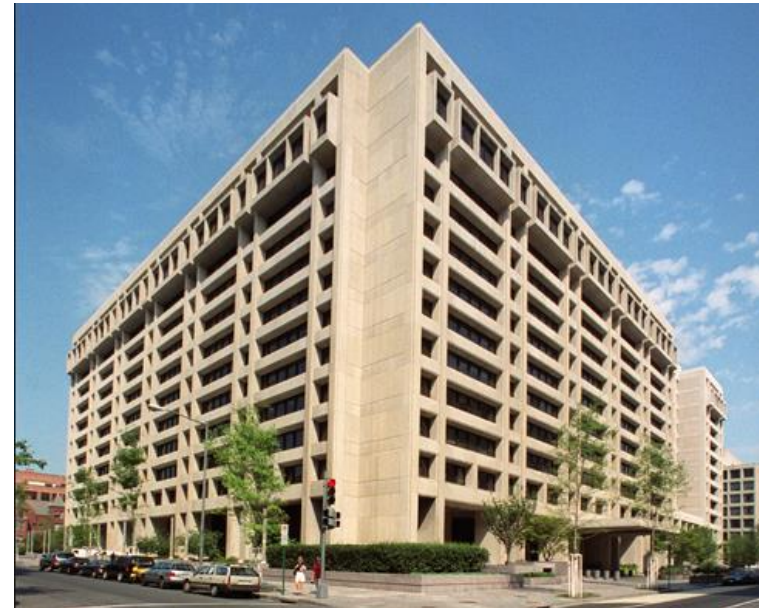


Bretton Woods Institutions

- The Nordic countries and the Baltic States have cooperated successfully in the Bretton Woods institutions, the World Bank Group and the International Monetary Fund

NB8 at the Bretton Woods Institutions

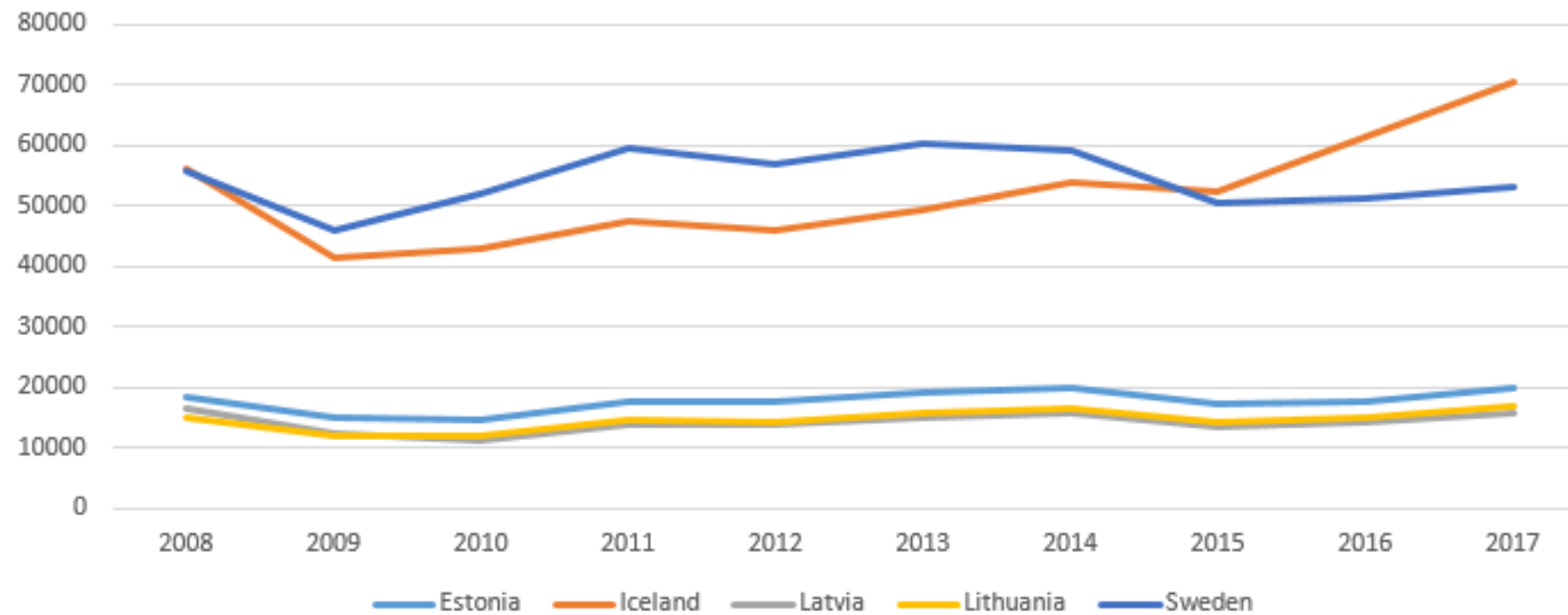
- World Bank Group
- International Monetary Fund (IMF)



Different levels of integration

- All the countries in this group have pursued some form of integration with the European Union (EU)
- All of them are in the European Economic Area and are Schengen member states.
- Six of them are EU member states
- Four of them are also members of the euro area.
- Need access to the common EU market
- Different level of economic development – GDP per capita
- Nordic welfare states vs. neoliberal Baltics

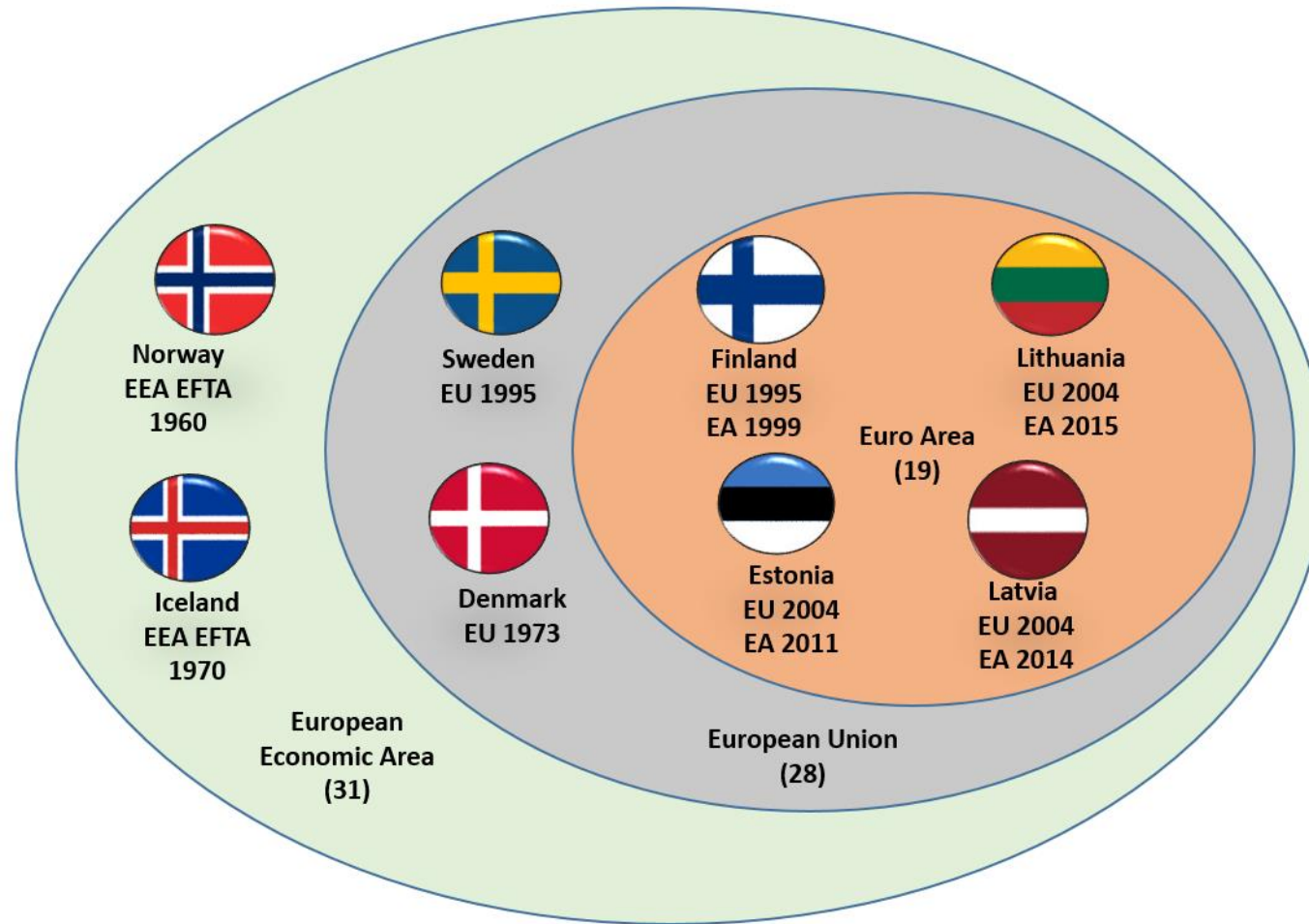
Gross domestic product per capita, current prices U.S. dollars



Theoretical considerations

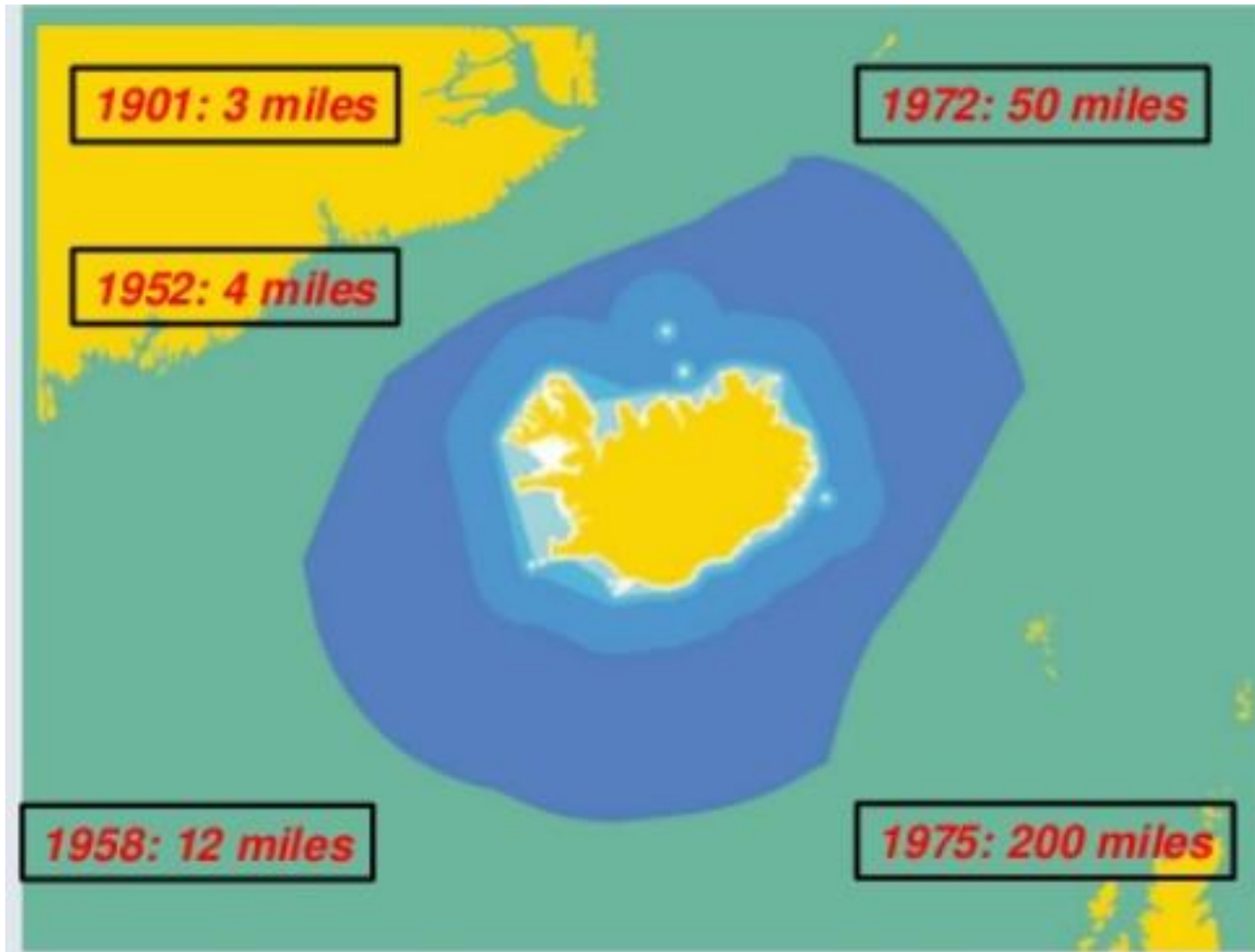
- Gains from trade and economies of scale
- Free trade area, customs union, common market, economic and political union
- System-determining, system-influencing, system-affecting and system ineffectual
- Economics of monetary union

Level of European Integration



The Nordic-Baltic Region





EFTA membership

Table 1. European Free Trade Association (EFTA)^{xx} membership through the years	
1960	<i>Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the UK establish EFTA</i>
1970	<i>Iceland becomes a member of EFTA</i>
1973	<i>Denmark and the UK leave EFTA to join the EEC</i>
1985	<i>Portugal leaves EFTA to become a member of the EEC</i>
1986	<i>Finland becomes a full member of EFTA</i>
1991	<i>Liechtenstein becomes a member of EFTA</i>
1995	<i>Austria, Finland and Sweden leave EFTA to join the EU</i>
Source: EFTA, 2014; Constructed by the author	

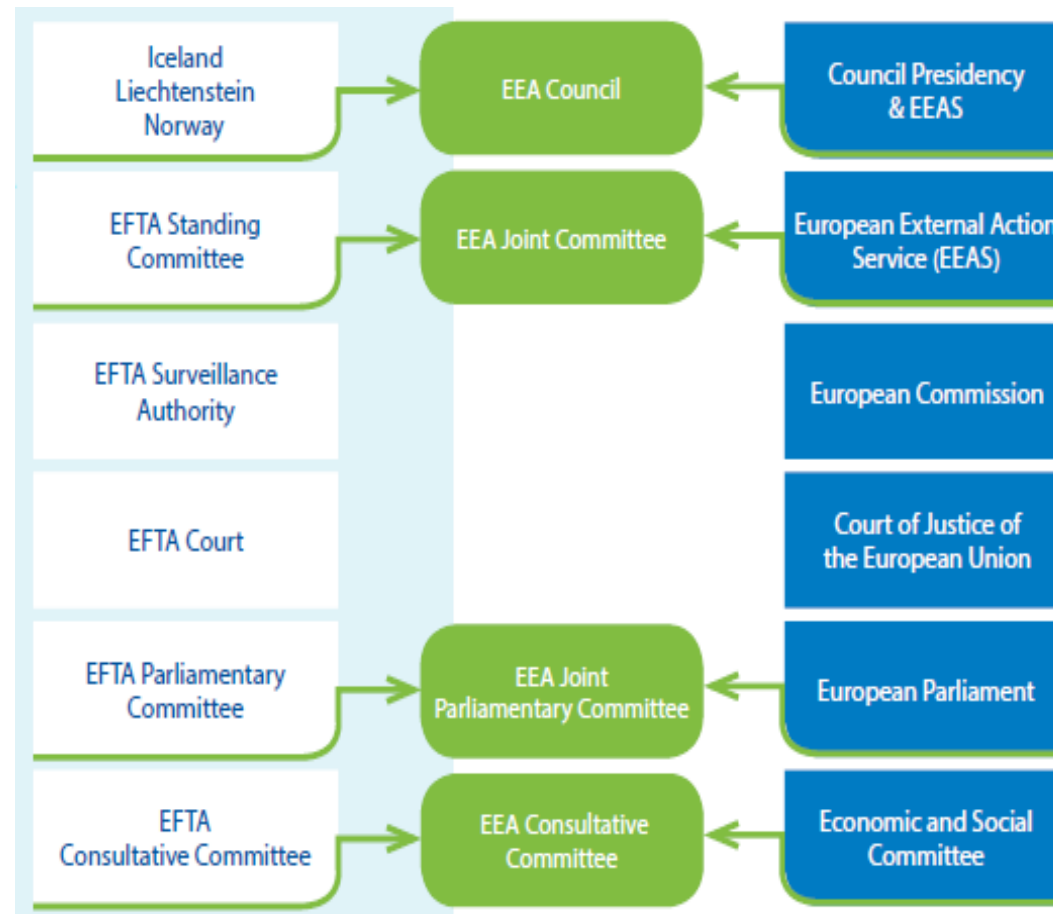
EU membership

1962	<i>Norway, the UK, Denmark and Ireland</i> apply for membership in the EEC.
1973	<i>Denmark, Ireland and the UK</i> become members of the EEC. ^{xxi} <i>Norway</i> rejected EEC membership in a popular referendum.
1994	The Norwegian referendum rejects accession to the EU.
1995	<i>Austria, Finland, and Sweden</i> become members of the EU. ^{xxii}
2004	<i>Estonia, Latvia and Lithuania</i> join the EU. ^{xxiii}
2009	Iceland applies to join the EU. ^{xxiv}
2013	The Icelandic government requests that ‘Iceland should not be regarded as a candidate country for EU membership’ ^{xxv}
Source: Constructed by the author.	

Euro Area membership

1992	Denmark granted opt-outs from participating in the euro.
1999	Finland becomes a member of the euro area and adopts the euro. ^{xxvii}
2003	Sweden decides not to adopt the euro for the time being in a referendum.
2011	Estonia becomes a member of the euro area and adopts the euro. ^{xxviii}
2014	Latvia becomes a member of the euro area and adopts the euro. ^{xxix}
2015	Lithuania becomes a member of the euro area and adopts the euro. ^{xxx}
Source: Constructed by the author	

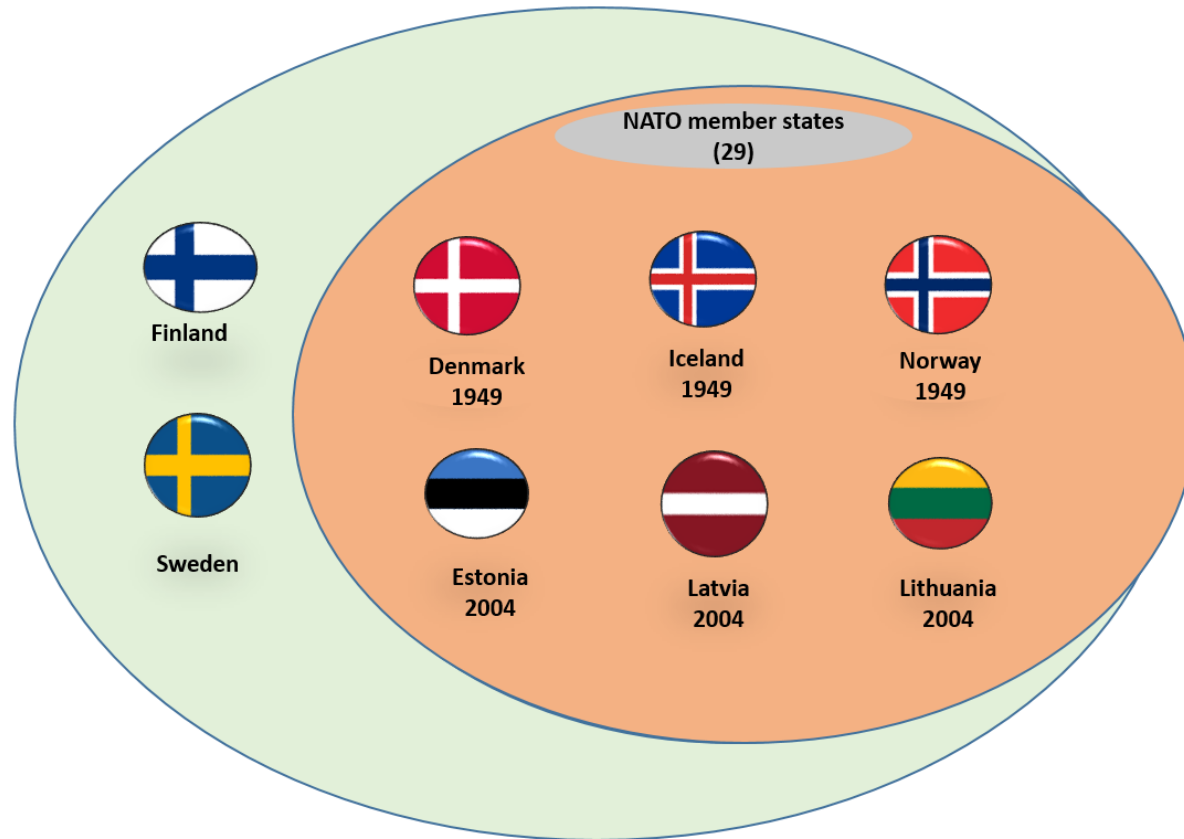
Decision Shaping i.e. EEA EFTA participation in the preparation of new EU law



Security concerns

- EU
- Euro Area
- NATO
- US Reduced military power in Europe
- Russia in Ukraine
- Trump „NATO obsolete“

Nordic and Baltic membership in NATO



Conclusions

- Can these small countries as a group cooperate more closely and perhaps exercise more collective authority in Europe?
 - Systems affecting if united with in EU?
- When it comes to European integration the lack of common approach complicates their cooperation.
- Within this group of countries there are hardcore EU and euro area member states (the Baltics and Finland), EU members (Denmark and Sweden) and EU outsiders (Iceland and Norway).
- Different income levels
- Nordic welfare states vs. neoliberal Baltics

Conclusions

- External threats
 - Security - Russia has divided the Nordics and the Baltics
 - US support for NATO is in question
- External challenges
 - EU and Euro Area economic performance mixed
 - Brexit may affect Iceland and Norway? And the EU?
- Common pathways for the future cooperation in Europe may be hard to find.

Ownership Structure of the Baltic Banking System (IMF, 2014)

Ownership Structure of the Baltic Banking System
(Percent)

