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"Common labour market and business cooperation in a cross border perspective"

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Trade and industry in a cross border perspective

At one particular spot in Østfold County you will find a sign with the following words on it: "The international border follows the stream." This is a clear expression of what the border between Norway and Sweden represents today. It is a boundary, but one that is easy to cross.

It hasn't always been like this. Less than 300 years, the Swedish King, Karl the Twelfth, fell in battle at Fredriksten Fortress in Halden. Just over 100 (*one hundred*) years ago, the dissolution of the Union between Sweden and Norway in 1905 (*nineteen oh five*) led to the mobilisation of armies on both sides of the border.

Yet, unaffected by high-level politics, the people in these areas have always moved freely from one side of the border to the other. Towards the end of the 19th Century, it was the Swedish that developed the stonemason industry along the Østfold coast. Today, Norwegians from all over the south-east set out on cross-border shopping trips. And at Gardermoen Airport it's almost impossible to buy a cup of coffee without meeting a young Swede behind the counter.

In border areas where there are few language, cultural or geographical differences, contact is easy. And when progress takes the lead, politics must follow. Because the fact that the border follows the stream today is the result of a political process.

Nordic co-operation sprung from the intense post-war desire to build comprehensive institutionalised co-operation between nations in order that new armed conflicts would be unthinkable and impossible.

In Europe, this was realised in the form of the the European Coal and Steel Community, which evolved into the EEC, and has now become the EU. Here in the north, Nordic co-operation led the way, with passport-free movement and the establishment of a common labour market. One example of what this has meant for economic activity and jobs can be found at Svinesund. Here, border trade has created extensive and vital job opportunities for the people of Halden, and Norwegian business interests are investing heavily.

These cross-border partnerships are the local manifestation of globalisation. A development that is being driven forward by a combination of technological advances and the dismantling of barriers. It has created a new international division of labour. The textile and footwear industries that were previously so common in Østfold have moved to China. Shipbuilding has moved from Fredrikstad and Moss to Korea.

This has provided work and better living standards for millions of people in China. We have access to cheap, high-quality products.

And in the old dockyards here in Fredrikstad, more people now spend their working day than when shipbuilding was at its very peak. But today these are college lecturers and students, film-makers and media companies, office workers – and all the jobs connected to the newly opened football stadium.

This development has created the kind of economic growth that has improved the standard of living for billions of people throughout the world. According to the UNDP, world poverty has been reduced more in the last 50 years than in all the previous 500 years put together. More people have been lifted out of poverty than ever before.

This development also means that we are becoming more and more reliant on each other. National economies are becoming interwoven. National governance is being weakened. Which is why we need international rules in order to regain control. The answer is GATT and the WTO, EU co-operation and Nordic co-operation.

As a small nation, Norway has been a powerful supporter of the work to strengthen international law and order through treaties and institutions. We are a nation that depends on others buying half of everything we create and produce; our entire well-being is based on commerce with others. For this reason, it is so vital that we have rules and common management mechanisms.

Our neighbour Sweden is our greatest export market, and vice versa. Norway is Sweden's third most important market. Approximately 80 per cent of all Norwegian exports go to our European neighbours in the internal market. Which is why we benefit from the development we are now witnessing in the new EU nations. Economic growth and a higher standard of living means more prosperous markets for Norwegian companies.

Strongest of all is the economic integration in Europe. The creation of the internal market, which now extends to 30 countries and 500 million people, is the closest and most deeply-rooted co-operation ever to have been developed between independent nations. In the internal market, "international borders follow the stream" between all nations. Common laws and regulations create equal competition and strengthen the opportunities for developing, in the words of the Lisbon Strategy, "the most competitive and the most dynamic knowledge-based economy in the world."

The four freedoms – the core of the internal market – have been developed to eradicate the difference between guest and host. We are treated as citizens of a nation even when we take up residence with our neighbour. The social charter has given trade co-operation a social dimension. This is a vital and necessary development if we are to be able to combat globalisation's downsides by political means.

A new dynamic has been created since the EU was enlarged by 10 new countries on 1st May 2004, and a further 12 nations this year. We see that economic growth in the majority of the new member states is strong. This has also provided the 15 old EU nations with a positive growth impulse.

We are delighted that the Eastern European countries are now part of the EU. For 50 years, these countries lay in the shadow of the Iron Curtain, and lost decades of

economic growth and social development because they were not integrated into globalisation's dynamic. But now they are plugged in and we are already seeing the results.

In Norway, as in the EU, we have seen that development is best created from below, even in the age of globalisation. This is why regional development is being so heavily prioritised. The development of Norway's regional business sector is one of the most important tasks the Government is working on in its current regional reform programme. Realignment and development requires extensive co-operation between the research and business communities and local authorities, and must be based on each region's strengths, distinctive character and possibilities. In the 2007 budget, central government grants to regional development increased by 100 million kroner, or almost 10%.

Government policy instruments through such bodies as Innovation Norway, the Industrial Development Corporation of Norway, and greater emphasis on regional research and development are designed to support these possibilities.

At the Nordic level, we have, amongst others, the Nordic Innovation Centre in Oslo. This is the Council of Ministers' most important instrument in the promotion of an innovative Nordic business sector. The Centre's primary task is to ensure that the Nordic region is an efficient internal market; a region without the barriers between countries that can limit the free movement of competence, capital, ideas, people and products.

Though much has been achieved, unsatisfactory competition conditions are still frequently being exposed within many sectors, amongst others, the building industry, and the service, ICT and retail sectors.

The Nordic Innovation Centre is working actively to engage the Baltic states and Northwest Russia in its projects.

In the border areas, the potential for regional development increases significantly as soon as one looks across the border. This is also the background for the cross-border partnerships between municipalities and counties that have developed within the Nordic region in recent decades.

The internal market's dismantling of borders creates prime conditions for this kind of partnership. Which is why regional development work has become a central part of the EU's policy for creating stronger economic growth. This is also how the Interreg programme provided Nordic border co-operation with a new dynamic after Sweden and Finland became EU members in 1995 and Norway joined the internal market through the EEA Agreement.

Cross-border regional co-operation occurs at several levels. The Interreg programmes are all about getting to grips with the challenges and opportunities that spring out of the conditions necessary for attaining the desired local and regional development.

Yet regional co-operation may also extend both further and wider. Regional partnerships are not just essential for local communities in the border areas. They are also vital for larger regions such as Göteborg and Greater Oslo; the Corridor of Growth we heard about in the last speech.

Let me give you one concrete example: The company MedCoast Scandinavia has grown out of business sector co-operation within the Göteborg-Oslo region. By focusing on one of the sectors in which the parties concerned had a competitive advantage, the biomedical communities have joined forces and learnt from each other. This has given the region every opportunity for being one of the leading biomedical competence centres in Northern Europe.

What this demonstrates is that co-operation and knowledge transfer between the business sector, research environments and the public sector can create greater competitiveness.

The title of this part of the seminar is "*Common labour market and business cooperation in a cross-border perspective*". Closer integration across national borders also throws up new challenges. With the recent addition of the Eastern European countries to the EU, labour immigration to Norway and our Nordic neighbours has substantially increased.

While labour immigration from the old EU member states has remained relatively stable at 15-20,000 (*fifteen to twenty thousand*), somewhere between fifty and sixty thousand have arrived from the new member states; the majority from Poland and the Baltic States.

Prior to EU enlargement in 2004, there was considerable uncertainty over how much labour immigration there would be. In Norway, we have had a long tradition of Polish strawberry pickers coming for the summer months. Every year, the Norwegian government would deliberate over whether we should have 5600 or 6000 seasonal workers from Poland that year. But since the 15 existing EU member states agreed to Poland and the nine other Eastern European countries joining the EU, 30 million Poles have been given the opportunity to apply for work in Norway.

...one can only speculate on what kind of self-determination this has given us; the country that chose to remain outside the EU in order to preserve its self-determination.....but that's another story.

Uncertainty surrounding how much labour immigration there would be led to Norway, the only Nordic country to do so, implementing a so-called transition arrangement. The paradox is that Norway has had the greatest labour immigration of any of the Nordic countries.

Today, concern has turned to delight. For if it weren't for Polish carpenters, many building projects would be impossible to complete. And the Government's aim of full kindergarten coverage by the end of the year was unattainable for the simple reason that it wasn't possible to build enough new kindergartens quickly enough.

Our greatest worry now is that the Polish workers will go home again. If this were to happen, the labour shortage in Norway would be even more acute.

But a common labour market also presents challenges. One thing is that competition becomes fiercer. This must be tolerated in a globalised economy. What must not be tolerated is social dumping. This is why it is government policy that anyone applying for work in Norway must also be given the wage and working conditions that apply here.

In a country where there is no statutory minimum wage, effort is required right across the board. Within the building and construction industry, collective agreements have become universal with the result that paying below the agreed rate is prohibited. The Government has presented its own plan of action against social dumping in order to ensure that those coming to work in Norway are not underpaid or exposed to shameful working conditions.

On 1st May this year, the Prime Minister warned that the Government would follow this up by implementing the following new measures:

- It is the employers' duty to ensure that any contractors or sub-contractors pay their employees the required rates.
- Union representatives have the right to inspect the wage and working conditions given by the sub-contractor, and may report wrongdoings to the Labour Inspectorate.
- The rules for the leasing of labour will be toughened up, and a new system for the approval of temping agencies will be introduced.

These are important dimensions in the transboundary labour and competition markets. Where the differences are small, the problems are minor. But where the differences are large, such as they were between the new and old EU member states, the challenges are far greater. Yet – as we can see from developments in Poland and Estonia – these problems melt away given time. Economic development evens out differences.

Development of transboundary regional co-operation also encompasses another important perspective. We are better neighbours when we are working towards a common goal. In a Europe that for centuries has been the scene of megalomaniac monarchs and dark ideologies; where borders have so often been drawn up; weaving together the threads of cooperation between neighbours is a crucial element in building a safer and better future for us all.