Modelling negotiations on the Nordic Economic Area: Uncertainty and absolute gains as factors of international solidarity

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The article revisits the negotiations on NORDEK, a Nordic Economic Area, held by Denmark, Finland, Iceland, Norway and Sweden in 1968–1970. Finland, which initially took active part in the negotiations, later reversed its position under pressure from the Soviet Union as well as for other reasons. Four remaining Nordic countries refused to pursue a Nordic Economic Area without Finland for multiple reasons, of which one was solidarity with Finland. This article presents multiple game models, of which some reflect the actual outcome of the NORDEK negotiations, i.e., their failure, while others reflect hypothetical outcomes of the negotiations, such as emergence of a NORDEK of four without Finland. Those models allow concluding on the main factors causing Nordic solidarity, for which the NORDEK negotiations were a testing ground, and which had been the defining feature of regional politics in the European North during fifty years following the failure of the negotiations. First, domestic uncertainty about the issue debated by multiple nations contributes to greater solidarity among those nations. Second, majority’s focus on their absolute gains during international negotiations contributes to greater solidarity among negotiating nations. Third, relative equality among negotiating nations does not have any influence on solidarity among them. The latter conclusion supports the theoretical assumption that that organic solidarity (solidarity among different) is as possible as is mechanical solidarity (solidarity of similar).

Keywords: NORDEK, Denmark, Finland, Iceland, Norway, Sweden, solidarity, uncertainty, relative gains, economic power.

Introduction

There is a lack of solidarity in international politics. Most nations tend to demonstrate solidarity in times of the formation of a new international system, for example, in the aftermath of WWI, WWII and after the end of the Cold War. In 1920s most nations demonstrated solidarity, i.e., the willingness to choose the option, which is probably not the most preferred one to any of them, but which is acceptable to all of them, and, according to Polanyi, “restoration of the gold standard [was] the symbol of [that] solidarity” [1, p. 27]. In the aftermath of WWII, it seemed that the growing number of Third World countries combined with solidarity among them would allow the Third World to assume leadership in international politics in the manner that the Third Class assumed leadership in France in the aftermath of the Great French Revolution [2]. Thus, in the Cold War times solidar-
ity was the term that could be most often found in the writings of revolutionist scholars of international relations [3].

After the end of the Cold War solidarity became a characteristic of the joint actions implemented by the group of nations referring to themselves as “the international society”. Those nations claimed that they preferred the more costly path, namely the path of intervention into domestic affairs of a third nation (non-intervention being the less costly path), “out of solidarity with” other nations belonging to the same international society that were directly touched by domestic developments in the third nation due to geographic proximity, colonial past or other factors. Thus, at present solidarity is the term that can be most often found in the writings by so-called solidarists among proponents of the English School of international studies [4]. English School solidarists and revolutionist scholars today are the only two groups of scholars writing of solidarity in international politics, which is another proof that solidarity is lacking in it. Despite the English school and the Revolutionist paradigm in international studies differ greatly from each other in their major approaches to the subject, they are similar in the assumption that solidarity emerges out of commonalities among the nations demonstrating it.

Once there are more differences than commonalities within a group of nations, solidarity among them disappears. Third World countries tended to demonstrate solidarity in late 1940s through early 1960s, when there was a seemingly insurmountable economic gap between them and Western nations; that solidarity resulted, among other consequences, in the formation of the ‘poor nations’ pressure group” [5], the United Nations Conference on Trade and Development in 1964. However, when some of formerly poor Third World nations, such as the Asian “tigers”, the oil-rich monarchies of the Persian Gulf, and the MERCOSUR nations found that the economic gap separating them from the poorest nations is wider than the gap separating them from the West, solidity among Third World countries ended. Today, democratic backsliding in Hungary and Poland, which makes these two countries different from the rest of “the international society”, threatens solidarity among that group of nations. Similarly, refusal of some other European nations, such as the Czech Republic or Slovakia, to demonstrate solidarity with the rest of Europe, often results in accusations in democracy backsliding of those countries as well, despite domestic politics in neither of the two latter Central European nations provide with any reason for such “conceptual stretching” [6].

This article claims that similarity is not a necessary prerequisite to international solidarity. Durkheim theorized that besides “mechanical solidarity, or solidarity by similarities” [7, p. 31], there can be also organic solidarity, which does not require similarities to emerge. It hypothesizes that there are two more important prerequisites to solidarity at international negotiations. First, it is domestic uncertainty about the issue debated by multiple nations. Second, it is the focus of those nations on their absolute gains during the debates. To find out if solidarity among different is possible, it also hypothesizes that relative equality among debating nations contributes to greater solidarity among them. To prove the former two hypotheses and to falsify the latter hypothesis, this article focuses on the case of the debates on NORDEK, Nordic Economic Area, that took place in 1968–1970 and scrutinizes those debates with the help of the series of game models to be described in detail below. This article is not unique in its attempt to revisit the NORDEK negotiations: although most scholarly literature on them dates to 1970s [8–10], there have been multiple attempts to revisit them in the early 21st century [11–13].
Denmark, Finland, Iceland, Norway and Sweden started the debates on NORDEK expected to produce an economic union of the five Nordic countries. Among them, Finland stood out from the crowd in the geographical, cultural, economic and geopolitical senses. In the geographical sense, the Gulf of Bothnia separated Finland from the Scandinavian countries: Denmark, Norway and Sweden. In the cultural sense, most of the population of Finland did not speak a Scandinavian language (Danish, Icelandic, both Norwegian and Swedish languages are all Scandinavian languages) as a mother tongue, but a Fenno-Ugric Finnish language. At the same time, Finland’s Swedish-speaking minority played an important role in the country, and most of the Finnish elite spoke Swedish regardless of their mother tongue. The very term “Nordic countries” was created to point at the five countries, while Denmark, Iceland, Norway and Sweden are usually jointly referred to as “Scandinavian countries”. Economically, Finland in late 1960s was much poorer compared to Denmark and Sweden, although its per capita wealth was almost the same as that of Iceland or Norway. Finally, geopolitically Finland was very proximate to its superpower neighbor, the Soviet Union, despite Finland enjoyed functioning democracy and market economy at home.

Due to its unique geopolitical standing, Finland joined the Nordic Council in 1955, although Denmark, Iceland, Norway and Sweden established it in 1952. In 1968, when the Nordic countries started the NORDEK negotiations, Finland initially participated in the talks. However, in 1970 it refused to sign the agreement establishing NORDEK due to several reasons to be discussed below. In response to the Finnish move, four other Nordic countries refused to establish NORDEK without Finland. Again, there were multiple reasons not to establish a NORDEK of four to be discussed below. One of the reasons was that the four Nordic countries refused to proceed with Nordic economic integration “out of solidarity” with Finland, a member of the Nordic Council. This article will build multiple game models reflecting the NORDEK negotiations, the change of the Finland’s position at the negotiations, and the general outcome of the negotiations. Some of the models will reflect the actual outcome of the negotiations, while other models will reflect hypothetical outcomes of the negotiations, such as establishment of NORDEK without Finland.

**Negotiations on NORDEK:**

**Model negotiations on deepening regional integration**

There were both similarities and differences between the negotiations among the Nordic countries aimed at establishment of NORDEK and the simultaneous negotiations among countries of the European Communities aimed at “creation of a Common Agricultural Policy, the implementation of the Common Market, the Veto of British membership, and…the Luxembourg compromise of 1966 regulating the exercise of national vetoes” [14, p.2]. The main similarity between the NORDEK and the EC negotiations was that they took place not on just one, but on multiple levels. On the international level, NORDEK negotiations took place mostly on the platform of the Nordic Council, starting with its Oslo meeting of 1968 and ending with its Reykjavik meeting of 1970. On the national level, the negotiations involved multiple political groups in various Nordic countries, which pursued different goals in connection with the NORDEK plan, including in connection with the plan’s relationship with the European communities. Ueland [15] suggests that failure of NORDEK negotiations was closely connected to this domestic group dynamic.
Importantly, negotiations on the national level did not precede negotiations on the international level in the way that Nordic countries entered NORDEK negotiations only after each of them had reached consensus on NORDEK at home. Neither negotiation on the national level began after negotiations on the international level in the way that parliaments in each of the Nordic countries had to ratify a NORDEK treaty after representatives of the Nordic states had negotiated it independently of domestic pressure groups. Instead, negotiations on both levels took place simultaneously, and negotiations on one level strongly influenced negotiations on the other level. Members of parliaments from various Nordic countries, who negotiated a possible agreement on NORDEK at Nordic Council’s meetings, were those same members of parliaments, who participated in domestic debates on NORDEK at home, in their respective parliaments. Parliaments of Denmark and Norway held several special debates on international trade, of which each began with presentation on the path of NORDEK negotiations by governmental officials. The parliament of Finland held one such debate, while in the parliament of Sweden no special debate on NORDEK was organized, although it was discussed during debates on other related issues [10].

Domestic pressure groups most active on the national level also influenced negotiations on the international level by means of participating in international expert committees and by other means. Similarly to trans-nationalization of pressure groups in the European Communities, Nordic transnational pressure groups also emerged, thus adding to the interdependence of the negotiations on the national and on the international levels [15]. There was no consensus on the NORDEK plan in any of the Nordic countries. In Denmark, multiple pressure groups perceived the NORDEK plan as an alternative to EEC membership [8]; thus, they opposed NORDEK fearing that its establishment would complicate the country’s entry into the EEC. In Sweden, which in those times played as bridgebuilder between the Nordic countries and the United Kingdom [16], multiple pressure groups feared worsening relations with Sweden’s main trade partner Britain in case of establishment of NORDEK. Although officially neutral, the UK in late 1960s sought to undermine the establishment of NORDEK. Although officially neutral, the UK in late 1960s sought to undermine the establishment of NORDEK or, if the former proves impossible, to mitigate its effects [11].

Other Nordic countries sidelined Iceland from the negotiations on NORDEK [17], which became one of the reasons why this country did not participate in the negotiations actively, although this article includes Iceland in the model of the negotiations to be presented below. In Norway, the NORDEK plan provoked a conflict inside of the cabinet: while Prime Minister Per Borten from the Centre Party supported the plan, Trade Minister Kåre Willoch from the Conservative Party opposed the plan [10]. Finally, in Finland the debate on the NORDEK plan took place in the context of domestic political struggle [13]; unsurprisingly, Finland became the country that buried the plan. To conclude, there was no consensus in any of the Nordic countries that establishment of NORDEK benefits their country. Thus, the first hypothesis to be tested in this article is that solidarity among the Nordic countries, which made them all drop the NORDEK plan after Finland refused to participate, was a result of domestic uncertainty about the NORDEK plan in each of the countries.

**H1: domestic uncertainty about an issue debated by multiple nations contributes to greater solidarity among those nations.**

To reflect this uncertainty, the model presented in Table 1 below treats two scenarios, the one when NORDEK is established and all five Nordic countries participate in it, and
Table 1. Model of NORDEK negotiations reflecting domestic uncertainty in participating countries (before Finland's exit)

| Options                                                                 | Denmark | Finland | Iceland | Norway | Sweden | Equilibrium |
|------------------------------------------------------------------------|---------|---------|---------|--------|--------|-------------|
| NORDEK is established, and all five countries participate in it         | 3       | 3       | 3       | 3      | 3      | 15          |
| NORDEK is established, but Denmark does not participate in it          | 1       | 2       | 2       | 2      | 2      | 9           |
| NORDEK is established, but Finland does not participate in it          | 2       | 1       | 2       | 2      | 2      | 9           |
| NORDEK is established, but Iceland does not participate in it          | 2       | 2       | 1       | 2      | 2      | 9           |
| NORDEK is established, but Norway does not participate in it           | 2       | 2       | 2       | 1      | 2      | 9           |
| NORDEK is established, but Sweden does not participate in it           | 2       | 2       | 2       | 2      | 1      | 9           |
| NORDEK is not established at all                                       | 3       | 3       | 3       | 3      | 3      | 15          |

The one when NORDEK is not established at all, as equally beneficial to each of the Nordic countries. The model treats these two scenarios as more beneficial than two other possible scenarios: the least beneficial scenario to each of the Nordic countries is when NORDEK is established but the given Nordic country does not participate in it, a slightly more beneficial scenario is when NORDEK is established but some other Nordic country does not participate in it.

To test the first hypothesis, this article introduces an alternative model helpful of considering other factors than the interplay between domestic debates and international negotiations on NORDEK. Haas suggested that three factors influenced the conclusion of the Treaty of Rome of 1957, which established the European Economic Community of Belgium, France, Italy Luxembourg, the Netherlands and West Germany, despite there was uncertainty about the EEC in each of those countries in times when their representatives were negotiating the treaty [18]. Those three factors were organizational capacities built with the aim to facilitate cooperation among negotiating countries, common identity characteristic of societies in all those countries, and growing interdependence of those countries’ economies. Some of these factors could exist in the Nordic countries in 1960s, too, thus making them prefer concluding of an agreement on NORDEK to not concluding it despite of domestic uncertainties.

In 1960s, the only organizational capacity facilitating Nordic cooperation was the Nordic Cultural Fund established in 1966. Sundelius [19, p. 62] names the Nordic Cultural
Fund alongside the Nordic Fund for Industrial Development established in 1973 among funds to promote Nordic cooperation projects, elements of the collective management process of Nordic cooperation, and important transnational organizations of Northern Europe; thus, its role in deepening of Nordic integration cannot be underestimated. Experts sometimes expressed polar opinions on whether growing interdependence of the economies of the Nordic countries was the decisive factor that pushed NORDEK negotiations forward. Stråth, a Danish proponent of EEC membership and a strong critic of NORDEK as a possible alternative to EEC membership for Denmark, claimed that domestic political rather than economic factors were behind the launch of NORDEK negotiations [20]. However, Sonne named the belief “that the NORDEK plan was a political and ideological symbol without socioeconomic substance” a myth and underlined economic factors behind the beginning of NORDEK negotiations [13].

Extensive literature has been discussing Nordic identity since Mead’s article, in which he claimed that despite there were ethnic tensions among Nordic countries, “new functional integration had led to considerable advantages” [21]. NORDEK was expected to become another example of “functional integration” based on the common Nordic identity. The model presented in Table 2 aims at reflecting the role of Nordic identity as a factor that outweighs domestic uncertainty, thus making majorities in all Nordic countries believe that establishment of NORDEK would certainly benefit them better than failure of the negotiations on it. According to this model, each of the Nordic countries considers the establishment of NORDEK with all five Nordic countries participating in it the most favorable scenario, and each of the countries considers the establishment of NORDEK without its participation the least favorable scenario, because such scenario would contradict its Nordic identity. According to this model, each of the Nordic countries considers the establishment of NORDEK by four countries without some other Nordic country a less favorable scenario than establishment of NORDEK with all five Nordic countries in. If NORDEK is not established at all, it is considered an even less favorable scenario.

The models presented in Tables 1 and 2 assume that each of the Nordic countries prefers a NORDEK with all five Nordic countries in to a NORDEK of four or fewer countries in. There are at least three reasons to assume that. First, regional identity plays an important role in facilitating regional cooperation. Börzel and Risse demonstrated “that the identities of political, economic, and social elites have been crucial for the evolution of European integration” [22]. In a similar manner, Nordic identity of the elites of the Nordic countries was an important factor that made those elites view the initial Danish proposal to establish NORDEK positively at first glance. If one of the five countries perceived as Nordic by the elites of the Nordic countries themselves fell out of NORDEK negotiations, the elites would perceive the entire NORDEK plan as “less Nordic” and thus less attractive.

Second, multiple political scientists have described the political systems of the Nordic countries of the Cold War period as “consensual democracies” [23]. In case of disagreement among political stakeholders, political elites of the Nordic countries in 1960s and 1970s, as a rule, preferred to continue negotiating until a solution suitable to all stakeholders is found instead of resorting on winner-takes-all approach. According to this principle, in case of an international disagreement among the Nordic countries, they would prefer to continue negotiating the issue in hand aiming at a solution suitable to all of them rather than adopt a solution suitable to only four of them, thus leaving the fifth Nordic country outside.
Table 2. Model of NORDEK negotiations reflecting domestic certainty in participating countries (before Finland’s exit)

| Options                                                                 | Countries |          |          |          |          | Equilibrium |
|------------------------------------------------------------------------|-----------|----------|----------|----------|----------|-------------|
|                                                                       | Denmark   | Finland  | Iceland  | Norway   | Sweden   |             |
| NORDEK is established, and all five countries participate in it         | 4         | 4        | 4        | 4        | 4        | 20          |
| NORDEK is established, but Denmark does not participate in it           | 1         | 3        | 3        | 3        | 3        | 13          |
| NORDEK is established, but Finland does not participate in it           | 3         | 1        | 3        | 3        | 3        | 13          |
| NORDEK is established, but Iceland does not participate in it           | 3         | 3        | 1        | 3        | 3        | 13          |
| NORDEK is established, but Norway does not participate in it            | 3         | 3        | 3        | 1        | 3        | 13          |
| NORDEK is established, but Sweden does not participate in it            | 3         | 3        | 3        | 3        | 1        | 13          |
| NORDEK is not established at all                                       | 2         | 2        | 2        | 2        | 2        | 10          |

Third, access to bigger markets provides with better payoffs. Extensive research has demonstrated that larger and more integrated markets exhibit higher productivity and power mark-ups [24]. A NORDEK of five economies is a bigger market than a NORDEK of only four economies. Economic expectations from a future NORDEK of the elites and the peoples of each of the Nordic countries decreased with the news of another Nordic country falling out of the NORDEK negotiations.

At the same time, one can hypothesize that there were other factors that outweighed identity, consensus and market considerations and made the elites and the peoples of the Nordic countries prefer smaller NORDEK to a bigger one. One such factor could be considerations about their country’s influence within NORDEK. In Walt’s words, “joining the more vulnerable side increases the new member’s influence, [while] joining the stronger side, by contrast, reduces the new member’s influence (because it adds relatively less to a coalition) and leaves it vulnerable to the whims of its new partners” [25]. Every Nordic country could expect to have greater influence in a NORDEK of four compared to a NORDEK of five.

Every Nordic country could also expect greater relative economic benefits gained by means of joining a NORDEK of four vis-à-vis the fifth Nordic country, which remained outside of it. The conflict between scholars insisting that states focus primarily on their absolute (in this case, greater economic benefits as a result of establishing a bigger NORDEK
in comparison to smaller NORDEK) and relative (in this case, greater economic benefits as a result of establishing a smaller NORDEK in comparison to the Nordic countries that stayed outside of NORDEK) gains became known as the gains debate in international relations literature [26]. The second hypothesis to be tested in this article is that solidarity among the Nordic countries, which made them all drop the NORDEK plan after Finland refused to participate, was a result of the Nordic countries’ focus on absolute rather than relative gains.

**H2: majority’s focus on their absolute gains during international negotiations contributes to greater solidarity among negotiating nations.**

To test this hypothesis, this article will discuss the model presented in Table 3, which aims at reflecting the situation when most nations at the NORDEK negotiations focus on their relative rather than absolute gains. In this model, the most preferred outcome of NORDEK negotiations to each of the Nordic countries would be the establishment of a NORDEK of four, in which the given country participates, but some other Nordic country does not. The least preferred outcome would be the establishment of a NORDEK of four, in which the given country does not participate, while all other Nordic countries are in. Like the model presented in Table 1, this model reflects the domestic uncertainty about NORDEK in all Nordic countries; establishment of the NORDEK of five and failure of the NORDEK negotiations are treated as equally preferable scenarios, less preferable than the most preferred scenario, but more preferable than the least preferred scenario.

**Table 3. Model of NORDEK negotiations reflecting participating countries’ pursuit of relative gains (before Finland’s exit)**

| Options                                                                 | Countries       |
|------------------------------------------------------------------------|-----------------|
|                                                                       | Denmark        |
|                                                                       | Finland        |
|                                                                       | Iceland        |
|                                                                       | Norway         |
|                                                                       | Sweden         |
|                                                                       | Equilibrium    |
| NORDEK is established, and all five countries participate in it         | 2               |
|                                                                       | 2              |
|                                                                       | 2              |
|                                                                       | 2              |
|                                                                       | 2              |
|                                                                       | 10             |
| NORDEK is established, but Denmark does not participate in it           | 1               |
|                                                                       | 3              |
|                                                                       | 3              |
|                                                                       | 3              |
|                                                                       | 3              |
|                                                                       | 13             |
| NORDEK is established, but Finland does not participate in it           | 3               |
|                                                                       | 1              |
|                                                                       | 3              |
|                                                                       | 3              |
|                                                                       | 3              |
|                                                                       | 13             |
| NORDEK is established, but Iceland does not participate in it           | 3               |
|                                                                       | 3              |
|                                                                       | 1              |
|                                                                       | 3              |
|                                                                       | 3              |
|                                                                       | 13             |
| NORDEK is established, but Norway does not participate in it            | 3               |
|                                                                       | 3              |
|                                                                       | 3              |
|                                                                       | 1              |
|                                                                       | 3              |
|                                                                       | 13             |
| NORDEK is established, but Sweden does not participate in it            | 3               |
|                                                                       | 3              |
|                                                                       | 3              |
|                                                                       | 3              |
|                                                                       | 1              |
|                                                                       | 13             |
| NORDEK is not established at all                                        | 2               |
|                                                                       | 2              |
|                                                                       | 2              |
|                                                                       | 2              |
|                                                                       | 2              |
|                                                                       | 10             |
The models outlined above do not take into consideration the relative size of the Nordic countries vis-à-vis each other. At the same time, size matters in regional integration. In the EEC, bigger member states — initially France, Germany and Italy, and later Great Britain and Spain — reserved greater role for themselves in the decision-making process. Pedersen (2002) suggests “cooperative hegemony” as the term for the strategy of a major regional power “which implies an active role in regional institutionalization and the use of, for instance, side payments, power-sharing and differentiation”. Among the Nordic countries of late 1960s, two fit the role of regional “cooperative” hegemons: Denmark and Sweden. It was the Danish Prime Minister Hilmar Baunsgaard, who proposed establishing a NORDEK at the Nordic Council’s meeting in Oslo in 1968. The size of Danish economy — the country’s GDP in 1970 was $ 17 billion in current U. S. dollars [27] — was one-and-a-half times bigger than the size of the economies of Norway and Finland — $ 13 and 11 billion respectively — and much bigger than the size of the economy of Iceland — $ 526 million.

Swedish political tradition and economic strength supported the country’s ambition for leadership of all Nordic countries. Swedish foreign policy in late 20th century was based “upon a conception of Sweden as a major power in European politics” [28]. Swedish GDP — $ 38 billion in current U. S. dollars in 1970 — accounted for over 90 % of the GDPs of other four Nordic countries combined. As a result, Sweden and Denmark played the crucial role for success of the NORDEK negotiations. It was almost impossible to imagine a NORDEK without Sweden or Denmark. In turn, the role of Iceland was very small, which resulted in this country’s being sidelined from the NORDEK negotiations [17]. As to Finland and Norway, those countries played greater roles for success of the NORDEK negotiations than Iceland did, but their roles were smaller than those of Denmark and Sweden. The third hypothesis to be tested in this article is that solidarity among the Nordic countries, which made them all drop the NORDEK plan after Finland refused to participate, was a result of Finland’s moderate but not too small importance for the plan vis-à-vis other Nordic countries.

H3: relative equality among negotiating nations contributes to greater solidarity among them.

To test the hypothesis, this article will discuss the model presented in Table 4, which reflects relative inequality of the five Nordic countries. This model reflects domestic uncertainty in the Nordic countries; the outcomes of the negotiations when the NORDEK of five is established and when NORDEK is not established at all are most profitable scenarios from the viewpoint of all five negotiation countries. The outcome of the negotiations when the NORDEK of four except Iceland is established is as profitable as the previous two scenarios from the viewpoint of each of the four negotiating countries, but that is the least favorable scenario from the viewpoint of Iceland itself. The outcome of the negotiations when the NORDEK of four except Finland or Norway is established is less favorable scenario from the viewpoint of each of the four countries that join the NORDEK, and it is the least favorable scenario from the viewpoint of Finland or Norway respectively. Finally, the outcome of the negotiations when a NORDEK of four except Denmark or Sweden is established is the least favorable scenario for all negotiating countries: not only Denmark and Sweden themselves, but also for Finland, Iceland and Norway.

The case of NORDEK negotiations can be treated as model negotiations on deepening regional integration from the viewpoint of both major theories of international relations,
Table 4. Model of NORDEK negotiations reflecting economic inequality among participating countries (before Finland’s exit)

| Options                                      | Countries       |       |       |       |       |     |
|----------------------------------------------|-----------------|-------|-------|-------|-------|-----|
|                                              | Denmark | Finland | Iceland | Norway | Sweden | Equilibrium |
| NORDEK is established, and all five countries participate in it | 3       | 3       | 3       | 3       | 3       | 15        |
| NORDEK is established, but Denmark does not participate in it | 1       | 1       | 1       | 1       | 1       | 5          |
| NORDEK is established, but Finland does not participate in it | 2       | 1       | 2       | 2       | 2       | 9          |
| NORDEK is established, but Iceland does not participate in it | 3       | 3       | 1       | 3       | 3       | 13         |
| NORDEK is established, but Norway does not participate in it | 2       | 2       | 2       | 1       | 2       | 9          |
| NORDEK is established, but Sweden does not participate in it | 1       | 1       | 1       | 1       | 1       | 5          |
| NORDEK is not established at all             | 3       | 3       | 3       | 3       | 3       | 15         |

realism and liberalism, and from the viewpoint of both major liberal theories of regional integration, inter-governmentalism and neo-functionalism. From the realist viewpoint, the case demonstrates how such negotiations fail after having transformed into the race for sidelining of one negotiating party to help other negotiating parties pursue their relative gains in a more convenient way. It also demonstrates how such negotiations fail as a result of inequality among negotiating partners in terms of political and economic power.

From the inter-governmental viewpoint, it demonstrates how domestic uncertainty in each of the negotiating countries can result in a failure of the negotiations, when the negotiations simultaneously and interconnectedly take place on the national and on the international levels. Finally, from the neo-functional viewpoint, it demonstrates the role of transnational institutions in such negotiations: there were no such institutions in the Nordic Council (except for the Nordic Cultural Fund), and the negotiations failed. Thus, on the threshold of 1970s there existed multiple factors that could have resulted in success of the NORDEK negotiations. There were also multiple factors allowing to predict their failure; Finland’s exit from the negotiations became the most important factor among them.
Finland becomes the gamechanger

NORDEK negotiations opened the third stage of foreign trade liberalization in Finland in the Cold War times [29]. On the first stage, on the threshold of 1950s, Finland joined the General Agreement on Trade and Tariffs, while still paying war reparations to the Soviet Union. On the second stage, on the threshold of 1960s, Finland agreed on association with the European Free Trade Association, while simultaneously having signed an Agreement on Customs Matters with the Soviet Union. The third stage began with the NORDEK negotiations, which failed mostly thanks to Finland’s refusal to sign any agreement on NORDEK mentioning cooperation with the European Economic Community, on which Sweden and especially Denmark insisted. In 1973, however, the third stage of liberalization of Finland’s foreign trade concluded with almost simultaneously signed agreements with the European Economic Community and the Council for Mutual Economic Assistance (COMECON).

Below, this article will discuss both international and Finnish domestic reasons to change the country’s position at the NORDEK negotiations. The change of Finland’s position requires amending the model of the NORDEK negotiations presented in Table 1 in accordance with that change. According to the new Finland’s position, the most preferable outcome of the negotiations is the scenario, when NORDEK is not established at all. Less preferable scenario is when Finland changes its position again in favor of NORDEK, and NORDEK of five is established. Finally, least preferable are the scenarios, when a NORDEK of four is established, no matter if the country that stays outside of the union is Finland itself or any other Nordic country. The model reflecting such Finland’s preferences is presented in Table 5. It demonstrates that the most probable scenario in this case is when NORDEK is not established at all.

Most authors, including in Finland, agree that Finland changed its position at the NORDEK negotiations under pressure of the Soviet Union. In Moscow, the NORDEK plan was perceived predominantly as an “anti-Soviet plan” [12]. In February 1970, Finland’s President Urho Kekkonen visited the Soviet Union, after which Finland changed its position at the NORDEK negotiations [30, p. 360]. Cooperation among the Nordic countries could not help developing independently of the Cold War dynamics. Both Moscow and Washington opposed Nordic cooperation. Strang and Olsen name the NORDEK negotiations exemplary case of Soviet pressure on the Nordic countries during the Cold War [31, p. 30–31]. Simultaneously, they mention the negotiations on a Scandinavian Defense Union exemplary case of U. S. pressure on them. Negotiations on a Scandinavian Defense Union took place in 1948–1949 but failed under pressure of the U. S., after which Denmark, Iceland and Norway joined the NATO, while Finland and Sweden remained neutral. Broad underlines British opposition to the establishment of NORDEK as an element of the Cold War dynamics, which was one of the main factors that made Finland change its position at the NORDEK negotiations [11].

British opposition to the NORDEK plan was only partly an element of the Cold War dynamics. It was also an element of the penetration of European “high politics” [9] into Nordic cooperative arrangements, which became an explanation of the failure of the NORDEK negotiations. Denmark proposed the NORDEK plan after France had vetoed British entry into the EEC, thus closing the door into the EEC also for Denmark, to which Britain was a very important trade partner. Thus, even though Denmark proposed the NORDEK
Table 5. Model of NORDEK negotiations reflecting domestic uncertainty in participating countries (after Finland's exit)

| Options                                                                 | Countries         |
|------------------------------------------------------------------------|-------------------|
|                                                                       | Denmark | Finland | Iceland | Norway | Sweden | Equilibrium |
| NORDEK is established, and all five countries participate in it         | 3       | 2       | 3       | 3      | 3      | 14          |
| NORDEK is established, but Denmark does not participate in it           | 1       | 1       | 2       | 2      | 2      | 8           |
| NORDEK is established, but Finland does not participate in it           | 2       | 1       | 2       | 2      | 2      | 9           |
| NORDEK is established, but Iceland does not participate in it           | 2       | 1       | 1       | 2      | 2      | 8           |
| NORDEK is established, but Norway does not participate in it            | 2       | 1       | 2       | 1      | 2      | 8           |
| NORDEK is established, but Sweden does not participate in it            | 2       | 2       | 2       | 1      | 1      | 8           |
| NORDEK is not established at all                                       | 3       | 3       | 3       | 3      | 3      | 15          |

plan, there was no certainty in Denmark itself about the need to build a Nordic economic union. Were the option for Denmark to join the EEC instead available, Denmark would have preferred that option. When Charles De Gaulle quitted French Presidency, and the possibility to join the EEC reopened for both the United Kingdom and Denmark, the latter country preferred to join the EEC rather than to establish a NORDEK without Finland.

Sweden and Norway also had concerns about both the NORDEK plan and the EEC option. Thus, Milas suggests analyzing the outcomes of the NORDEK negotiations and the dynamics within the Nordic Council in 1960s and 1970s in general taking the context of relations between the EEC and the Nordic countries into consideration, especially in the sectors sensitive from the viewpoint of various Nordic countries, such as fisheries, transportation, science and technology, as well as monetary policy [32]. To conclude, there was no certainty in any of the Nordic countries about the NORDEK plan, neither with nor without Finland. At the same time, testing hypothesis H1 outlined above requires contrasting the model presented in Table 5, which assumes that there was no certainty on NORDEK in the Nordic countries in late 1960s, to a model assuming that the Nordic countries were certain about their desire to establish NORDEK. Such model is presented in Table 6; it is the model presented in Table 2 above amended in accordance with the change of the Finland’s position at the NORDEK negotiations.
Table 6. Model of NORDEK negotiations reflecting domestic certainty in participating countries (after Finland’s exit)

| Options                                      | Countries          |       |       |       |       |       |
|----------------------------------------------|--------------------|-------|-------|-------|-------|-------|
|                                              | Denmark            | Finland | Iceland | Norway | Sweden | Equilibrium |
| NORDEK is established, and all five countries participate in it | 4 | 3 | 4 | 4 | 4 | 19 |
| NORDEK is established, but Denmark does not participate in it | 1 | 2 | 3 | 3 | 3 | 12 |
| NORDEK is established, but Finland does not participate in it | 3 | 1 | 3 | 3 | 3 | 13 |
| NORDEK is established, but Iceland does not participate in it | 3 | 2 | 1 | 3 | 3 | 12 |
| NORDEK is established, but Norway does not participate in it | 3 | 2 | 3 | 1 | 3 | 12 |
| NORDEK is established, but Sweden does not participate in it | 3 | 2 | 3 | 3 | 1 | 12 |
| NORDEK is not established at all             | 2 | 4 | 2 | 2 | 2 | 12 |

According to this model, Finland would prefer most the scenario when NORDEK is not established at all, and it will prefer less the scenario when NORDEK is established without Finland’s participation. Among other possible scenarios, Finland would prefer more the scenario when a NORDEK is established, and all five Nordic countries participate in it, and it will prefer less the scenarios, when a NORDEK of four — with Finland but without some other Nordic country — is established. The model presented in Table 6 demonstrates that in case four Nordic countries (except Finland) are certain about the preferences of the NORDEK plan, all five pursue absolute gains at the NORDEK negotiations, and each of them played almost equal to others’ roles at the negotiations, the most probable scenario is that the NORDEK of five is built nevertheless, despite Finland’s changing position and strong opposition from the Soviet Union. In practice, that would have required government change in Finland; below, this article will discuss the domestic political context of the NORDEK negotiations in Finland.

NORDEK negotiations were not the first attempt of economic integration among the Nordic countries in the Cold War times. In mid-1950s, heads of governments of Denmark, Iceland, Norway and Sweden discussed the possibility of establishing an economic union based on the Nordic Council. After Finland joined the Nordic Council in 1955, the country was invited to take part in the discussions. Representatives “from the poorer states, namely, Norway, Iceland, and Finland [expressed concern] that the economic benefits from such a union [for them] would be illusory” [33, p. 524]. Latter half of 1950s and especially 1960s were the years of rapid economic growth in all Nordic countries; thus, by late 1960s, when they decided to discuss the possibility of establishing NORDEK, Norway,
Iceland and Finland were not as poor countries as they were in mid-1950s. At the same time, the economies of Denmark and Sweden during that period grew as fast as the economies of Norway, Iceland and Finland.

Economic disparities between “richer” and “poorer” Nordic countries remained the same throughout 1960s. In 1960, per capita GDP of Finland ($ 1179) was 56% of per capita GDP of Sweden ($ 2114), per capita GDP of Iceland ($ 1414) was 67% of per capita GDP of Sweden, and per capita GDP of Norway ($ 1441) was 68% of per capita GDP of Sweden [34]. In 1970, per capita GDP of Finland ($ 2465) was 52% of per capita GDP of Sweden ($ 4736), per capita GDP of Iceland ($ 2576) was 54% of per capita GDP of Sweden, and per capita GDP of Norway ($ 3306) was 70% of per capita GDP of Sweden. At the same time, Finland, Iceland and Norway decided to again consider the possibility of establishing NORDEK. This observation supports the argument that the “poorer” Nordic countries based they attitude to NORDEK not on relative, but on absolute economic expectations. They departed from the fact that throughout 1960s they became twice as rich as a decade ago, not as poor vis-à-vis Sweden as they were a decade ago.

To test the hypothesis (H2 above) that solidarity emerges out of the pursuit of absolute rather than relative gains, this article will discuss the model presented in Table 7, which is the model presented in Table 3 above modified in accordance with the change of the Finland’s position at the NORDEK negotiations. According to this new Finland’s position, the least preferable scenarios for Finland are the establishment of NORDEK of five and the establishment of NORDEK of four except Finland. Better preferable scenarios are establishment of NORDEK of four with Finland, but without some other Nordic country. Finally, the most preferable scenario for Finland is when NORDEK is not established at all. Table 7 demonstrates that the most probable scenario in this case is when NORDEK is established without Finland’s participation.

According to Stråth, short-term domestic political dynamics in “richer” Nordic countries on the threshold of 1970s worked for deepening of Nordic cooperation, including establishment of NORDEK [20]. In Sweden, Social Democratic Prime Ministers Tage Erlander (until October 1969) and Olof Palme (since October 1969) supported the NORDEK plan. In Denmark, Social Liberal Prime Minister Hilmar Baunsgaad, as well as his Social Democratic predecessor (and successor) Jens Otto Krag, both supported the NORDEK plan. In “poorer” Nordic countries short-term domestic political dynamics was less favorable for the implementation of the NORDEK plan on the threshold of 1970s. In Norway, Per Borton of the Conservative Party was the Prime Minister in 1965–1971, the Conservative Party being the most vigorous critic of the NORDEK plan [35].

In Finland, not only conflicts among major political parties, but also conflicts within major political parties characterized domestic political dynamics. Those conflicts concerned both domestic and foreign policy issues, including the relations with the Soviet Union and the NORDEK negotiations. It would be wrong to argue that all Finns “were obliged to adopt the Paasikivi [and Kekkonen] Line with gritted teeth” [36]. Different segments of the society and different political parties representing those segments perceived the Paasikivi — Kekkonen’s Line differently [37]. Similarly, different political parties and different segments within the same political parties opposed each other on the question of the NORDEK negotiations.

For example, Social Democratic Prime Minister in 1968–1970 (President of Finland in 1982–1994) Mauno Koivisto supported the NORDEK plan. At the same time, the Social
Table 7. Model of NORDEK negotiations reflecting participating countries’ pursuit of relative gains (after Finland’s exit)

| Options                                                                 | Countries          |
|------------------------------------------------------------------------|--------------------|
|                                                                       | Denmark | Finland | Iceland | Norway | Sweden | Equilibrium |
| NORDEK is established, and all five countries participate in it        | 2       | 1       | 2       | 2      | 2      | 9           |
| NORDEK is established, but Denmark does not participate in it          | 1       | 2       | 3       | 3      | 3      | 12          |
| NORDEK is established, but Finland does not participate in it          | 3       | 1       | 3       | 3      | 3      | 13          |
| NORDEK is established, but Iceland does not participate in it          | 3       | 2       | 1       | 3      | 3      | 12          |
| NORDEK is established, but Norway does not participate in it           | 3       | 2       | 3       | 1      | 3      | 12          |
| NORDEK is established, but Sweden does not participate in it           | 3       | 2       | 3       | 3      | 1      | 12          |
| NORDEK is not established at all                                      | 2       | 3       | 2       | 2      | 2      | 11          |

Democratic Union of Workers and Smallholders, which split from the Finnish Social Democratic Party in 1959 and merged back with the Finnish Social Democratic Party in 1973, whose representatives participated in the Koivisto’s Cabinet, was against the plan. Among other Finnish political parties, whose representatives participated in the Koivisto’s Cabinet, the Swedish People’s Party supported the NORDEK Plan, while President Urho Kekkonen’s Centre Party and the pro-Soviet Finnish People’s Democratic League were against it. In 1970, Centre Party’s Ahto Karjalainen, who, like most of his party, criticized the NORDEK plan, replaced Koivisto as Prime Minister. Despite three pro-NORDEK parties, namely Social Democrats, Liberals, and the Swedish People’s Party, formed the governing coalition with the Centre Party, which made Karjalainen the Prime Minister, the latter continued criticizing the NORDEK plan also after having headed the Cabinet.

Domestic political dynamics in Finland on the threshold of 1970s allowed Sonne to conclude that “the failure of the NORDEK negotiations was a result of a power struggle in Finnish domestic policy” [13]. Domestic political dynamics in different Nordic countries became another reason for each of them to prefer some Nordic countries more and some other Nordic countries less as partners in a future NORDEK. Table 4 above presented the model of NORDEK negotiations, according to which each of the Nordic countries preferred Denmark and Sweden as possible NORDEK partner countries more, and each of them, except for Iceland itself, preferred Iceland as a possible NORDEK partner country less. The model presented in Table 8 presents that model modified in accordance with the change of the Finland’s position at the NORDEK negotiations. According to this new
Table 8. Model of NORDEK negotiations reflecting economic inequality among participating countries (after Finland’s exit)

| Options                                      | Denmark | Finland | Iceland | Norway | Sweden | Equilibrium |
|----------------------------------------------|---------|---------|---------|--------|--------|-------------|
| NORDEK is established, and all five countries participate in it | 3       | 2       | 3       | 3      | 3      | 14          |
| NORDEK is established, but Denmark does not participate in it | 1       | 1       | 1       | 1      | 1      | 5           |
| NORDEK is established, but Finland does not participate in it | 2       | 1       | 2       | 2      | 2      | 9           |
| NORDEK is established, but Iceland does not participate in it | 2       | 2       | 1       | 2      | 2      | 9           |
| NORDEK is established, but Norway does not participate in it | 2       | 2       | 2       | 1      | 2      | 9           |
| NORDEK is established, but Sweden does not participate in it | 1       | 1       | 1       | 1      | 1      | 5           |
| NORDEK is not established at all             | 3       | 3       | 3       | 3      | 3      | 15          |

Finland’s position, the most preferable scenario for Finland is when NORDEK is not established at all. Less preferable are the scenarios, when NORDEK of five or NORDEK of four (without Norway or Iceland) is established. Finally, the least preferable for Finland scenarios are when NORDEK of five is established without Denmark, Sweden, or without Finland itself. Table 8 demonstrates that the most probable scenario in this case is when NORDEK is not established.

Analysis of the NORDEK negotiations with the help of the game models presented above proves hypotheses 1 and 2 of the study, but it fails to prove hypothesis 3. Solidarity among a group of negotiating nations emerges more probably, when there is domestic uncertainty in those nations about the subject of their negotiations, and when those nations pursue absolute rather than relative gains at the negotiations. The relative power of the negotiating nations vis-à-vis each other does not significantly influence their solidarity or lack of it. When the negotiating countries pursue relative gains, they tend to exclude one of them from the negotiations in order to benefit from the preferences emerging to those countries that stayed in the negotiations to their successful end in comparison to those countries that were sidelined from the negotiations. Finally, when there is domestic certainty about the subject of negotiations, most of the negotiating countries tend to pose pressure on the minority that are different from them pursuing domestic change within the minority nations in order to eliminate the differences among all negotiating nations and to reach mechanical instead of organic solidarity.

At NORDEK negotiations in particular, Denmark, Iceland, Norway and Sweden respected Finland’s being different from them due to its very special relations with
the Soviet Union. Thus, the Nordic countries demonstrated organic solidarity at the NORDEK negotiations, although the negotiations failed as a result of it. Despite of the failure, Nordic cooperation continued in 1970s and later, although the nature of the cooperation changed. Instead of comprehensive package deals, of which the NORDEK plan was exemplary, they switched to deals devoted to deepening cooperation in particular sectors [10]. That tendency appeared especially visible after the establishment of the Nordic Council of Ministers in 1971 [38]. In the following years the sectoral approach became the solution allowing the Nordic countries to harmonize cooperation among themselves with the varying patterns of cooperation tying each of them to the EEC. Denmark joined the EEC in 1973, thus it had to coordinate not only its economic policies, but also its foreign policy with other EEC countries since then. According to Huldt, after 1973, Denmark replaced Finland as the main deviator from unified Nordic position at international negotiations, especially in the United Nations [39]. In Norway, a popular referendum on the same year rejected full membership, in the EEC, which was replaced by free trade agreements in industrial products and coal and steel with the EEC and with the European Coal and Steel Community respectively. Sweden, Iceland and even Finland signed similar two free trade agreements each with the EEC and the ECSC, although Finland was the last to conclude those agreements in 1973 (with the EEC) and in 1974 (with the ECSC), after having considered “the USSR's feelings on the issue” [40], which included signing a free trade agreement with the COMECON [41].

Thus, between mid-1970s and mid-1990s most of the Nordic countries belonged to the European Free Trade Association, but a minority of them, namely Denmark, belonged to the EEC. At the same time, all five Nordic countries demonstrated solidarity with each other in the Nordic Council and the Nordic Council of Ministers. In 1995, Finland and Sweden joined the European Union, too. Since then, most of the Nordic countries, three out of five, have been EU member states, while a minority, namely Norway and Iceland, remained EFTA countries. All five had continued demonstrating solidarity with each other until early 2020s, when all five Nordic countries opted for individual solutions vis-à-vis the spread of COVID-19, which has become the greatest challenge to Nordic solidarity since the Cold War era [42]. Although the Nordic Council of Ministers for Health and Social Affairs (MR-S) is an integral part of the Nordic Council of Ministers, it has failed to provide with a unified approach to the COVID-19 challenge, making it difficult to predict whether it will result in even greater cooperation in the sector in the future or if failure in the health and social sector will cause failures in other sectors.

Conclusions

Although no Nordic Economic Area has ever been established, the negotiations on it proved to be the turning point in the formation of solidarity among the Nordic countries, which became the defining feature of regional politics during the fifty years to follow. Denmark, Finland, Iceland, Norway and Sweden started the NORDEK negotiations in 1968, but when in 1970 Finland appeared unable or unwilling to commit itself to it, four remaining Nordic countries refused to continue without Finland for multiple reasons, among which an important reason was solidarity with Finland. Through the following half of a century, there have been multiple instances, when one Nordic country failed to agree with four other Nordic countries. Denmark did so probably more often than other Nordic
countries. However, when such situations occurred, the majority of the Nordic countries most often opted for demonstrating solidarity with the minority instead of pursuing the joint interest of the majority at any cost.

Game models reflecting those negotiations presented in this article allows concluding on the factors causing international solidarity. First, solidarity at negotiations emerges more probably, when there is no domestic certainty in the negotiating countries about the subject of the negotiations. Second, solidarity emerges more probably, when the negotiating countries pursue their absolute gains rather than relative gains vis-à-vis each other. Third, similarities among the negotiating countries do not influence emergence of solidarity. Whether the negotiating countries are almost similar with each other or whether they differ seriously from each other in terms of their economic might or other characteristics, solidarity emerges among them with almost equal probability. That conclusion supports the theoretical assumption that organic solidarity, i.e., solidarity among different, is as possible as is mechanical solidarity, i.e., solidarity of similar. That gives hope to those, who expect to see more solidarity in this world, despite its consisting of unique nations, of which each is very different from all others.

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