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***The Quiet European: Norway's
Quasi-Membership of the
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The Quiet European: Norway's Quasi-Membership of the European Union

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Despite the opt-outs and mechanisms for closer co-operation provided for in the European Union Treaties and Draft Constitution, European integration is usually addressed as a dichotomy – a state is either in the EU, or not. Given that most exemptions from full participation in the EU are granted or imposed as temporary measures, and that new member states are asked to accept the full *Acquis Communautaire*, this is hardly surprising. After the May 2004 enlargement, most states that do not participate in Economic and Monetary Union or the Schengen arrangement do so not out of choice, but because they have yet to qualify. Yet a limited number of states have sought exemptions from EU initiatives for political reasons, despite otherwise qualifying for participation. This group principally consists of the Sweden, Denmark and the UK with respect to EMU; the UK, Denmark and Ireland with respect to Schengen; and the neutral countries with respect to the West European Union. In two of the three EMU cases this is not a matter of government preferences for non-participation, but rather a matter of the government (and parliamentary majority) failing to secure popular support in referendums. The same holds true for one of the three countries that participate in the EU's Single Market despite non-member status. Whereas the governments of Liechtenstein and Iceland have chosen not to apply for EU membership Norwegian governments have applied twice, only to see their bids rejected in the referendums of 1972 and 1994. The result, for Norway to an even greater extent than for Iceland and Liechtenstein, has been a kind of 'quasi-membership' of the EU. The present chapter explores the evolution of

this semi-detachment, and the implications for both the EU and Norway given their common interests in mutual cooperation.

Differentiated Integration and Quasi-Membership: Outsider Participation in European Integration

If full participation by all member states in all aspects of EU policy is one of the fundamental principles behind European integration, there is considerable scope for exemptions from this rule. The threat of a two-speed or two-tier the reluctant members relegated to a 'slow lane' or even a 'second tier', was a powerful means of putting pressure on the UK during the Single European Act and Maastricht negotiations (Taylor 1989; George 1994). One review of the debates in the early 1990s (Stubb 1996) classified the alternatives as 'mutli-speed', 'variable geometry' and 'a la carte' integration, in which exemptions are based on respectively time (temporary derogations from common goals), space (institutionalisation of some states' exemptions) and subject matter (policy-specific exemptions). By this time Norway and the other European Free Trade Association states had long been accused of attempting to engage in the latter, or 'cherry-picking' the most desirable aspects of European Community membership (Kleppe 1989). However, in most policy sectors where exemptions or derogations have been invoked, their status has been somewhat blurred. There was for example little doubt, even at the time, that the UK's social chapter 'opt-out' would be reversed if and when a Labour government eventually took office. It has even been suggested that the fate of opt-outs may depend more on the nature of the policy in question than the states' preferences (Kölliker 2001). Therefore, despite the legal and symbolic differences between permanent opt-outs and temporary derogations, a degree of ambiguity (deliberately) characterises their practical consequences. Moreover, the boundary between the ad hoc policy deals associated with the a la carte approach and the broader derogations or opt-outs depend as much on size and scope as on degree of institutionalisation. Consequently, it might be more useful to approach flexible integration in terms of policy areas and the mechanisms designed to sustain the exemptions. Philippart & Edwards (1999) accordingly suggest that flexibility is most problematic in the European Community

pillar, sometimes useful in the Common Foreign and Security pillar, and more necessary in the Police and Judicial Cooperation in Criminal Matters pillar. In what follows the implications of flexible integration are considered in the light of the experiences of a country that has transformed flexible integration into the art of the possible, to the extent that Norway is sometimes described as an EU ‘insider *and* outsider’ (Andersen 2000a).

Oslo has taken the lead in developing what may be called a ‘Norwegian method’ of European integration (Eliassen & Sitter 2003; echoing the different methods discussed in Wallace 1996), which consists of indirect participation in European integration short of full formal membership. It can be traced back to efforts on the parts of the EC and the remaining EFTA states to adjust to the accession of the UK, Denmark and Ireland in 1973, but it developed into a more or less coherent strategy after Sweden, Austria and Finland joined the EU as well in 1995. The cornerstone of this quasi-membership is the European Economic Area, which in 1994 secured access to most of the Single European Market for six of the then seven EFTA states (the Swiss government having seen its proposed EEA option defeated in a referendum). As the expectation that most of the EFTA states would join the EU very soon strengthened during the EEA negotiations, the EEA arrangement came to be seen by most participants as primarily a temporary measure. As it turned out, it has become a more permanent arrangement for Norway, Iceland and Liechtenstein, although most political parties in the first two are contemplating full EU membership in the medium term. As Liechtenstein’s size limits the scope for both policy problems and full membership, and Icelandic membership primarily hinges on a deal on fisheries policy, Norway becomes the test case for indirect participation in European integration and the workings of EU quasi-membership. Like Graham Greene’s character, Norway’s involvement in EU affairs is somewhat deeper than it might at first seem. Although Oslo’s strategy might be somewhat more transparent than that of Greene’s protagonist, its long-term viability is as questionable.

The relationship between the EU and Norway rests on three pillars: extension of the Single Market through the EEA; ad hoc arrangements for Norwegian participation in a range of other EU initiatives; and periodical adjustments and adaptations of this relationship to accommodate EU Treaty or Constitutional change. First, the EEA

agreement involves Norway much more closely in the EU than is the case for most other forms of quasi-membership, such as associate, observer or partnership arrangements for the West European Union or NATO. In contrast to other international organisations the EU permits its quasi-members access to its core, although of course not in terms of decision making. Norway, Liechtenstein and Iceland's association with the EU involves a considerable degree of supranationalism. The three states have little or no room for circumventing Single Market rules (with the key exceptions of fisheries and agriculture), or even the Commission's interpretation of these (Graver 2000). They have even created new EFTA supranational organisations (not applicable to Switzerland) to match the role played by the Commission and the Court in the EU system. Second, Norway and Iceland have secured ad hoc or institutionalised participation in several EU policy initiatives beyond those covered by the EEA. The most spectacular of these, in terms of scope and depth, is the Schengen arrangement on passport free travel and associated policies. Norway has also secured some ad hoc participation in the EU's CFSP. Third, and perhaps most significantly, the relationship is dynamic. Although this means that the EEA treaty is upgraded when the EU enlarges, most of the onus is on the three EFTA members unilaterally to adapt to developments in the EU. This means both EU Treaty change, and substantial developments in EU policy such as the 'public turn' in EU competition policy. Hence the suggestion that quasi-membership is both dynamic and asymmetric. Once recent analysis, commissioned by the Confederation of Norwegian Business and Industry, invoked the metaphor of escalators: even 'standing still' entails moving forward; the alternatives are catching up (membership) or walking backward down the moving escalator (Emerson, Vahl & Woolcock 2002).

The dynamic nature of the relationship between the European Union and non-member states such as Norway also reflects the fact that the EU has evolved faster and more extensively than the other European organisations. In this process, it has absorbed several initiatives that were originally designed and operated outside the EU to the extent that one may speak of the 'EU-isation' of other European organisations (Sitter 2003). To the extent that Norway has participated in such arrangements, ad hoc solutions have been required in order to render existing institutional arrangements compatible with the new arrangements. The Schengen initiative to abolish border controls, launched in 1985 when the Be-Ne-Lux states decided to join a Franco-

German initiative, had been linked to the Nordic Passport Union before it was incorporated into the EU in the treaty of Amsterdam (Ahnfelt & From 2001). Norway and Iceland were therefore accorded considerable access to part of the EU system through Schengen. Most of the West European Union, apart from collective defence (Article 5), the WEU Secretariat, the Assembly and West European Armaments Groups, was incorporated into the EU at the Treaty of Nice and new EU political and military institutions have been developed (Oakes 2001). The question of complete integration of the WEU into the EU, and the EU's relationship with NATO is the subject of debate at the current Inter-governmental Conference. Again Norway and Iceland's status raises some awkward questions. However, before turning to the operation of the EU – Norway relationship, the next section addresses the evolution of this quasi-membership.

From Bilateral Arrangements to Selective Participation: Stable Interest in a Changing Context

Both the EU's (the term will be used hereafter when referring to both the EU and its predecessors) preferences regarding Norway and Norway's regarding the EU have been remarkably stable in spite of the former's enlargement and the latter's changes of government. On the EU side this has meant readiness to accommodate a series of Norwegian governments' quests for a degree of participation in European integration within the limits set by two referendums. On Norway's part, most governments have been keen to deepen the country's links to the EU. Even when the government has consisted entirely of Euro-sceptic parties, under Korvald's 1972-73 and Bondevik's 1997-2000 premierships, these minority coalitions have faced pro-integration majorities in parliament. Because the Commission negotiates external association on behalf of the EU, and the agreements have been constituted between the individual EFTA states and the EU as a whole, the two central actors that have shaped the evolution of the relationship are the Commission and the Norwegian government of the day. However, these negotiations have taken place within the broader context of the deepening and widening of the EU. Arrangements negotiated at any particular point in time may therefore become untenable or less attractive over time, even though the main actors' preferences remain relatively stable. To the extent that the

balance in Norway between a pro-EU parliamentary majority and an electoral majority against EU membership changes, however, all bets are off. Until the next referendum, however, the result remains a form of quasi-membership designed to satisfy both EU and Norwegian preferences, and which both sides see as a second-best solution.

The EU's approach to Norway has long broadly reflected its general approach to enlargement. When the UK, Denmark and Ireland applied for membership in 1961, a year after the establishment of EFTA, Norway followed somewhat ambiguously (Frøland 1998). In any case, De Gaulle's veto on UK membership put an end to the debate in January 1963, and again in 1967. It was only after the 1972 referendum against membership in Norway, and the EU's first enlargement the next year, that the issue of how to accommodate a degree of Norwegian participation in European integration became a question of some importance to the EU. A bilateral agreement was negotiated with Norway, as with the other EFTA states, which entailed gradual moves toward free trade in industrial goods and plans to eliminate tariff barriers and quantitative restrictions. As in the Swedish case, this was driven largely by the need to maintain EFTA access to UK and Danish markets and vice versa (Phinnemore 1996). Even at this stage vague provisions were made for co-operation with Norway in other areas of 'common interest', including co-operation on fisheries and exchange rate policy (participation in the 'Snake', but not the EMS), as well as consultation on European Political Co-operation (Kristinsson 1994). This would eventually result in an EFTA – EU multilateral meeting in 1984, which resulted in the initiative to create a 'common European space', the 'Luxembourg Process'. This envisaged multilateral negotiations for each individual piece of EU legislation or program the EFTA states might want to adopt, and was used successfully to secure cooperation in fields such as the education programme ERASMUS. After De Gaulle's departure from the scene, the EU's approach to Norway and the other EFTA states was therefore in line with its general enlargement policy: to welcome new applicants that are European market-based liberal democracies and accept the full *Acquis Communautaire*, particularly when, as in the Norwegian case, they would be net contributors.

Since 1972, most EU member states and the Commission have thus favoured extending the Single Market to the EFTA states (Pedersen 1994; Gstöhl 1996).

However, some member states, notably France, and parts of the Commission, balanced this commitment to enlargement to the EFTA states against concerns that it might dilute the process of integration (Wallace 1989). For some, therefore, an EEA-style solution combined the best of both worlds: extension of the Single Market but avoiding the danger that there might be a trade-off between ‘widening’ and ‘deepening’ if Euro-sceptic states were brought in. The principal parameter laid down by the EU for the EEA negotiations was therefore been that EFTA states’ access should not ‘contaminate’ EU policy or institutions. In terms of decision making the EFTA states would be granted some access to the EU institutions, but no formal powers. They might be ‘decision shapers’, but could not be decision makers (Blanchet, Pipponen & Wetman-Clément 1994). This insistence on maintaining the integrity of the EU system went further than the Commission anticipated, as the European Court of Justice threw out the original agreement’s plans for a common EEA-EFTA court (Gstöhl 1996). In short, the EU has been sympathetic to the EFTA states’ quest for closer cooperation in the light of constraints imposed by neutrality or domestic electoral majorities against membership, but has prioritised the integrity of the EU system.

On the Norwegian side, the governments’ approaches to participation in European integration have been the product of the somewhat paradoxical combination of marginal popular majorities against EU membership in 1972 and 1994 and a seemingly permanent pro-integration parliamentary majority (Sogner & Archer 1995; Madeley 1998; Midtbo & Hines 1998). Perhaps even more paradoxically, Labour and the Conservatives’ loss of their joint parliamentary majority in the 2001 election has been followed by a significant shift in public opinion in favour of EU membership (although whether this is sustainable is of course hotly debated, *NRK, 15 March 2003*). This reflects the multi-dimensional patterns of political competition in the Norwegian party system. Euro-scepticism is aligned with both economic and cultural/territorial cleavages, as well as foreign policy, thus cutting across the main left-right dimension in Norway – socio-economic competition between Labour and the Conservatives (Rokkan 1966; Sitter 2001). Consequently coalitions or minority governments led by the two main parties have been constrained by their need for support from Euro-sceptic allies.

Opposition to European integration in Scandinavia is often discussed as a matter of interests versus values (Petersen, Jenssen & Listhaug 1996; Sciarini & Listhaug 1997; Saglie 2000). In Norway, both have formed the basis for opposition to European integration. For the 'centre' parties that emerged from the Nineteenth Century Left (the agrarian Centre Party, the pietist Christian People's Party and the Liberals) democracy meant not only rule by the people, but rule by the *Norwegian* people. The old opposition to central rule from Stockholm during the 1814-1905 Union has been translated into opposition to central rule from Brussels, compounded by a perceived threat from the EU to the country's 'moral-religious heritage' (Madeley 1994; Nelsen, Guth & Fraser 2001). Moreover, Euro-scepticism also draws economic interest, particularly in sectors that face uncertainty or decreased subsidises if exposed to free trade and competition. This is primarily a matter of subsidised regions ('district policy'), agriculture and fisheries, although the loss of East European markets with EU enlargement raises difficult questions for the latter, and to some extent the public sector. Euro-scepticism has also played a defining role for the Socialist Left, where opposition to 'western' arrangements has been translated into opposition to both Atlantic military integration and European economic integration but not international co-operation as such (Christensen 1996; Geyer & Swank 1997). So far, this has been less relevant than centre party opposition because Labour has excluded the Socialist Left from coalition politics, but this is set to change with the 2005 electoral campaign. On the far right, the Progress Party has shifted between advocating membership and a more ambiguous stance, the attraction of the EU being that it is seen as more free market oriented than Norway. For the Socialist Left and the Centre Party, the EEA arrangement is considered a less desirable solution than a bilateral arrangement, and only the Christian People's Party has endorsed the EEA as an ideal solution.

The pro-integration stance taken by the Conservatives and Labour is almost a mirror image of the bases for Euro-scepticism. The right has always favoured free trade and European integration, as has the Labour leadership. This is rooted in economic liberalism and European social democracy respectively, as well both parties' regarding European integration as generally favourable to the economy (Wallace 1991; Nelsen 1993). The WWII experience and the Cold War contributed to strong links with Western Europe (particularly the UK) and the USA, and the Labour leadership has consistently shared the Conservatives' preferences for participation in

Western economic and security structures. The two pro-European parties long maintained a seemingly permanent parliamentary majority. Since the 2001 election, however, this now depends on the Progress Party, which remains ambiguously favourable toward EU membership. However, partly because of the danger of haemorrhaging votes to the far right and left respectively, the Conservatives and Labour have been reluctant to engage in a 'purple coalition', and both therefore rely on support from the Euro-sceptic centre in coalition or minority governments. However, both are indicating that they will not be prepared to repeat the current centre-right governments arrangement, which features a 'suicide clause' to prevent the Conservatives placing the membership question the agenda, in 2005. Hence the stability of Norway's somewhat paradoxical aggregate preferences, ruling out membership but favouring closer integration. The caveat is that this is likely to play out very differently in the run-up to and after the 2005 election, and that both the Christian People's Party and the Socialist Left face increasing pressure to drop opposition to membership in favour of longer term coalitions with respectively the Conservatives and Labour. The Labour government's response to the Single European Act was therefore, unsurprisingly, a parliamentary report (*St. meld. nr. 61, 1986-87*), which "can hardly be interpreted otherwise than as an intention to adapt as far as the domestic political situation allows" (Saether & Knudsen 1991:183).

Commission President Jacques Delors' invitation in January 1989 for the EFTA states to negotiate a common European space with the EU therefore fit both sides preferences. Amazingly, the EFTA states cobbled together a joint strategy and institutional framework for negotiations within two months. Both Norwegian Labour and centre-right governments pursued this with a view to full access to the Single Market and influence on decision making. Although Delors' vision held out the promise of access *and* influence, the EEA system that resulted guaranteed only the former. The treaty granted the EFTA states full marked access (except for fisheries and agriculture) and required full acceptance of the relevant EU legal system, *Acquis* and market regulation principles, but only provided for limited participation through 'decision shaping'. The EFTA states are involved in legislative discussions and drafting, though only through the Commission and the Council Presidency (Blanchet, Pipponen & Wetman-Clément 1994). The fall of the Berlin Wall in November 1989 changed everything. In the middle of the process, radical changes in geo-political

realities prompted most EFTA states (including Norway) to apply for full membership even before negotiations were completed. Neutrality was no longer an obstacle for Austria, Sweden or Finland. This resulted in even more fully fledged market integration, because the EEA treaty was now seen only as a temporary measure. Although the Norwegian 'No' vote ensured the EEA's status as a semi-permanent instrument for Norway, Iceland and Liechtenstein, the asymmetry between the EU Fifteen and the EFTA Three became even more pronounced (Eliassen 1996). Moreover, the EEA institutions were designed to fit the EU of the early 1990s, but hardly to adapt to the inevitable changes in the EU (Müller-Graff 1999).

The EEA agreement therefore constituted a second-best compromise for most of the actors involved, and the central pillar in the EU – Norway relationship. The Commission, and most EU member states would have liked to see Norway join. The Conservative Party and most of the Labour leadership (in office as a minority government, 1990-1997), shared this preference. The Centre Party and the Socialist Left rejected even EEA membership, and then Prime Minister Brundtland later (1998) argued that the only real support she got for the EEA came from the Christian People's Party leader, Bondevik. Nevertheless, despite this widespread criticism, the EEA compromise enjoys majority support in the Norwegian parliament and public opinion. The two other pillar in the EU – Norway relationship have drawn far less public attention, even if salient matters such as Norwegian participation in EU military or security missions and opening for foreign courts' arrest warrants being applicable in Norway has raised some debate. The ad hoc arrangements for participation in specific EU initiatives (the second pillar of the relationship), perhaps best termed 'buy-ins' given the costs they entail, enjoy broad support among the relevant professional communities, industry and the civil service. The third aspect, or pillar, of this relationship, Norway's continued adjustment and adaptation to the EU's evolution, is becoming somewhat more controversial. It is sometimes argued that, in some cases, non-member states experience greater pressure for change in their domestic policies or institutions than do member states (Egeberg & Trondal 1997, 1999; Kux & Sverdrup 2000). With the EU's eastern enlargement and the constitutional Convention, the consequences of quasi-membership have become increasingly controversial. It is to these consequences that the next section turns.

Quasi-Membership in Action: Slow Movers in Fast Convoys

It is sometimes said that the EU, like a wartime convoy, moves at the pace of the slowest member. Stretching this metaphor, is it the cases that slow moving vessels or states that are not formally part of the convoy, but seek its benefits, are under particular pressure to keep up to speed? And does this affect the ‘convoy’? The present section addressed the developments and operation of the relationship between the EU and Norway, in terms of the Single Market, flanking policies and Monetary Union; the EU’s initiatives pertaining to Justice and Home Affairs, including the Schengen arrangement and current counter-terrorism initiatives; and its Common Foreign and Security Policy and defence identity. How far has Norway been able to penetrate the EU system, what are the limitations and what is the most likely development of the relationship between Norway and the EU in the future?

The European Economic Area has been, is and will be the cornerstone of Norwegian involvement in European integration, and the government’s assessment is that “it has met the expectations set out in the treaty” (*St. meld. nr. 27, 2001-02*). The deal entails comprehensive membership in the EU’s Single European Market, and most Norwegian parties consider a well-functioning EEA an essential prerequisite for Norway not applying for full membership of the EU. From the EU side the arrangement is generally seen as a solution that offers too much to Norway, a deal that was possible because it was negotiated when the EU believed that all the EFTA countries would become full members and that the EEA would just be a temporary measure. Enlargement of the Single European Market was, of course, both for the EU and the EFTA countries, the key motive behind the EEA agreement (leaving aside the broader political goals of extending European integration), and this is perhaps the aspect of the EU – Norway relationship that has worked best. The cornerstone of this arrangement is the requirement that Norway accept all new relevant EU Internal Market legislation, and that this, including the full EU competition policy regime, is satisfactorily supervised by the EFTA Surveillance Authority (ESA). So far, minor problems notwithstanding, Norway and the ESA have ensured that the EEA operated according to Single Market rules, and the arrangement has been a great success from both the EU and Norway’s point of view. The big question is if Norway will remain able and willing to accept all the new relevant EU legislation in the future, and

whether ESA (which is even smaller relative to an EU of twenty-five) will be able to guarantee equal treatment of all companies in the three EFTA countries.

Nevertheless, under the EEA arrangement Norway has seen much better economic development over the last decade than the EU average. The Norwegian North Sea oil wealth is an important, but not the only, explanation for this. In contrast to some of the dire predictions in the run-up to the 1994 referendum, the Norwegian economy prospered during the second half of the 1990s. In most sectors, the differences between the EEA and EU arrangements for trade in the Single Market are minor. In several respects, Norway has even outperformed the EU. Interest rates have fluctuated, but have with some lag followed the Euro-zone. The government debt was eliminated, the foreign trade surplus grew, non-petroleum industrial investment increased and business did not emigrate to the Euro-zone. To be sure, the economic slump in the opening years of this century also hit Norway, but less severely than most of the EU member states. Unemployment in Norway stand (relatively stable) at the end of 2003 at around five percent, about half the EU average. This can be put down largely to the relatively tight fiscal policy pursued in Norway – even in the face of the temptation to use more oil money – and the fact that under the EEA arrangements the ‘No’ vote did not affect economic or monetary policy dramatically. In fact, a large degree of convergence between Norway and the Euro-zone in terms of monetary policy has taken place despite the lack of a formal relationship (Tranøy 1999).

However, although it is sometimes argued that the form of Norway’s association with the EU is not of great significance in terms of economic policy because the two are developing in the same direction in most sectors (Claes & Tranøy 1999), this understates the constraints under which Norwegian policy makers are operating in the economic field. The price for access to the Single Market is accepting EU market regulation and competition policy. In terms of the free movement of goods, services, capital and labour there is therefore little difference between the EEA agreements and full EU membership, and the EEA competition policy regime has brought a degree of supranationalism to an otherwise intergovernmental agreement. The EU system has developed significantly since the EEA came into effect in 1994, and the EEA states have been obliged to accommodate these changes, more or less unilaterally. The EEA

has therefore come to provide a more extensive framework for Norwegian public policy than was foreseen. A number of areas thought not to be affected by the treaty have since been found to have an EEA dimension, from differentiated employer taxation and subsidised governmental housing loans to merger control in the banking sector and municipal property development. Although Norway has perhaps adapted less to EU competition policy than most EU member states, it has partially adopted the EU's 'prohibition approach' and remains under pressure to follow EU states in adapting fully to the enhanced EU system of free movement and free competition (Guthus 1999; Bue 2000). Moreover, the extension of the Single Market and competition policy to the public sector and utilities has considerable consequences for Norway. In case of telecoms and energy, EU rules have accelerated liberalisation processes that were underway in Norway (Hammer 1999; Andersen 2000a). Although telecoms liberalisation ran ahead of the EU's schedule in the early 1990s, EU driven-liberalisation ensured that the momentum was kept up when Norway began to fall behind in the second half of the decade. Inasmuch as the EU regime has set the parameters for reform, it has shaped the form of liberalisation in Norway.

Unsurprisingly, however, there is little or no evidence of EU influence over agriculture and fisheries or regional and district policy. Here the 1994 'No' vote clearly shaped policy, largely because Norwegian preferences differ considerably from those of the EU and the EEA agreement was designed to accommodate this. In the agricultural sector the key points of divergence are subsidies and protectionism. The external pressure for reform therefore comes from GATT/WTO rather than the EU (Veggeland 1999), and this is set to strengthen with the new round of WTO negotiations. Here Norway finds itself aligned on the same 'side' as the EU, as well as Switzerland, Japan and Korea. As far as fisheries is concerned the central problems relate to access to waters, management of fish stocks, subsidies and trade barriers against refined fish products, although Norway has adapted to the EU on quality control and production. In neither case is there much pressure for change toward closer alignment with the EU. Likewise, Norwegian regional (or 'district') policy has survived relatively unscathed under the EEA, although the basic principles had to be adjusted to the EU logic of regional aid, accepting investment but restricting direct and indirect (e.g. tax) subsidies. However, in recent years it has become apparent the EEA agreement has restricted that permitted instruments for Norwegian regional

policy much further than originally thought. This is partly due to the expansion of the logic of free movement and removal of all hindrance to this within the EU/EEA.

The EEA agreement incorporates a range of ‘horizontal and flanking policies’ that complement the Single Market, including environment policy, social policy, consumer protection, company law, research and technological development, education, small and medium-size enterprises and the audio-visual field. Here Norway’s transposition and implementation of EU law has largely been in line with domestic developments. Despite the myth of high Scandinavian social and environment standards, the EU regime has therefore by and large strengthened the Norwegian regime, by way of codification of existing standards (Hagen 1999:125). The EEA regime ensured that no reduction of environmental standards was required, and since 1995 domestic environment policy has been tightened through new EU legislation. In all the ‘horizontal and flanking’ cases, the coincidence of EU and Norwegian preferences has ensured that the actual policy effect of quasi- rather than full membership has been limited in terms of content. In addition Norway has (as far permitted) bought into a whole range of EU programs from SME support and research to education and culture.

The EEA arrangement has imposed limits on Norwegian public policy that have become increasingly salient in the last few years with the rise in the number of issues that are covered by the agreement but where Norwegian governments take a stand that is incompatible with, often newly developed, interpretation of EU law. Although the number of controversial questions have been kept to a minimum under Labour and centre-right governments, the Euro-sceptic Liberal-Centre-Christian People’s Party minority government led by Bondevik (1997-2000) clashed with the EU over on a several issues such as food additives and genetic patenting. This has to some extent continued in the last few years, under the Liberal-Conservative-Christian People Party minority government, but the need to maintain the total equivalence between the EU Internal Market and the EEA has kept disagreement at bay. The potential that new policy developments may jeopardise the whole precarious arrangement was illustrated in the spring of 2001, when the EU threatened to suspend the transport chapters of the EEA over Liechtenstein’s transport policy. Although the suggestion that the EFTA Surveillance Authority has forced Norway to be ‘more Catholic than the Pope’ has

proven an exaggeration (Graver & Sverdrup 2002), there can be little doubt that the ESA's surveillance has affected Norwegian public policy. Successive administrations have often found themselves addressed by the ESA because they failed to take account of the EEA dimension of a raft of questions that they presumed excluded, from regional aid through tax incentives to university positions reserved for female candidates.

In the early 2000s policy questions have emerged as a more substantial problem than previously expected, often causing more pressing problems than adapting to specific new EU legislation. These problems have been exacerbated in the period since 1994. Part of the reason lies in a combination of limited policy coherence and somewhat inexperienced personnel (Statskonsult 2002). Compared to the immediate post-negotiation phase, when the objectives were far clearer, Norway's current policy towards the EU lacks a unified approach. Officials in charge of EU dossiers have less experience in day-to-day dealings with the EU today than was the case five years ago, when the civil servants who had negotiated the EEA treaty and terms of EU membership still retained overall control over EU issues and policies. Most Norwegian representatives have limited experience with and knowledge of EU organisations such as committees, and the Commission is taking an increasingly formal approach to the EFTA states and reducing their access to comitology (Statskonsult 2001).

Moving beyond the EEA arrangements, economic and monetary policy offers the clearest case of the informal aspects of the Norwegian method of integration. Although Norway took part in the 'Snake' it stopped short of participation in the European Monetary System in the 1980s and governments remain reluctant to join fixed-rate regimes. Despite meeting the Maastricht convergence criteria, the combination of a comparatively small manufacturing base and the large role played by oil was always going to complicate this relationship (Barnes 1996). EMU membership therefore represents a greater potential problem for Norway than for most member states, given the volatility of world oil markets and different cyclical requirements of oil- and non-oil-based economies. Nevertheless, despite the limited rule-driven convergence, monetary policy has increasingly been aligned with that of the EMU in terms of goals and practices (Bergo 1999; Tranøy 1999). Because

Norway has always prioritised stable exchange rates with respect to Europe in the interest of domestic industry, despite the oil economy's exposure to the Dollar, future volatility in the Euro – Krone relationship could increase the pressure for Norwegian EU membership. This became very clear in early 2003, when the value of the Krone increased substantially compared to the Euro, generating major problems for Norwegian industry. At the same time the popularity of EU membership in the population increased sharply. The strong Krone was partly a result of a much higher interest rate in Norway than the Euro-zone, and steep reductions in the interest rate brought Norway more in line with Europe and reduced the pressure on Norwegian competitiveness. At the same time, it brought the Yes/No ratio in the polls back to a slimmer Yes majority. In this case Norway retains some element of independence by staying outside the EU, or rather the single currency, but more in terms of timing and minor interest rate level discrepancies than substantial monetary policy differences.

Perhaps the best example of the limits to Norwegian choices in its relationship with EU as an outsider is the Schengen agreement to remove barriers to travel between member states. The other Nordic states joining Schengen made it impossible to maintain the Nordic passport union unless Norway and Iceland signed up to Schengen too. The status quo was therefore no longer an option. Although other Nordic states were keen to maintain the arrangement, Norway was unlikely to be able to prevent them from joining Schengen. Events were clearly beyond Norwegian control, and opened for a debate on more extensive co-operation in the fields of justice and police, including the relationship with Europol. Moreover, because the Amsterdam Treaty incorporated the Schengen Agreement into the EU framework Norway and Iceland's arrangement were rendered inoperable before they could even enter into effect, thereby providing a clear case of the EEA states' need to unilaterally accommodate EU changes (Andersen 2000b; Ahnfelt & From 2001). After the Amsterdam Treaty Norway once again found a solution that involved adapting to further European integration, by securing access to the Schengen decision-making system and applying the its rules. This brought Norway inside deep the EU decision-making system for the first time, by allowing the EU Council of Ministers to sit as a Schengen Council when discussing in 'Schengen relevant' cases to change. This Common Committee system even applied to the working group level, where Norway's lack of formal voting rights in the Council is of less consequence. This very special solution was only possible

because of the history of the Nordic passport union and the Norwegian and Icelandic membership in Schengen prior to the inclusion of Schengen in the EU at Amsterdam.

The development of the EU's JHA initiatives since Amsterdam illustrates the best and the worst of European integration, from both the EU and Norwegian perspectives. Norway has secured full access (minus voting rights) to Schengen, but officials express frustration over what is sometimes seen as a narrow interpretation on the part of the EU (in effect the Council's Legal Service) of the scope of Schengen within the JHA, particularly with respect to police and justice cooperation (title IV). Here the EU's efforts to combat terrorism and organised crime generate much professional interest in the Norwegian administration. Some sectors of Norwegian administration would also like to use the Schengen membership as a tool for broader involvement both in JHA and other fields. But at the same time EU expressed frustration that Norway neither recognises the full extent of the privilege it (and Iceland) has been granted, nor takes full advantage of it through actively pursuing cooperation activities outside the formal legal structure of the Schengen institutions. Oslo is seen as sending mixed signals regarding policy preferences and willingness to extend cooperation in what is a rapidly changing field especially since 11 September 2001.

Turning to foreign policy, security and defence cooperation the future development of EU policies is of major importance to the relationship between Norway and the EU. As a founding member of NATO, associated member of the WEU and with a strong support for military cooperation both across the Atlantic and in Western Europe, Norway finds itself in a very difficult situation with the gradual development of an independent EU defence policy. Even the Euro-sceptic centre parties have traditionally been keen on involvement in Western international military cooperation. Thus, a well functioning CFSP and the EU as a European 'leg' in NATO could generate pressure for a Yes vote, even in the Norwegian Centre Party. Yet, until 2000 there was scant evidence that Norway was responding to the end of the Cold War and changing military and security realities of the 1990s, and the distance between Norwegian and EU security policy was greater than at the beginning of the decade (Archer & Sogner 1998; Sjursen 1999). While the EU's post-Cold War approach to security and defence has entailed a significant amount of new thinking, the Norwegian defence debate only started to move toward a serious review its implication

for EU membership in the last years. This is rooted partly in the perception that Norway is a 'different country', in terms geopolitics and/or international profile. However, even in the narrower terms of Nordic security concerns, Norway is finding that her non-NATO neighbours are increasingly addressing regional concerns through the EU institutions and frameworks. Thus, even in the absence of membership, the EU's security and defence agenda represents a challenge. Norway is 'buying in' to participation in the EU's Defence Identity and military force, and is participating in broader security initiatives and efforts to combat international terrorism and organised crime, but is consigned to associate status. Although successive Norwegian governments have been at liberty to circumvent much of the EU's foreign and security policy defence debate for some time, this debate is becoming increasingly salient as the pace of developments on the EU side contribute to the country's marginalisation.

Conclusion: Some Reflections on the Viability of Differentiated Integration and Quasi-Membership

"Outside the EU, Norway will become a vassal-state" (Jagland 2003: 140). Thus read perhaps the most controversial of former Norwegian Labour prime minister (1996-97) and current head of the parliament's foreign affairs committee's 'ten theses on Norway and the EU'. The debate in Norway is heating up, with a view to the 2005 election. Yet, as External Relations Commissioner Chris Patten (2001) has made clear, at the same time the EU's patience with, or at least spare capacity to deal with, tailor-made arrangements is decreasing as the focus shifts to managing deepening and widening of the Union. Or, as per the political head of the Norwegian Foreign office: the Commission has appeared 'less flexible and more legalistic' recently (Traavik, 2002). This sums up the Norwegian dilemma, and the wider dilemma of differentiated integration and partial participation: quasi-membership of the EU entails ever-closer cooperation, and the advantages of the supposed discretion that such arrangements entail shrinks with the deepening and widening of the EU.

The first challenge is associated with the deepening of the EU. Although the EU as a whole is generally pleased with Norway's performance, it shows little interest in

developing this system much further to accommodate deepening of European integration. The EEA and Schengen systems are static compared to the very dynamic developments within the EU, and they are perceived as particularly favourable to the EU's quasi-members. Both arrangements are becoming ever smaller parts of the 'whole', and this is particularly evident when the EU moves into new areas such as counter-terrorism. With respect to both arrangements it is clear that if Norway were to fail to implement new relevant legislation, the whole edifice might collapse. In other rapidly developing areas such as foreign, security and defence policy, Norway has no hope of securing anything like a Schengen-type arrangement, but is often permitted participation in individual initiatives after they have been elaborated, decided and launched. Moreover, despite the general desire for participation on the part of the government, parliament and officials involved in the justice, security and defence sectors, the overall Norwegian strategy is not always clearly developed, let alone communicated, and the EU side justifiable questions whether Oslo realises and is prepared to accept the full implications of ad hoc participation in any given initiative. The danger from the Norwegian pro-EU side's point of view, is marginalisation in international affairs, or, in Jagland's words, "the death of Norwegian politics" (2003: 160).

The EU's eastern enlargement, or widening, makes up the second element of the challenge of the future and the dilemma of quasi-membership. This is not simply because the EU's focus shifts, or because awareness of the EEA system is even lower in the new member states than among the EU fifteen. Liechtenstein's insistence on all new EEA members' recognition of its historical sovereignty, and the implications for the compensation questions related to post-war expulsions of ethnic 'Germans' from Czechoslovakia, threatened to hold up if not derail the EEA enlargement process for weeks in the autumn of 2003 and apply illustrate^{4d} the precarious nature of the agreement. The tenfold increase in the 'fee' for Norway's access to the EU Single Market agreed as part of the EEA enlargement deal not only illustrates the shifting balance between the costs and benefits of quasi-membership (and some EU state's perception of Norway as a rich relative who is unwilling to contribute to the common good), but also the potential consequences of the growing asymmetry between the EU and EFTA partners in the EEA. What was designed as a twelve to seven two-pillar

system is growing to a twenty-five to three system, and the relative weight of the EFTA pillar is declining significantly.

In short, the ‘quiet Europeans’ are more deeply involved in European integration than it might seem at first glance, and they show few signs of slowing down. At the same time, the arrangements associated with the EEA, Schengen and various other ‘opt-ins’ are pushing up against their limits and the EU is developing new initiatives in which it is difficult for the quasi-members to secure participation. From the EU’s perspective there is relatively little to worry about, most of the onus for maintaining the EEA system lies on Norway, Iceland and Liechtenstein. For Norway, however, quasi-membership has clear limits, and entails increasingly controversial and hotly debated risks of marginalisation. The EEA system and Norway’s other ad hoc solutions have served well as temporary solutions, but, in line with the debates and literature on differentiated integration, Norway’s experience with quasi-participation in European integration suggests that quasi-membership is only a quasi-solution.

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