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Nordic Europe after the Brexit Vote

The Five Nordic Countries Are Reassessing Their Relations with the EU

Tobias Etzold and Christian Opitz

The UK's EU referendum is making waves in the Nordic countries. The vote could give a boost to Euro-critical parties across the region. However, it seems unlikely that EU members Denmark, Finland and Sweden will head for the exit in the foreseeable future or that non-members Norway and Iceland will loosen their ties with the EU to any significant extent. Nonetheless, with the UK's exit, the Nordic countries face the prospect of losing one of their key allies within the EU and will be compelled to rethink their positions in and towards the Union. There are already initial signs of adjustment – based on sometimes shared and sometimes divergent priorities. If the five countries are able to capitalise on their commonalities, Nordic cooperation in the context of an EU-27 may well gain traction.

The governments of the EU's three Nordic members – Denmark, Finland and Sweden – reacted to the Brexit vote with profound regret, as did the governments of Norway and Iceland, both members of the European Economic Area (EEA). These five countries face the prospect of losing a powerful ally in future. They all have close political and economic links to the UK, based on common interests. They all count the United Kingdom among their five most important trading partners, and, with the exception of Finland, they – like the UK – are outside the euro area. They are also worried about the potential negative repercussions for their own economies post-Brexit and the prospect of facing an even more dominant euro area. And for non-members Norway and Iceland, Brexit will make it much harder to influence the EU in line with their interests.

By contrast, the Nordic parties on the far left and right of the political spectrum welcomed the British vote, seeing it as affirmation of their own longstanding – albeit variously motivated – antipathy to the EU. Left-wing movements such as the Swedish Left Party and the Danish Red-Green Alliance regard the EU as an undemocratic system that prioritises the demands of a neoliberal economy over workers' rights and the environment.

Right-wing populist parties criticise the EU for what they see as the loss of national sovereignty, especially on migration issues. Timo Soini, leader of the Euro-sceptic Finns Party – and, as Minister for Foreign Affairs, also a member of the government – suggested

Dr. Tobias Etzold is an Associate, Christian Opitz a Research Assistant in SWP's EU/Europe Division. *This paper is published in the framework of the "Research Centre Norden" project, which is funded by the Nordic Council of Ministers.*

that there was clearly something amiss with the EU if a country as important as the UK was looking for the exit. In the wake of the referendum, the Sweden Democrats are calling for their country to leave the EU as well. By contrast, the Danish People's Party is in favour of remaining in the EU – but is seeking to loosen Denmark's ties with Brussels, in addition to the current opt-outs that the country has negotiated in key areas of EU policy, namely Economic and Monetary Union (the euro) and the justice and home affairs pillar. Both parties, along with the Finns Party Youth, are demanding EU referendums in their own countries. Timo Soini – who, as Foreign Minister and party leader, has to strike a balance between his role in government and the party line – is open to the possibility of a referendum after the Finnish parliamentary elections in 2019. However, the other ruling parties in Helsinki dismiss calls for a plebiscite, as do the Danish and Swedish governments.

Polls show that the majority of citizens in the Nordic countries are also opposed to EU referendums. In view of the political chaos unleashed by the Brexit vote in the UK, support for a similar referendum in Finland, for example, has sharply declined. In all three Nordic members of the EU, there is a clear majority in favour of remaining in the EU – some polls put the figures as high as 66% in Sweden and 69% in Denmark – especially in the wake of the British vote. Only 18% (Denmark) and 29% (Sweden) say that they would support Leave. By contrast, a large majority (71%) in Norway opposes accession to the EU; there, the Brexit vote and the EU's current internal problems have further diminished its appeal. The same applies to Iceland (56% against), which began accession negotiations with the EU in 2011. However, the talks were broken off by the Icelandic government in 2014 due to a sharp downturn in support for EU membership following the country's economic recovery.

Nordic Positions in the Negotiations with the UK

As regards the forthcoming exit negotiations with London, the governments of the Nordic EU countries have remained remarkably matter-of-fact. Helsinki, Copenhagen and Stockholm immediately began to focus on defining and protecting their own interests. Just one day after the referendum, the Danish government set up an interministerial taskforce to analyse the direct impacts of Brexit on Denmark. Finland and Sweden adopted similar preventive measures. The key issue in all these considerations are these countries' close links between their own economies and the United Kingdom.

With the economic implications at the forefront of their minds, the Nordic members of the EU have therefore firmly positioned themselves against an overhasty break-up with London. Calls for the British to be punished by decoupling the UK from the EU to the greatest possible extent are firmly rejected. Instead, the Nordic countries are unanimously demanding the closest possible post-Brexit links between the UK and the EU. In Denmark and Sweden in particular, there are increasingly vocal calls for their own governments to play an active role in the talks with London with that aim in mind.

The Nordic members of the EU are therefore likely to adopt a highly pragmatic position in the exit negotiations. Limiting the damage to their trade relations with the UK will certainly be one of their priorities. Indeed, in the view of some politicians, they might even be potential candidates for an informal mediating role, primarily because Denmark and Sweden in particular occupy a midway position between the UK and the rest of the member states in their policy towards the EU. Is such a role realistic? That will depend on how much room for manoeuvre the two countries have on EU policy: both Sweden and Denmark have minority governments with limited scope that face increasingly influential Eurosceptic and anti-EU movements.

Impacts on Nordic-EU Relations

Among the Nordic members of the EU, there is a general consensus that the Union should concentrate, for the time being, on essentials. Priorities should be the deepening of the internal market and the promotion of free trade – which have long been the Nordic countries' main interests in the EU. That includes effective implementation of decisions, less red tape and fewer rules. Another priority is to make the workings of the EU more transparent – another long-standing issue on the Nordic agenda.

In Denmark, there has lately been a hardening of attitudes towards the EU. A cross-party agreement adopted as recently as 2014 stated that Denmark's interests lay in being "as close as possible to the core of the EU". This aspiration was, in effect, abandoned after a referendum in December 2015 rejected a conversion of the Danish full opt-out into a partial opt-in in justice and home affairs. The UK, a like-minded, Eurosceptic partner, and Germany, the Danes' more powerful neighbour, have traditionally been the two lodestars in Denmark's EU policy. But while London is heading for the exit, Berlin is pursuing two major projects which are opposed by all the Danish parties: the strengthening of the euro area, and a common European asylum policy. With its current opt-outs in key pillars of EU policy and an increasingly Eurosceptic party landscape, Denmark thus appears to be drifting back to the EU periphery. Without a strong partner, the country is at risk of becoming more marginalised, especially in relation to the euro area.

In Sweden, too, there is a concern that with the UK's withdrawal, an important counterweight to the euro countries – and therefore influence over "core Europe" – will be lost. As a result, there are increasingly vocal calls in Swedish political circles for the country to become the leading force within the non-euro group. The UK's threatened exit weighs heavily on Sweden when it comes to trade policy. In other areas, however, the absence of this traditional veto player might enable Stockholm to play a more active role in the EU. At the heart of Sweden's EU policy is the vision of a social Europe built around fair and secure working conditions and more jobs for women and young people. Prime Minister Stefan Löfven has already announced plans to host an EU summit on these issues in Sweden in 2017. What's more, Sweden – which, like Finland, is not a member of NATO – is also keen to intensify and deepen the EU's Common Security and Defence Policy. The recently published *Global Strategy for the European Union's Foreign and Security Policy* was welcomed by both countries, which had been calling for this type of strategy for some time.

Finland is calling for reforms in the EU and improvements in its functionality. While not regarding Treaty amendments as necessary at present, the Finnish government does think it is important to work together to produce a clear and resolute vision for the future of the EU, with the survival of the commitment to European integration being Helsinki's top priority in this context. Despite often resurgent criticism of the EU and the euro, Finland is officially committed to its EU membership and makes this position clear. Nonetheless, the debate about a national exit referendum, spearheaded by the Finns Party, is unlikely to die down any time soon. The dynamics of this debate will depend on developments within the EU and the exit negotiations with the UK.

Norway and Iceland see their future within the European Free Trade Association (EFTA) and wish to remain part of the European Economic Area (see SWP-Aktuell 19/2013). Consequently, neither of the two countries' governments considers that anything in their current relationship with the EU needs to change. For Oslo, the EEA Agreement has proved its worth; it is – and will remain – the key pillar of Norway's relations with the EU. Norway has no desire to renegotiate the Agreement and is sceptical about EFTA membership for the UK, which would oust Norway from its current

position as the largest and most powerful country in this group.

For both Iceland and Norway – small economies that depend on fishing and commodities – the EFTA and EEA have proved their worth as an appropriate framework for cooperation with each another and with the EU. Were the UK, with its heavy reliance on services, to join EFTA (an option which could be vetoed by either Iceland or Norway), the nature of the organisation would radically change, possibly to the detriment of the current members. On the other hand, a weighty UK could help to recalibrate the relationship between the EFTA countries and the EU within the EEA framework, creating new opportunities for Norway and Iceland and boosting their influence. The two countries must now attempt to use their limited scope as EFTA countries outside the EU to influence the negotiations on the future UK-EU relationship to their own advantage – also vis-à-vis their Nordic EU partners.

Prospects for Nordic-EU Cooperation

The threatened Brexit poses major challenges for the Nordic region – but it also creates opportunities. The greatest challenge for the Nordic countries is to prevent any decoupling from the euro area countries ("core Europe"). At the same time, some politicians are hoping that Brexit will increase the Nordic influence in the EU. For that to happen, however, the Nordic countries would have to intensify and expand their cooperation within and outside the EU. So far, they have always been keen to avoid forming a distinct regional bloc in EU decision-making, largely because – despite the many overlaps – there are significant differences in their positions on a range of issues. Nevertheless, the governments of the Nordic countries believe it is important and feasible to further deepen Nordic cooperation at the EU level. Indeed, efforts are now under way to improve and expand this cooperation, particularly in relation to the implementation of EU legislation, much of which is binding on EFTA/EEA countries Iceland and Norway as well. Through coordinated implementation of EU directives, the aim is to avoid legal differences that would make it more difficult for their citizens to live and work in the other Nordic countries, for example.

Furthermore, Nordic cooperation could, indirectly, lead by example, showing how pragmatic collaboration can work for all the EU countries. The refugee crisis, for example, triggered unaccustomed tensions between some of the Nordic countries at first, but a new dynamic in favour of integrating the refugees has now emerged in their cooperation. A further beacon of cooperation of great practical benefit – in view of the ongoing digitalisation of Nordic societies – is the creation of a common digital market. In order to exert wider appeal beyond their own region, the Nordic countries should therefore continue to develop their particular model of integration in traditional and new areas alike.

SWP
Stiftung Wissenschaft und Politik
German Institute for International and Security Affairs

Ludwigkirchplatz 3–4
10719 Berlin
Telephone +49 30 880 07-0
Fax +49 30 880 07-100
www.swp-berlin.org
swp@swp-berlin.org

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