

**The Prime Minister of Norway
Gro Harlem Brundtland**

Deutscher Industrie und Handelstag, Bonn, 23 March 1993

NORWAY AND EUROPEAN COOPERATION

Negotiations on Norwegian accession to the European Community will start in just two weeks from today. I am grateful for this opportunity to give you some of the background and the reasoning which led us to the decision to apply for membership, about how we can contribute to our European future, what we hope to achieve by membership, about what we see as essential issues for the future and about the distinctive characteristics of Norway which may become part of the diversity of the Community itself, requiring special care and consideration.

A decision to join the European Community represents a historic milestone for any country. Although we share a common political and cultural heritage, each country has followed its own road to the decision to join.

I shall therefore initially summarize briefly, the process which led to our application. It has been a long process in which many Norwegians have been engaged through a period of learning and debating, not least in my own Labour Party.

Because of our experience in 1972 when a referendum on membership resulted in a slight majority going against joining the Community, an open, participatory process was needed.

In the wake of the 1972 referendum, there was a widespread feeling that the nation needed a period of healing. The debate had been ardent and intense. Many families and friendships had been broken over the membership issue. We knew that it could not be raised again for a very long time.

Norway concluded a free trade agreement with the Community in 1973 and appeared to prosper, enjoying virtually full employment over a long period. Throughout the 1970s, a sense of optimism and self-sufficiency prevailed. Industrial output grew at comfortable rates thanks to favourable circumstances which were already discernible before the referendum. The growth of the petroleum industry provided a solid backbone for the economy and a buffer against cyclical fluctuations in other markets important to us.

The down-side of this period of prosperity was felt many years later when it became clear that we had been postponing many important adjustment measures in our industrial structures.

In the 1980s, with the accelerating globalisation of the world economy, it became clear that a free trade agreement dating

back to 1973 could not alone provide a sufficient framework for future relations with Europe.

The EC responded to the challenges of the 80ies by pushing ahead with the completion of the internal market. In the mid-1980s, this brought the EFTA countries to a crossroads: the internal market was not a challenge in itself - it was the EC response to a new world economy - of which we too were part. Reinvigorated political cooperation within the EC made it increasingly clear that more and more decisions would be taken which would effect Norway as much as they would EC countries. But as a non-member we would have little influence.

The analysis in all EFTA countries was similar: our free trade agreements from 1973 were not sufficient to safeguard our interests. Those agreements were made for a different world economy, not for the one we had already entered. If we were to maintain close trade relations with the countries of the Community - so fundamental for our own welfare - we needed a new approach to cooperation.

This was the background to the report which the Government presented to the Parliament on "Norway and European Cooperation" in 1987. The report offered us the first real opportunity since 1972 to debate our future relations with Europe.

A broad majority endorsed the view that the 1973 free trade agreement was insufficient. A more comprehensive regime of cooperation between EFTA and EC countries was required to give Norwegian enterprises equal access to our most important export markets.

Gradually, the idea of a comprehensive agreement between the EC and EFTA countries emerged. 1989 became an important year. Jacques Delors launched his idea of a wider European Economic Area in January. The EFTA heads of government picked up the challenge in Oslo in March and exploratory talks were initiated in the months that followed. By this time, there was a broad support in the Norwegian Parliament for seeking an agreement which would enlarge the internal market to cover the entire EC/EFTA area.

The work on the EEA agreement became the most comprehensive negotiating process we had ever undertaken. Practically all the EC legislation relating to the free movement of goods, services, capital and labour was incorporated in the agreement, and important issues such as education and research, health, environment and the social dimension were included as well.

National legislation in the EFTA countries was revised and brought into line with EC rules. Naturally, there was already a great deal of convergence between the EC rules and those of the EFTA countries. To the advantage of our economic operators, that similarity is now improved and guaranteed in

the EEA Treaty. We have a level playing field and can invite our business and industry to enter the field.

To make this new system work, institutions were designed aimed at providing for EFTA influence on new EC legislation, for effective control and supervision as well as dispute settlement mechanisms.

The process was met with considerable skepticism in many circles in Norway. Should we now be brought into the EC through the back door? Should we unilaterally adapt? How would this affect us? Why was this necessary? Gradually, more and more people supported our policy.

By and large, the EEA agreement provide an answer to the challenge of the internal market. We regard it as the free trade agreement of the 1990s as it allows EFTA countries to share the common rules which must govern a modern European economy. A parliamentary four-fifths' majority voted to ratify the agreement early last autumn.

Then the EEA Treaty sailed into some stormy weather, but fortunately, die Katze hatte sieben Leben. Securing ratification in 19 countries is not a foregone conclusion. The entry into force of the treaty was delayed after a the Swiss referendum late last year. We now have an adjusted treaty. Parliamentary procedures in many countries must now be completed - we hope - as soon as possible. We all need this agreement. Not only the EFTA countries, but all EC countries as well will gain from it.

There are critics of the EEA who argue that it is likely to become redundant very soon when most EFTA countries join the EC. I disagree strongly with this view. It takes as a premise that all EFTA countries' negotiations with the EC will succeed and that all countries will thereafter ratify the results. I sincerely hope that this will happen, but we cannot take it for granted. Referendums are not a straightforward thing. We saw examples last year which argue for caution in predicting the future. And moreover, we can have a European Economic Area right now, if parliaments move without delay.

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The EEA treaty will safeguard important Norwegian economic and trading interests. There are people and political parties in my country who maintain that the EEA is sufficient in itself and that membership is neither necessary nor desirable.

This is not the view of the Norwegian Government. Our relationship with Europe is not only of an economic nature. It is also a highly political one. Enormous changes have taken place in Europe with the end of the Cold War, the new democratic evolution in central and Eastern Europe, and the movement towards a new, more equitable sharing of responsibilities between Europe and North America.

All countries have had to assess whether current cooperation arrangements are the best ways of meeting the challenges of tomorrow.

We all see our political systems being challenged in a world of growing complexity, where goods, capital, services and information move so quickly around the globe. In order to regain control of many of those forces that could previously be dealt with at the national level, we have to acknowledge that there are important issues that can only be addressed when countries act jointly and when the rules operate at the same international level where the challenges occur.

We are living through a period of uncertainty. The debate over the Maastricht Treaty demonstrates that even the EC countries are uncertain about the course to follow.

Some believe that the Community has the answers to yesterday's problems. They say that the EC has achieved most of the goals defined back in the 1950s. This is partly true.

But should these achievements lead us to conclude that there is no longer a need for closer cooperation? Has the time come to conclude that each state should turn in on itself and concentrate on its own problems?

The answer must be no. Narrowing our vision will narrow our opportunities. All our knowledge and all our experience tells us that the challenges we face in the run-up to a new century requires more cooperation, more solidarity and more joint efforts.

We need to create an agenda for European cooperation which is perceived by people as being the right answer to their daily problems. Much of today's criticism of the European Community is not totally unfounded. In all countries political leadership will face problems if people are unconvinced that their concerns are being dealt with, if they believe that political life is irrelevant to their own futures.

We believe that the Community should move on an agenda to resolve the challenges of the modern industrial society.

- All countries face serious unemployment
- All countries face considerable pressure on their social security systems
- All countries need new investment and to improve their environmental performance.

Finding solutions to these problems requires more cooperation, more coordination of economic and social policies, improved educational systems and coordinated efforts in the field of transport and infrastructure.

With high unemployment and large public deficits in most

countries, there are those who point at seemingly easy solutions and "go it alone strategies". This is not our approach. We strongly believe that there is a need for more - not less - comprehensive economic and monetary cooperation in Europe.

There is no easy way back to stable growth combined with full employment, monetary stability and sound public finances. But we have enough examples of how lack of cooperation and and poor coordination can take us all in the wrong direction.

No matter how strong the political will, there is no single national path to full employment, monetary stability and low interest rates. Our interdependence leaves us with one choice, which is also our greatest opportunity; we must walk that road together. Our main challenge today is to get this message accross more convincingly.

Norway has been increasingly integrated into the European economy. 80% of our exports go to EEA countries. We depend more on the EC market for our foreign trade than most of the EC member states do.

This interdependence is also reflected in the area of monetary and exchange rate policy. The European Monetary System certainly has experienced serious challenges over the past year. However, we feel strongly that in the case of small countries, unilateral exchange rate arrangements are bound to be more vulnerable than cooperative arrangements, underpinned by mutual responsibility and commitments. In 1990 Norway linked the krone to the ECU and signalled our interest in increased cooperation with the EMS.

Our central bank entered into swap agreements with the central banks of Ec member states, and Norway's Minister of Finance held regular consultations on economic development and policy. The pegging to the ECU was in our view useful in enhancing the credibility of our exchange rate policy . However, the institutional arrangements were not sufficient to prevent strong pressure against our currency last fall.

The pressure against the Finnish, British and Swedish currencies led to increased pressure against our krone. After the Swedish Government let their currency float, the Norwegian currency came under attack. In cooperation with the European central banks, especially the Bundesbank, we resisted the pressure for some weeks. Finally the conditions were such that we decided to suspend the ECU peg and let our currency float.

As a small and open European economy, we need a stable and predictable economic environment. The price of turbulence and instability is high, especially for the smaller countries. Today the economies of the EEA area are interdependent. We share the same market. But the obvious benefits from all our economic and political cooperation could be blown apart if we fail to create more stable financial surroundings.

Events since then have confirmed our own view: economic fundamentals did not justify the pressure against our currency. The turbulence clearly demonstrated the arbitrary consequences of instability and speculation. Whereas the currencies of our neighbours have depreciated by up to 20 per cent, the Norwegian krone is down only some 3 per cent. It remains in fact within the previous fluctuation margins. Our reserves have been reestablished and our interest rates have gradually come down.

This experience, however, illustrates the need for firmer economic and monetary cooperation in Europe. Our application for membership of the Community is therefore also based on our wish to contribute in this respect. We see the convergence criteria set out in the Maastricht Treaty as important and as necessary.

For our part, we feel that such an economic policy is important to ensure that we can benefit from a much needed recovery in the international economy. Although well below a European average, our unemployment rate of some 6 per cent is a record high in Norway. Full employment remains the main priority of the Government. No national economy is in balance when large parts of the active population are out of work.

Other indicators are now pointing in the right direction. Price increases were just above 2 per cent last year. Although the VAT-rate was raised by 2 per cent as from January 1 of this year, the price increase is still below 3 per cent. Our budget deficit is just above the target of 3 per cent of GDP set out in the Maastricht treaty. Unlike other OECD countries, the Norwegian government has positive net financial assets. We are among the few OECD countries to show a substantial current account surplus. Our estimate that we will have repayed our entire foreign debt by 1995.

This applicant country, therefore, could become a very healthy member of the Community, a reliable partner whose long-term performance would add to the strength of Europe and contribute to shaping its future.

What then are the other main reasons why we wish to join the Community?

Let me begin with the prospects for closer cooperation on foreign and security policy. Norway is the only of the new applicant countries which is member of NATO. Our NATO membership is supported by a great majority of Norwegians.

Now that Europe is assuming a greater responsibility for its own security, issues which are important to us may be discussed also at meetings where Norway is not represented. This is not only unfortunate for Norway. It means that our experience and North European perspectives could be missing where they would be needed.

Our new status as associate member of the Western European Union will, however, allow us to participate in all the deliberations and activities of the WEU. Still, in the overall foreign and security policy picture of European cooperation, we cannot completely compensate for the disadvantage of not being a full member.

We are the only NATO country that shares a common border with Russia. In addition to the 197 km long land boundary, we share an unsettled boundary between maritime zones and continental shelves stretching almost 2000 km from our coasts and into the Polar basin. Norway and Russia share responsibility for managing important resources and a fragile environment.

During the Cold War, we managed to maintain low tension in this important strategic area. Now, we are venturing into a new and invigorated period of cooperation in Northern Europe. The Barents Region initiative was taken last year. The aim is to expand cooperation between Northern Norway, Northwest Russia, Northern Sweden and Northern Finland. The Barents Region Council has been established, not dissimilar to the Baltic Council which came about not least due to a German initiative.

The Barents initiative will aim at furthering trade, environmental protection, cultural cooperation, transportation and investment in the region. Regional interests and authorities will be given a stronger role in this regional foreign policy.

We are pleased that Germany participated in the founding meeting of the Barents Council together with the EC Commission, thereby demonstrating the importance of this region to Europe as a whole.

Norway has been at peace with Russia for one thousand years. Normal cooperation was severely hampered for seven decades following the revolution. We chose to see these decades as an aberration from the normalcy of contacts and trade which is a part of our common history. Restoration of normalcy will be part of Norwegian, Russian as well as European reality.

By focusing on the North I am saying that the EC may soon comprise Arctic areas, vast and sparsely populated expanses, areas which have their own characteristics which are different from conditions here in Central Europe.

Should Norway, Finland and Sweden all become members of the Community, then the surface area of the Community would increase by 50 per cent.

A new partnership will also require that the EC recognize the special characteristics of the Nordic Countries. They are similar in many respects, but not all.

I shall therefore run through some of the special characteristics of Norway, which are for the EC to consider. The extent to which Norwegians feel they are welcomed into the Community will be decided on issues which are not core issues as seen from continental Europe. These issues, however, will strongly affect the outcome of the referendum on membership which will take place in Norway when the negotiations are concluded.

Core issues for us are fish, energy and regional settlement, including agriculture.

80 per cent of the people of Northern Norway voted against membership in the 1972 referendum. The result must be seen against a background of the region's vital dependence on marine resources. People were afraid that control of resources would pass into other hands.

In these areas, around and north of the Arctic circle, 50 per cent of all local communities depend totally on fish. More than one third of all jobs are directly connected with fisheries, and there are very few alternative forms of livelihood. This far North, agriculture has little potential. Practically no forest can grow there. The basis for industrial activities is far from ideal. "Standort Nord-Norwegen" has fewer options than continental, densely populated Europe. One of the real growth industries, however, is tourism which is increasing at high rates.

Northern Norway faces membership negotiations after having gone through a serious marine resource crisis. The quotas set for cod, which is our most valuable fisheries resource, were down to one-third of historic average only a few years ago.

Through a restrictive, responsible resource management policy, we have managed to restore the stocks which we expect to be back at the historic average in 1996/97. Our fishermen are sceptical because the EC system of resource management has serious deficiencies leading to critical over-fishing with up to 60 per cent difference between official and real catches. This scepticism is not unfounded - even the EC Commission admits in its own evaluation that the EC control regime should be improved.

For Norway, it will be essential to maintain a strict management regime with effective control like the one we have today. We need to ensure maintenance of Norwegian interests in Norwegian and EC waters and to build on today's balanced regime to ensure the rights of coastal communities.

All of you know that Norway is a major energy-exporter to Germany and Europe. Presently about 10 per cent of our oil and more than 30 per cent of our gas is consumed here in Germany. A new gas pipeline will now be laid from Norway to Germany, allowing for increased gas deliveries from Norway.

Over the past two decades, we have developed the petroleum sector into a cornerstone of the Norwegian economy. Petroleum activities account for 15 per cent of the gross domestic product.

Through a system of licensing and state participation we have become a reliable long-term source of oil and gas for Europe and we intend to remain reliable and predictable far into the future. Our petroleum policy has managed to combine a variety of public and private interests, securing profitability, stable deliveries, a high degree of security and strict environmental protection.

There is a great community of interest between Norway and European consumers. The Norwegian continental shelf is open to international energy companies. More than 20 international companies are active on our shelf. The German Deminex is among the companies which have been active in Norway for a long time. Development of Norwegian oil and gas deposits represents an important market for European industry. It is in our interest to have the best qualified companies in the world engaged in these complex operations.

However, even if many of our interests are shared, there are also differences between the situation in Norway, which exports 8 times as much energy as we consume domestically, and in the predominantly energy-importing countries of the EC.

It was therefore with considerable surprise that we learnt last year that the EC Commission was preparing a draft directive for granting of petroleum licences.

Naturally, such a directive would have considerable impact on Norway and little or negligible for most EC countries. We do not view the introduction of this proposal to be an overly hospitable move shortly before Norway might be joining the Community. We do not see the substantial need for such a directive. On the contrary it can do a lot of damage to the image of the Community among people in Norway in the run-up to the referendum.

The final special characteristic I would like to mention is agriculture and the scattered regional settlement pattern in Norway.

First of all, Norway's own agricultural production is unlikely to disturb agricultural trade in Europe. Norway's production amounts to 1 per cent of that of the Community. Only 5 per cent of Norway is arable land. We produce only 50 per cent of our food, which is the lowest figure for self-sufficiency in Europe.

Yields per hectare are on the average half of the level of Central Europe. The growth season is much shorter, and farms are smaller than here.

Agricultural production under Arctic and sub-Arctic conditions will need special consideration by the Community. We need to ensure that all of Norway remains populated and we need a viable agricultural sector in Norway. Neither we nor the EC have anything to gain from a depopulation of rural communities in Norway. On the contrary, a vigorous rural Norway is in everyone's interest. The EC regulations are designed for densely populated areas with good communications and a varied economic base. But there are exceptions here as well, as for example in Allgäu which is not unlike many rural communities in Southern Norway.

Finland, Northern Sweden and Norway would add a new dimension to Europe's agricultural diversity. This should not be seen as a threat but rather as an opportunity for all.

I believe that solutions can be found to the special issues I have mentioned. When the negotiations have been completed it will be for the Norwegian people to make the final decision in a referendum. Presently there is widespread scepticism and uncertainty among people due mostly to the special issues I have mentioned.

If, however, Norwegians feel truly welcome as new members I remain optimistic about the outcome of our internal decisions. But as Wilhelm Busch has said so aptly: Sag nicht bestimmt es wird erreicht. Ein hübsches Wörtchen ist "vielleicht". One should understand the Norwegian cautiousness with regard to international commitment in the light of history and of how a relatively small European nation, fully sovereign only from 1905, has had to move carefully to retain its full freedom. It is rather like climbing a ladder; you make sure that each step will hold before you take the next.

Every experience shows however, that once a decision is taken, Norway can be relied on as a solid partner, fulfilling zealously its obligations. What we need is understanding and good intentions as the diversity of the Community expands to take in the North of Europe. The Nordic countries have more to contribute than our the size of our populations numbers alone indicate. Our political traditions and our economies would strengthen the Community, not weaken it as Europe prepares for the next millennium.