

“EFTA AS A PROMOTER AND GUARANTOR OF DEMOCRACY”
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I. Introduction

Mr President, Excellencies and Dignitaries, it is a privilege and indeed very much a pleasure to be here today to have the opportunity to meet you and to talk about my research. Thank you, Judge Hammermann for facilitating my lecture today, and for your very generous words of introduction. It is not a coincidence that I am here on what is a very significant anniversary, and indeed a foundational moment in EFTA’s history: on this date in 1959, seven countries came together to initial the draft Stockholm Convention. This process marked the beginning of a number of intense months of final talks, which concluded in January 1960 with the Convention being formalised. EFTA started its work a few months later in May 1960.

I think few of those present at this meeting would disagree with the argument that the formation of EFTA was something of a surprise. It is very rare in international relations for organisations to be born because of the failure of another organisation. EFTA is one such example. It emerged from the failure of the free trade area that the British first articulated as a plan in 1956. The issue was how the UK, and those on what was often called the periphery of Europe, could grapple with the emergence of a core six of the European Economic Community, which of course later went on to form the European Union (“EU”).

I think few, moreover, would be able to disagree with the argument that EFTA at its foundation was deemed to be little more than an organisation with extremely modest aims and objectives; designed to exist for the briefest of moments. EFTA as a trade bloc was, of course, very much seen as an economic grouping. It was very narrow in terms of industrial free trade, and very concentrated in terms of the removal of trade barriers. EFTA was, on paper at least, a strictly economic, apolitical grouping. Indeed, as I said previously, EFTA was often seen as a pit stop, even during the negotiations surrounding the Convention in 1959. It was seen as a temporary path towards an enlarged European community, in which two States could hope to come together, or two sets of States could hope to come together. This attitude is seen in a lot of the discussions that took place in November 1959. It is also ultimately seen in the press release that was issued after the November 1959 signing of the Convention, in which the EFTA States clearly prioritise trade, and clearly characterise EFTA as being a structure that was intended to be dismantled.

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EFTA, in many respects, therefore got off to rather an inauspicious start. EFTA has been an oddity in the sense that, as an organisation, its States have generally wanted to leave rather than join. It is, of course, one of a host of organisations that emerged in the 1950s and 1960s that were designed in various ways - culturally, politically and economically - to unify European States, to bring them closer together, and to promote closer cooperation. EFTA represents European integration in a much more diverse, loose sense, as opposed to being synonymous with the history of the EU.

For these reasons, EFTA has tended to be rather neglected. It has certainly been neglected by academic historians and political scientists, who tend to give it something of a walk-on role, without making much of its ability to be used to enhance our understanding of the European integration process from 1945 until today. An anniversary like today is, therefore, quite an opportune moment to reflect and to ask ourselves the extent to which EFTA's neglect in the literature is justified.

What I want to do is to question head-on that type of portrayal of EFTA, and to get away from the idea that EFTA was a bit-part, insignificant, inconsequential player on the European stage. EFTA was, in fact, significant. Yes, it was perhaps low key. Yes, it was perhaps measured in its approach. But historically it has made, and could well make going forward, quite a significant impact on European, and increasingly global, politics. So what I want to do today is talk about how EFTA has made that contribution, paying particular attention to the notion of democracy, democracy promotion and the guaranteeing of democracy. I do so with the words of a former Secretary General of EFTA itself in mind, when he spoke about how EFTA does not work in a political vacuum. The geopolitics mattered. For an economic organisation that was very proud to be concentrated on free trade, EFTA did nonetheless think, and sometimes act, politically, via its free trade mandate.

We know from the literature that free trade and democracy promotion often go hand in hand. Nation states' foreign policies are often deemed to be centred on ensuring the promotion of democracy by military, political, economic means. We know from political scientists like Jon Pevehouse that international organisations are an essential tool in achieving this. And, of course, this is not just the case in the European setting. You can take, for instance, NAFTA, where part of the debate surrounding the Agreement was framed by the idea of helping to cement the transition to democracy of Latin American states, in particular Central American states like Mexico. A key issue was how NAFTA might have both for its members, and for those around it, a spill-over effect in terms of easing their transition to the post-Cold War democratic system.

Of course in the European context, if we're talking about the promotion of democracy, we think about the EU. Indeed, most of the literature deals with the EU and its goals in that regard. So a lot has been made of the EU as a transformative power. Historians talk about the carrot of membership and the stick of non-compliance, the stick being in the form of sanctions if people or individual governments break terms of membership such as the rule of law, democracy, and human rights.

Ian Manners was the first to talk about this notion of a ‘normative power Europe’. The EU’s foreign policy goals are very much value led, concerned with spreading norms like peace, liberty, the rule of law, and fundamental commitments to human rights. Chad Damro has expanded this further, and has talked about the fact that the EU is a core market, and the notion of ‘market power Europe’. This notion stipulates that it is through trade and through market related activities that the EU has been able to promote and integrate norms into the system, both within its own neighbourhood and globally.

What I want to do here is apply this framework to EFTA and make two key points. The first is that there is a historical lineage at play. It is deeply unfair to discuss democracy promotion without including EFTA. EFTA has long sought to promote and to guarantee democracy. What I want to do is talk about the historical evolution of EFTA’s role in that regard. I want to explore how EFTA might be expected to perform such a role now and, perhaps, in the future. The second point I want to make is that, using this historical perspective, we are able to see what EFTA meant by democratisation. I want to consider how EFTA has sought to guarantee and promote democracy and how wide a method it has employed to do so. I also want to consider how its role has changed over time, and how it might seek to continue to promote democracy in the future, making use of its institutional repository of knowledge and information in a more modern setting so as to have an impact on the world stage, while avoiding some of the pitfalls that democracy promotion can bring.

If we take the definition of democracy promotion from people like Giles Scott-Smith, we can talk about various instruments - whether they be technical, financial, political - to assist processes of democratisation. Doing so, we can identify two phases within EFTA’s history. The first is the “incentive phase” of democracy promotion. This is very much something that existed within EFTA’s rationale of being from the start. Even during the November 1959 initialling of the Convention, democracy promotion was being actively discussed in relation to Finland. It was later discussed in the 1970s in relation to Portugal, a member of EFTA - somewhat controversially - which changed later in the 1970s during its own transition to democracy. EFTA then moved towards the second phase, a “conditionality phase”, which we will talk about in more detail. This phase is seen from the 1980s and early 1990s in terms of Central and Eastern Europe, in particular in the preferential trade agreements of the period from 1995 onwards. What I will do today is concentrate on these case studies, and get a sense of how EFTA’s role as promoter of democracy has evolved, and how it has learnt from its previous actions.

II. The Incentive Phase: Finland and Portugal

(i) Finland

Taking the first phase, I will concentrate in particular on Finland and Portugal. When I started looking at EFTA I did not expect, despite having lived in Finland for a few years, to spend so much time thinking about Finland. For me, before moving, it was a very nice but very cold country that perhaps could lay claim to the fact that Father Christmas lived there. What I learned

very quickly was that Finland was really quite an interesting case study for how EFTA sought to contribute to peace and stability in its own back yard.

Finland is interesting because it is a country that has always had, of course, a special relationship with the Soviet Union, today Russia. Back in the 1940s, Finland signed a treaty of friendship, cooperation and mutual assistance with Moscow, giving Russian politicians a really quite significant influence over both domestic and foreign policy in Finland. So, by the 1950s, what you see are real, genuine concerns about the extent to which Finland may be lost to the West, and you see EFTA starting to talk about democratisation as a way of preventing the spread of communism.

Why was this the case? Well, without going into too much detail, in the 1950s we see events such as the Night Frost Crisis, where the Russians essentially froze diplomatic relations with Helsinki, temporarily cutting off several Finnish ports. The result of that crisis was that in 1958, the Soviet Union succeeded in removing the democratically elected prime minister in Finland. There was also a strengthening of the domestic Communist Party. Indeed, the concept of “Finlandization” is well known to many people.

What's interesting from an EFTA perspective is that there was actually very little reason for Finland to join the Association. It obviously traded quite a lot with Sweden, did a little bit of trade with the Brits, but not much beyond that. Significantly, however, from the get go Finland's potential membership of EFTA was not viewed in commercial terms. It was viewed in terms of how to secure Finland geostrategically for the West.

This is one of the points that I want to make very clearly here, in terms of highlighting what EFTA can do that's different from, or additional to, what the EU today can do. EFTA historically has had the capacity to go places where the EU isn't able to go. It would have been unthinkable in this period for Finland to join the European Community (“EC”). It was already problematic enough to have the Russians sanction Finnish membership of EFTA. So, EFTA was very clearly able to work in ways that other organisations, like the EC at the time, were not necessarily able to work. What you see also is that the Americans, who are traditionally seen as very anti-EFTA and very pro-EC, were very keen to have Finland join EFTA. A US ambassador in Helsinki even wrote back to the State Department:

"There is a genuine fear about Soviet infiltration and that the membership of the Seven [EFTA] therefore becomes far more significant as a result."

What is interesting is that this kicks off a wave of discussion throughout the early 1950s about how EFTA is able to use its essentially apolitical nature - bearing in mind that many of the EFTA State governments at the time were neutral - and put it towards broader Cold War aims. So in the case of Finland, there was a discussion very quickly about whether you could replicate Finland's association with EFTA. Membership in this period was always far too controversial. But Finland *associated* in 1961. There was also a discussion about the ramifications if EFTA continued

to rebuff these countries in terms of their contacts with the West, and the ability of those countries to maintain their independence vis-à-vis the Soviet Bloc.

The Finland model was replicated in the case of Yugoslavia. Yugoslavia of course had a very different economy to Finland, but EFTA did introduce a working group, which, while it operated in fits and starts, stayed in existence until the collapse of Yugoslavia in the 1990s. Yugoslavia itself thus became a pattern for later talks between EFTA and other Eastern Bloc countries. Indeed, sources from the US State Department show that in the early 1960s, the USA actively considered whether EFTA could replicate its association agreement with Finland and apply it to Poland.

Now if you know the literature, you are aware that in this period the EC itself did have links with Eastern Bloc countries. Trade was still going across the wall, as it were. The contacts that existed in EFTA were always much lower key, but they were actually far more important and successful, because they were able to be much deeper. EFTA started talking to Eastern Bloc about, for instance, tourist promotion, in a way that the EC of this period was unable to do.

So, there are a couple of lessons to be learned from the Finnish case alone. First, EFTA never put on paper, certainly not public paper, in any agreement that its aim was to promote democracy. Using the historical method, however, we can see EFTA's internal organisation and that this sort of geostrategic, geopolitical dynamic was very much at play. Secondly, a lot of people who have studied EFTA have been highly critical of the Association. They talk about EFTA as lacking in the political ambitions of the EC, and of having a rather hazy blueprint. Admittedly, the Stockholm Convention was notably brief. However, EFTA's apolitical nature was in fact probably one of its best assets, and this continues to be the case in the modern setting, which we will talk about in a moment.

(ii) *Portugal*

The Portugal case is perhaps even more exciting. As you know, in 1974 at the time of the Carnation Revolution, Portugal began transitioning to democracy. A lot is made in the literature of how the EC automatically started dealing with Portugal and started negotiations for its membership, which of course occurred later on in the 1980s. But first out of the shed was EFTA. What you see in the case of Portugal was a willingness, very clearly, to talk in far plainer terms about the ability of EFTA to contribute to democracy. It was, of course much easier because Portugal was a member of EFTA. So, when we talk about the first phase of EFTA dipping its toes into democracy promotion, I think we have to understand that it was still very incremental. It was still very much concerned with countries that EFTA already had quite a strong relationship with.

But this doesn't, or shouldn't, be allowed to underplay just how significant the impact of the decisions that were made by EFTA in the 1970s were on stability within Portugal. In 1976, an industrial development fund began. By 1984, there were around 250 loans that had been issued. EFTA introduced massive infrastructure spending, leading to new factories and the modernisation

of machinery. If you've ever been on the Metro in Lisbon, that was partly paid for by Norway. There were training schemes. By EFTA's reckoning, this led to quite a dramatic increase in jobs, both directly and indirectly.

What I think is more significant, perhaps, is the high-level context. You see the Norwegians, the Swedes, and the Swiss offering insight at a governmental level about how, essentially, to be a market economy, or a mixed market economy: how to develop fishing, how to develop forestry resources, how to deal with tourism and trade promotion. How to cope with the nuances of financial planning or urban development, or education and welfare policies. So there really was learning via the EFTA route.

What's also significant about the Portugal fund is that it became almost a blueprint. This was perhaps accidental in many respects, but nonetheless the investment in Portugal was really a precursor to the Norway EEA grants that you all know about today. They act in very similar ways, even though the aims are perhaps somewhat different.

III. The Conditionality Phase

EFTA's dynamic changed dramatically following the collapse of the Berlin Wall in 1989, which of course we have recently had an anniversary of as well. Instantly there was a discussion within EFTA about needing to have a positive reaction towards the process under way of transitioning to democracy in Eastern and Central Europe. And there was a big debate about quite what role EFTA should play. You have, for instance, in certain documents the Norwegians at the top who said that EFTA did need to play a very key role. They argued that there had to be a political element involved. They were aware of the fact that this was just not about trade and commerce. The Swedes agreed, and they actually started talking about going beyond ideas such as standardisation and technical aspects of trade, to being far more officious in the way that EFTA dealt with countries like Poland and Hungary. These attitudes predated 1989, so predated in many respects what became the free trade agreement that EFTA ended up signing with many of the Central and Eastern European countries.

Now I'm not going to pretend that the debate here was without incident, and there were differences and divergences of opinion. But, nonetheless, the EFTA States were clearly talking about the idea of association or membership. And this, of course, is also when the EEA, or the European Economic Space as it was called then, was also on the horizon. And what's really key is that the EFTA States were very keen not to use the EEA as a sort of route for the countries in Central and Eastern Europe, but actually to make a more substantive role for themselves by helping with the transition to democracy. So the EEA is a complement to an EFTA-only role as opposed necessarily including the EC. And again, the reason why EFTA was able to connect with Central and Eastern Europe in this period is because it simply carried less political baggage. And it does help that the external view of EFTA as being purely inter-governmental, and very much driven by commercial needs, allowed it to get away with a lot more than the EC, because anything that the

EC did and the EU now does is going to irk someone in the Kremlin. This is because it is, unfortunately, in many respects seen as the political arm of NATO.

Thus, you get to see things unfolding in Central and Eastern Europe again at a very technical level. Trade expansion, increasing access to EFTA capital markets, the EFTA Consultative Committee, which as you know is made up of business interest groups and trade union representatives. EFTA started to have more formal contact with its Eastern Bloc neighbours. You had information disseminated on investment opportunities, product development, marketing, training. You had specific policies intended to reduce barriers to trade. Tourism is another area that really got a lot of attention, and things such as joint tourism ventures and the creation of links with hotel operators. The idea was that if you started creating multinational firms that are based in the Eastern Bloc, that would help these countries to cooperate with the West. And, of course, there was also financial help. In Yugoslavia, for instance, there was already a discussion about EFTA providing funding for telecommunications. There were also discussions relating to funding in Poland and Hungary, for example by paying for highways. These were practical things to ensure that communism didn't reroute at a popular level.

What's quite significant is that those discussions are discussed in conjunction with ideas emanating from the Secretariat about how EFTA should reform to meet the sheer awesomeness of the task ahead of them I don't mean to be unkind, but the Secretariat has historically had a very clear propensity to try to gain power at every given opportunity. And it very much saw the collapse of the Berlin Wall to be such an opportunity. What was suggested was that we needed to completely transform how EFTA worked. We basically needed to create a far stronger Secretariat that echoed the Commission; we needed to have foreign policy dynamics, as opposed to just economic dynamics, at play; the Secretariat needed to have the right to initiate legislation: all these sorts of things. It is equally significant that this plan didn't really go anywhere, and I think again that is to EFTA's credit. This is because, were EFTA to be a different type of organisation, were we actually to judge EFTA, as many people do, by the standards of the EU of today, it would be a very different type of international organisation, and do very different things. It would perhaps end up doing things far less successfully that it does now.

IV. EFTA: Present and Future

Changing the nature of EFTA might lead to its diminished success as an international organisation because its trade agreements today are very heavily influenced by commercial factors, and by the desire to match EU access to third countries.

A lot of EFTA's third-country trade agreements, as you all well know, replicate quite closely those adopted by the EU. It is a template that EFTA countries like to follow. Now of course there are differences, for instance with agriculture. But what's perhaps most striking is the difference between EU and EFTA trade agreements in terms of things like democracy and human rights. Increasingly, the EU puts these front and centre of any trade agreement that it makes. Rightly so, it may be said. There have been a lot of criticism and discussions about whether EFTA

should do the same. There was a working party a couple of years ago that discussed this very issue. They did start to make references to democracy and the rule of law, but in a relatively vague, far less substantive, and far less systematic way. There is good reason to reject such proposals. What EFTA's history shows is that its flexibility and agility, and the fact that it is not ostensibly political, is an asset. The fact that its policy making is much looser and its membership is much smaller means that it is able to make agreements in ways, or with countries, that you may not necessarily be able to replicate at the EU level.

Put another way, EFTA has had a role in democracy promotion, and it has done things differently. There was always, historically, a conversation within EFTA about the extent to which it was competing with the EC. If you read the archives from the 1960s, some of the figures in the Secretariat thought that EFTA was equal with the EC. But I think that's actually very damaging. I think that if EFTA as an organisation accepts - which I think it does to a large extent - that its flexibility is its benefit, then it is able to do things that the EU isn't able to do. It is able to, for instance, agree a huge number of different preferential trade agreements, although perhaps not to the same extent as the EU. This is particularly interesting in the current context of Mercosur.

Now you will all know that the EU and Mercosur have been negotiating a trade agreement on and off for upwards of a decade, if not longer. EFTA has replicated lots of that trade deal. The problem now for the EU is that it's very easy for the EU, or actors within the EU, to reject or significantly delay a trade agreement as occurred with CETA. And I think there is a potential risk that the EU-Mercosur Agreement will not see the light of day. But again this is where EFTA then can play a role, because EFTA has been willing to replicate the Mercosur trade agreement. EFTA has in many respects paid less attention to the democracy aspects of such an agreement. The hope is that it is thus more likely to get an agreement that sees the light of day, so that lots of diplomatic work doesn't go to waste. The history shows us that EFTA is able to be agile, able to be flexible, and able to do things where perhaps the EU, quite legitimately and for a variety of reasons, is unable to do.

I would suspect in the future that EFTA should pay great attention to Mercosur. The current discussions about the Amazon fires, for instance, are really a discussion about government legitimacy, and are discussions within the EU about who they are willing to be friends with. This may well prevent the EU from formalising the trade relationship. The hope in EFTA, certainly as I understand it, is that it would be able to replicate its past successes and ensure that, through the trade agreement that it formalises, it is able to sort out cooperation and try to encourage democratisation, the rule of law, and human rights. And, of course, that will ultimately be to the benefit of all of us.

On that note, I'm going to leave it there. Thank you so much.