The plan for a Nordic customs union and common market

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Following the war, the Nordic countries, which had traditionally specialised in the production of raw materials, gradually sought to develop industrial activities that were capable of sustaining full employment and raising living standards. This change of direction made the finding of external outlets for their products and the expansion of domestic markets even more urgent.

In the spring of 1948 the Danish, Icelandic, Norwegian and Swedish Governments set up a 'Scandinavian Joint Committee for Economic Cooperation'. On 10 July 1947, Finland had officially refused to accept American aid for reconstruction under the Marshall Plan and so was not involved in the project. In January 1950, the Committee reported back with its provisional conclusions on the feasibility of a Nordic customs union. It called for the abolition of internal trade barriers and deemed the plan for a customs union to be compatible with other plans for European economic integration. But Norway, whose economy had suffered greatly during the war, declared that it would be unable to play an active role in the customs union, and, as a consequence, plans for the union were temporarily abandoned. However, at its first meeting in February 1953, the Nordic Council invited the governments concerned to resume talks and produce a final report as soon as possible.

In the spring of 1954, the Committee submitted to the Nordic Council its final report on the creation of a Nordic common market. The study had been carried out in close cooperation with the industrial sectors concerned, but it did not tackle the agricultural sector, as production and export conditions were deemed to be incompatible between the Scandinavian partners. Agricultural products constitute an important part of Danish exports, while Norway and Sweden, whose harsher climates mean they are less productive, protect their national agricultural sectors by applying protectionist customs duties. In addition, Iceland, which was annoyed to see fisheries products excluded from the negotiations, decided to withdraw from the work of the Committee.

Whilst the leaders of Danish and Swedish industry and trade unions declared themselves in favour of the establishment of an Inter-Scandinavian common market, their Norwegian counterparts showed themselves to be much more reticent and said that they were unable to compete on equal terms with their Scandinavian partners, particularly because of the high cost of raw materials and the very strict price controls in their country. In a joint declaration, the Danish and Swedish members of the Committee, unable to reach a comprehensive agreement, called for the lifting of customs barriers within a maximum transitional period of ten years. They also asked their governments to open negotiations without delay on the establishment of a common market limited to certain competitive industries, such as textiles and chemicals. In June 1954, the Norwegian Government submitted to its partners a plan for Scandinavian cooperation in the electricity generation sector and the new technology industries.

In August 1954, the Nordic Council, meeting in Oslo, adopted a motion of compromise. Being sympathetic to the idea of a better division of labour at international level, the Council invited the governments to set up a common market that would be broad-based and yet capable of progressing at different speeds, according to the sectors and the countries concerned. At a meeting in Harpsund, Sweden, on 30 and 31 October 1954, the political authorities of the three countries appointed a new interministerial committee for Scandinavian economic cooperation. Finland came back into the fold in the autumn of 1956. The work of the Economic Affairs Committee concentrated particularly on the adoption of a common customs and statistics nomenclature, on anti-dumping measures and on learning from the Benelux experience.

The definitive plan for a Nordic common market was presented to the Nordic Council at its Copenhagen meeting of 12 and 13 January 1958. In the meantime, the process of European revival, in particular the establishment of the European Economic Community and the British plan for a free trade area within the Organisation for European Economic Cooperation (OEEC), had had a profound effect on the factors involved in the establishment of a Nordic customs union. The Scandinavian plan was concerned both with raw materials and, at the same time, with finished products in the chemicals industry, plastics, paper, electric motors and industrial machinery, which accounted for about 80 % of trade between the Nordic countries. Agricultural and fisheries products, textiles, and the steel and glass sectors were excluded from the plan.

Denmark, Finland, Norway and Sweden planned to abolish all internal customs duties and set common external tariffs within a transitional period of five to ten years. The plan also laid down common rules on competition and investment. It set up a cooperation mechanism for the production of steel and motor vehicles, as well as for research and vocational training, the monitoring of movements of capital and for commercial and socio-economic policy. Finally, the four partners planned to establish a Nordic Investment Bank (NIB), which would be open to foreign capital. True to the principle of intergovernmental cooperation, they entrusted the setting-up of the Scandinavian common market to a Council of Ministers, supported by a Council of Civil Servants and various specialist committees. The plan for the Nordic common market was automatically abandoned on 4 January 1960 when Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom signed the Stockholm Convention, which established the European Free Trade Association (EFTA).