THE NORDIC WAY – GLOBAL CROSSROADS AND CAPABILITY TO CHANGE
THE NORDIC WAY stands at a crossroads both at home and abroad. Globalisation was predicted to bring about the end of the Nordic way, but instead it confirmed the Nordic countries capability to undertake structural reforms and increase competitiveness. The Nordic’s unusual combination of a strong state and extreme individualism provided the base for high levels of social trust, which in turn paved the way for an efficient market economy and an inclusive welfare state. An open mind and a will to include people in a common social contract was the key to attracting and gaining global competitiveness.

While the first publication “The Nordic Way – equality, individuality and social trust” provided some plausible explanations of the relative success of these societies, this second publication aims at taking a deeper look at the roads that shaped the Nordic Way and the capacity to face tomorrow’s challenges. The key political ability to implement tough reforms was based on the social trust in the Nordic societies. Therefore it is not further globalisation that is the threat. But at the same time, the Nordic economies have proven to be resilient in the face of economic crises of the past decades. But at the same time, the Nordic welfare systems have, since the 1990s continued to undergo substantial and often rapid reforms. The question of how these changes will impact the level of trust in society is currently a topic under debate. Internationally, there is still strong demand for lessons learned from the development of the Nordic economies and their welfare systems. Today, nationalist and populist movements across Europe, and in the Nordic, are once again attempting to create a society of “us and them”. This threatens to destabilise the political systems and their capacity to reform, and also turns societies inward and decreases openness for economic development.

The crossroads is about whether the Nordic capability to undertake change and to interact globally will prevail or not. Tom Ljungblad (political editor-in-chief at Svenska Dagbladet) questions today’s Nordic consciousness about the rest of the world and our willingness to be influenced by others. Tomorrow’s competitive advantage rests in the capacity to develop and captivate human capital. If that is what once made the Nordic countries successful, why are we today hesitating? Karin Minjel (blogger and columnist at Almabladet) asks why the world’s most family friendly labor market automatically does not translate to the most women friendly? The gap in income between women and men remains and few women are found in executive positions. For the world’s most gender equal societies, equality is still far away. Kai Haan (journalist and former County governor) addresses the high-degree of social trust and how this has enabled economic development. But the social trust that was the key to development may be tomorrow’s obstacle. His internationalisation of the labor market and individuals continues, social trust that is directed towards yesterday’s institutions can be a consuming, instead of driving factor. Social trust is today on decline and if the general political course is not changed, much needed reforms may be impossible to implement.

The Nordic region is better placed than most others to carry out the reforms that globalization foster – as long as we move ahead together. The model is challenged but capable of reform and a reinvented Nordic Way could to an even larger extent than before inspire to long-term macro-regional collaborations. We hope that this publication will contribute to a much needed debate about challenges which in many ways are as relevant in other parts of the world as they are in the Nordic countries.

Dagfinn Høybråten (Secretary-general of the Council of Nordic Ministers) points out that the Nordic region is better placed than most others to carry out the reforms. Tom Ljungblad (writer and columnist at Aftonbladet) questions today’s Nordic consciousness about the rest of the world and our willingness to be influenced by others. Tomorrow’s competitive advantage rests in the capacity to develop and captivate human capital. If that is what once made the Nordic countries successful, why are we today hesitating? Karin Minjel (blogger and columnist at Almabladet) asks why the world’s most family friendly labor market automatically does not translate to the most women friendly? The gap in income between women and men remains and few women are found in executive positions. For the world’s most gender equal societies, equality is still far away. Kai Haan (journalist and former County governor) addresses the high-degree of social trust and how this has enabled economic development. But the social trust that was the key to development may be tomorrow’s obstacle. His internationalisation of the labor market and individuals continues, social trust that is directed towards yesterday’s institutions can be a consuming, instead of driving factor. Social trust is today on decline and if the general political course is not changed, much needed reforms may be impossible to implement.

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WITH HINDSIGHT, IT COULD be considered a blessing that so many people from the Nordic countries felt compelled to emigrate, mainly to North America, in the late 19th and early 20th century. Similarly, surely it is a blessing that long after the Nordic countries have become wealthy and less inclined to religious persecution, so many of us out of curiosity have continued to travel and live in other parts of the world. Because otherwise, how could we have brought home so much new knowledge?

Looking ahead, our current challenge seems obvious: We need to keep up this level of curiosity and willingness to learn, if we are to mentally shift from having been a Nordic great power to becoming a global region.

People from the Nordic countries being present at the Chicago’s World’s Fair of 1893 certainly helped, where the forerunner of the world’s first standardised automobile was on display. When the company Volvo submitted an application to the Swedish Patent and Registration Office to register its brand, it clearly had benefited from THE NORDICS TOPPING ALL CHARTS – but aren’t we missing something?

BY TOVE LIFVENDAHL
the experience developed around the Benz Velo. And inventor Lars Magnus Ericsson can thank Alexander Graham Bell for not registering his telephone patent in the Nordic countries, making it possible for Ericsson to start manufacturing telephones in 1877.

“Openness” is a term often associated with the Nordic model. I would argue that the aspect of openness that has been most vital to its success can best be described as a driven curiosity. This phenomenon is well documented in the correspondence between emigrants from the Nordic countries and the North American continent, demonstrating how a person who is in one place gains knowledge he or she can share with people elsewhere.

“Since 2008, Sweden has one of the more liberal systems in the world for labour immigration”

There is a related lesson to be learnt from the spirit of treasure hunting and from the political schemes enabling even more exchanges: We are not giants that manage best on our own. Instead, our prosperity is based on relatively small countries like us being able of sustaining a vibrant, productive exchange with others.

Swedish exports today account for 45 per cent of GDP, our imports account for about 40 per cent. The export of goods is greater than the export of services, but the trade in services has grown more rapidly than the trade in goods.

Norway is certainly our biggest trade partner, while Finland and Denmark also represent a considerable share of our trade in goods, but we all depend on relations and trade with non-Nordic countries.

Our success cannot be explained only by the flow of ideas, goods, services and capital; mobility of people has also played a large role.

After the Second World War and up to the late 1960s, immigrants were recruited to work in Sweden when manufacturing demanded more people. In 1967, the Social Democratic government then in power sharply limited immigration opportunities for non-Nordic applicants – a move that strengthened intra-Nordic migration.

In 1970, Finnish immigration to Sweden set a record, with 90,000 new arrivals.

But again since 2008, Sweden has one of the more liberal systems in the world for labour immigration. The regulations in place are based on the labour market’s need for workers.

Having looked at the “hard” pieces of the puzzle in understanding Nordic economic success, what are the “soft” ones?

We Nordic countries are a bit of an oddity. In the World Values Survey, all the Nordic countries are found in the corner of the values chart characterised by secular-rational and emancipatory self-expression values. Similarly, when general trust is measured, Norway, Denmark, Sweden and Finland top the list. This tendency of trust has grown rather than declined in recent decades.

This is something we tend to be proud of. We like to talk about “the Nordic Way” (or to be honest, in Sweden “the Swedish system”) and it is easy to believe that the high degree of self-transcending institutions, extensive welfare systems and social trust have interacted with growing commerce, contributing to a healthy business climate as well as citizens’ confidence to invest, take out loans and sign agreements.

On the same topic, we like to think of ourselves as being, or aspiring to be – international and modern. We do seem to be quick to adopt new trends and new technology as well as influences in food, music and fashion.

It is a paradox that, at the same time, we appear to find it difficult to appreciate the experiences, the new knowledge and networks of our returning compatriots or of immigrants. We risk a high price for this contradictory behaviour, which of course does not tally at all with our preferences for praising diversity and difference.

What determines if a country or a region will succeed in today’s world? Since we are living in a knowledge and network economy, the answer will likely be the ability to attract, develop and capitalise on the country’s human capital.
The Nordics topping all charts – but aren’t we missing something?

The world’s most attractive countries, ranked according to economy and pay level, experiences of travelling, working and socializing as well as exotic birds. An article in The Economist that examined the ways different countries try to access the brain power abroad had changed their view of Sweden and asked the citizens how their move back had worked out. How did they socialize with? I asked how living abroad had helped their children manage the adjustment and what people did they socialize with? I asked how living abroad had helped their children and colleagues.

I proceeded to interview friends having lived abroad, asking questions that I had for some years now asked. What was it like? Did they have a good time, and what were the lessons they learnt, the experiences and challenges? How did life in another country work? How did the children manage the adjustment and what people did they socialize with? I asked how living abroad had changed their view of Sweden and how their move back had worked out. A pattern emerged. Regardless of their age, sex, education, profession, interests or geographic location, the Swedes who had emigrated described a common experience. They had all encountered an almost active disinterest in their experiences from abroad and in any new knowledge they may had gained. Moving back to Sweden was almost always difficult. Both socially and professionally, distance or even friction was experienced in relations with old friends and colleagues.

And I realized that if I too had acted in this way, asking standard questions with no real interest of finding out more, no matter how anecdotal my story is, herein lies, is a and the big challenge for us – mentally shifting from being a Nordic great power to becoming a global region.

In the same way as emigrants to America in the old days were living go-betweens conveying information to their home countries, systematically neglects its far-flung diaspora, missing the fact that these people constitute hard currency in terms of talent, they are part of our community while holding knowledge that we do not have. In the same way as emigrants to America in the old days were living go-betweens conveying information to their home countries, systematically neglects its far-flung diaspora, missing the fact that these people constitute hard currency in terms of talent, they are part of our community while holding knowledge that we do not have.

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The Global Agenda Council on Migration recently described the transformation that is underway and how countries and companies are positioning themselves to succeed in attracting and retaining the right talents in the rapidly changing work environment.

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to travel the world and obtain new knowledge: “When our thousands of Chinese students abroad return home, you will see how China will transform itself.”

The naive disregard of potential talents demonstrated by Nordic countries probably explains why our countries seldom are to be found on the global maps now being drawn, showing which countries are the most attractive or have the highest quality as a destination for work abroad. “These rankings matter to people planning a career: “When each hire constitutes a great risk, employers understandably fall back on choices considered safe and superficial factors as ethnic origins become more important”

Sylvia Schwaag Serger, adjunct professor at Lund University School of Economics and Management, and director of international strategy at Vinnova, Sweden’s innovation agency, carried out some 50 in-depth interviews with students in China between 2004 and 2008. An indicative remark that tended to recur in these interviews was: “If we look at a Swedish company, we see only Swedes at the top – why, should we apply to a company like that?”

The Swedish and Nordic weakness for similarity can be found at the top of the most attractive foreign companies. Moreover, Sweden, Norway, Denmark, Finland and Iceland can all be found in the rather unfortunate upper half of the OECD’s list of unemployment rates for people born abroad compared to those for native citizens.

There are obviously many explanations for this, one being Sweden’s unusual influx of refugees that in Sweden contributes to the fact the rigid labour market in making it difficult to fire and lay off people, so that even a low degree of prejudice against foreigners carries more significance than it should. When each hire constitutes a great risk, employers understandably fall back on choices considered safe and superficial factors as ethnic origins become more important.

However, we must not underestimate the importance of informal barriers, hard to measure and put into words. The social culture of the Nordic countries tends to be reproduced rather than challenged by new arrivals, wanting to fit in and be accepted. Thus, there are many immigrants and Nordic people returning home, who can provide painfully numerous examples of how their experiences is not taken into account or is even seen as a disadvantage, since they may have “missed” something during their absence.

This oversight characterises Swedish academia as well, which compared to world-leading universities in some aspects shows highly refined recruitment in my discipline, history, at Stanford only 7 per cent of employees earned their PhD from the same university, and at Berkeley 14 per cent. The corresponding figures for Lund and Uppsala are 86 and 74 per cent, respectively.

“Going forward, the Nordic Way must be driven by curiosity, not indifference”

The alternative to strong growth and active participation in the global market’s rapid development is not any kind of splendid isolation in a state of prosperous unchangeability, but rather an ever poorer and narrow life.

Going forward, the Nordic Way must be driven by curiosity, not indifference. If we are blinded to the possibilities of learning from people that know things we do not, we will very quickly be overtaken by people who understand to take advantage of this new capital – the talents and the competence they carry with them.

Not to do so, could be the kiss of death to the Nordic success story.
HEARD THE STORY about an American tourist in Stockholm? After strolling around the city for a few hours, she exclaims to her Swedish hosts, “What’s the deal with all the gay nannies?” This is not a true story, but it does play on something that surprises many visitors to the Nordic countries – the number of fathers pushing prams. Almost 90 per cent of all Swedish fathers take parental leave!

In 2015, Swedish fathers took 25.5 per cent of the allowed days to parental leave, and it reached the figure is even higher, 28.5 per cent in every Nordic country, men’s use of parental leave has increased since the turn of the millennium. This leads not just to surprised tourists staring at men walking around with babies in the middle of the day. It also generates credulous articles in the international press about what this is doing to the role of the Nordic man, usually positive. Nordic men are big, strong feminists, it is said. Visit Sweden (Sweden’s national tourism organisation) likes to depict men as “Alexander Skarsgård with a baby on each arm.”

This may be an image effective in attracting tourists but is also an exaggeration. In reality, the Nordic model is rather family-friendly than women-friendly. Sometimes that is the same thing. But not always. Nordic societies have created institutions that help families combine working life with raising children where other countries are stuck in a debate about different lifestyles for women. Career women with babies in their briefcase are pitted against ardent cookie-baking housewives.

“Almost 90 per cent of all Swedish fathers take parental leave”
in the so-called “mommy wars”, full of accusations and guilty feelings. The discussion tends to be about who is living “the right way” and whether women “can have it all”.

In the Nordic region, society and the labour market have long recognized that these are not individual but common concerns. The Nordic countries are undeniably ahead in that sense.

Among the Nordic countries, Sweden provides the longest paid parental leave, enabling parents to receive income-based benefits for up to 68 weeks. Finland has 44, Denmark 52, Norway 51 and Iceland 39. Denmark is the only Nordic country that has not earmarked some of these months for the child’s father. Simply earmarking months seems to be the most effective way to convince fathers to take parental leave. Sweden was the first country in the world to introduce gender-neutral parental leave more than 40 years ago. A parent could be on leave for 180 days and receive 90 per cent of his or her salary. In theory, this could be either the mother or the father.

In theory, that is. In the first year, men took only 0.5 per cent of the days. Rumour has it this was mostly during the moose hunting season.

In 1995, the Swedish government introduced the first so-called “daddy month”. Families in which the father took at least one month off were given an additional month of parental leave. In 2002, this was expanded to two months. Today the Swedish debate is about whether the entire parental leave period should be individualised – half given to the mother and half to the father. It is a controversial issue.

In Norway, both parents get two weeks together with their newborn baby and then can divide between themselves 46 weeks with full pay or 56 weeks with 80 per cent of their salary. Ten weeks of parental leave are reserved solely for the father which are lost to the family if unused. As a result, 50 per cent of Norwegian fathers now take at least 12 weeks of parental leave as opposed to only 3 per cent before this law was introduced in 1993. Iceland earmarks the most time to each parent. A third of the days go to the mother, a third to the father and the final third can be divided however the family wants.

The Nordic countries have a higher percentage of gainfully employed women than the rest of Europe. In EU27, average employment rate for women 15–64 years of age was 58 per cent in 2013. Every Nordic country has a higher employment rate for women.

In today’s world, older people live increasingly longer but while the number of pensioners is on the rise, fewer children are being born. Many welfare states face economic problems related to this demographic development. An ever smaller number of people must support an ever larger number.

The Nordic countries, however, have managed to combine a high percentage of women gainfully employed with high fertility rates, so making the future for the Nordic welfare states look sustainable. Not many other countries have successfully managed this equation.

Using family policies as a political tool to bolster fertility has a long tradition in the Nordic countries. During the Great Depression of the 1930s, Sweden had extremely low birth rates when the sociologist Alva Myrdal and economist Gunnar Myrdal wrote their best-selling book Crisis in the Population Question. Their revolutionary idea was that, if society wanted more
children born, it had to ensure that women could combine children and gainful employment.

They argued that while children were a fundamental resource to society, the financial burden was shouldered by individual families. Thus, if society wants to see more children, it would have to transfer resources to families and to children.

In times of demographic strain, these ideas have attracted growing attention in countries such as Austria, Germany, Russia and a number of economies in south east Asia.

Allocating four per cent of GDP to help families (the same proportion that the US allocates to its military) may seem unusual in times of economic crisis, but the experience in the Nordic countries shows that society gets a return on the investment. Do not forget that with more women on the labour market, tax revenues will increase.

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The high rate of Nordic women working also has its specific historical roots. In the growth years of the 20th century, a labour market like Great Britain's could expand by taking in workers from its colonies and did not have to resort to encouraging women to work.

When Sweden needed more labour in the post-war period, the strategy was twofold, a guest worker programme enticing immigrants to enter as well as encouraging women to work outside the home (mainly in the public sector which was undergoing expansion at that time).

In many countries, employees in child care have a low level of education, earn low wages and are seen as easily replaceable. That is not the case in the Nordic countries where, to a great extent, child care is publicly financed and available to all children. Also, it has a remarkably high level of quality.

In many countries, employees in child care have a low level of education, earn low wages and are seen as easily replaceable. That is not the case in the Nordic countries where, to a great extent, day care is viewed as an important part of a child's development.

This accords well with new research on how crucial the first four years of life are for a child's ability to learn. Research such as James Heckman, from the University of Chicago, have noted the lack of high-quality early child care, in a society that will invest significant money in a child’s schooling while providing scarcely any resource during its first years. "The later in life we attempt to square early deficits, the costlier the re-mediation becomes."

When it comes to child care, it is safe to say that the Nordic countries are far ahead. Moreover, as a result of these family-oriented policies, a whole different work ethic has developed. People in the Nordic countries work far fewer hours per year than the OECD average, a fact that does not undermine the productivity of these countries in any way. "When you are trying to do business with Nordic countries in July, you will be well aware that enjoying five, even six weeks of (paid) summer holiday, is an almost sacred thing."

Also unusual would be the great freedom given every individual to choose teachers working hours, a system that requires a great deal in terms of personal responsibility and productivity, but naturally helps combine work and family life.

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Is this the perfectly equal society, then? Here is a paradox: Despite investing heavily on women’s opportunities in the labour market, the wage differential between Nordic women and men has remained just as big here as elsewhere.

In Sweden, it is around 15 per cent, in Denmark 7.6 and in Norway 7.5. This compares to Italy with 11 per cent, or Belgium with 6. The OECD average is near 15 per cent.

So, the world’s most family-friendly labour markets are not automatically the world’s most woman-friendly.

Another thing, most countries that demonstrate a high percentage of women in politics tend also to have a high percentage of women in top positions in business. This is not true of the Nordic countries. They have the lowest percentage of women directors and chief executives in Europe. In Bulgaria for instance, almost half of all executives are women. In Sweden and Denmark only one in ten is.

The famed glass ceiling seems to be lower in the Nordic countries than elsewhere.

The Nordic labour markets are paradise for people who want to work and raise a family but not for women who want to pursue a career.

That is, unless men take advantage of them to the same extent as women. And they do not. Not even in the Nordic countries.
GOOD INSTITUTIONS AND well-balanced policies drive welfare in society. This view has long prevailed in western Europe. No matter whether people’s heads and hearts are to the right or the left, there has been general agreement that policies are crucial to work and well-being.

Somewhat contradictory to this view, in recent years several researchers have proposed a thesis concerning the importance of social trust. One could say that a kind of cultural explanatory model has been set against a more traditional political explanatory model.

Thus, the Swedish political scientist Bo Rothstein argues that trust in society is one of several factors with the strongest correlation to citizens’ experience of “happiness”, which in turn relies on the smooth functioning of society. In 2009, theories on the importance of trust for the economy rendered the US political scientist Elinor Ostrom the Nobel Prize (the Swedish Riksbank’s Nobel Memorial Prize in Economic Sciences). How social trust has made possible a strong individualism in the Nordic countries was described by Henrik Berggren and Lars Trägårdh in the first edition of The Nordic Way in 2010.

Put simply, a high level of trust promotes trustworthy interaction between people and thus the smooth exchange of goods and services. A high level of trust means that all different kinds of contracts include tacit assumptions that do not need to be specified and do not need to be monitored for compliance. Interestingly, Swedish law includes what is known as the doctrine of assumptions, which was developed by the German legal scholar Windscheid and is rooted in Roman law.

TRUST AND WELFARE – A HAPPY COUPLE?

BY MATS SVEGFORS

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contracts contain unwritten clauses of a sort (This theory is rather complex and cannot be briefly estimated.) Economic development benefits from a high level of trust between individual citizens; one could call the "foil trust". But there is also political trust. It is easier, for instance, to establish effective tax collection and thus a functioning public sector, if citizens feel confident that the money paid in taxes will be allocated to welfare that is widespread and fair. The opposite holds if citizens assume that tax revenues will be used to promote the particular interests of politicians and civil servants.

Trust is therefore important to promote relations in civil society and to ensure that the public sector works well.

As is evident, the time is closely linked to a tradition in philosophy and political science that is rooted in Plato and especially Aristotle; that virtue is essential for a good society. Aristotle did not explicitly mention justice (dikaiosunê) as one such virtue. Still, dikaiosunê was a core value in his political theory.

Trust in western Europe can be found in the Eurobarometer, that is, the European Commission's recurring interviews of citizens of EU member countries and countries that are candidates for EU membership. Using these figures, we can get a general European picture of trust but also compare conditions in the EU's 28 member countries.

I worked with data from Eurobarometer 82, which was compiled from interviews carried out in late 2014. Nonetheless, it should be noted that these recurring surveys concern citizens' trust in various institutions, not trust directly between citizens, more about this below.

There are striking differences between north and south in terms of trust in the democratic institutions of one's own country. The average score for EU member countries is 20 per cent; the six eurozone countries score just below 30 per cent.

The countries with the highest trust in EU institutions overall tend to be greater than their trust in their own democratic institutions. EU citizens trust their own institutions but just one in four trust EU institutions.

Interestingly, there is also covariance between trust in institutions and trust in other people. Noteworthy is that with some rare exceptions (Germany and Sweden), European citizens' trust in EU institutions overall tend to be greater than their trust in their own democratic institutions. (UK also breaks this pattern, one third of citizens trust EU institutions.)

The covariance with trust in EU institutions is somewhat greater than the covariance with trust in national institutions. In both cases, the value of trust in the EU bodies on the horizontal axis is the average value of the trust in local/ regional bodies, the national parliament, the government and the political parties. The value of trust in the EU bodies on the vertical axis consists of the average of trust in the European Commission and the European Central Bank (ESM). Origin is not a zero value but the average score of the EU's 28 member countries. Source: Eurobarometer no 82, 2015
As for trust in other citizens of one’s own country, Finns topped the list, closely followed by Danes and Swedes. On a four-point scale, the score for Finland was 3.7. That is an extremely high score, equivalent to seven in ten citizens responding that they had “great trust” and three in ten Finns responding that they had “some trust”.

The lowest level of trust in citizens of one’s own country was once again found in southern Europe: Italians had the least trust (average score 2.87), far lower than for the French, who reported the second lowest level of trust in the citizens of their own country (3.24).

Trust is a general phenomenon. In countries where there is great trust in one’s own citizens, there is also a relatively high level of trust in citizens of other countries. There is also a connection between the different aspects of trust, that is, trust in other people and trust in institutions, both at the national and international level.

It is easy to see that, when the state is weak, the society trust to some sense be strong. The extremes are weak states, clan societies, where immediate and extended family are forced to fill the safety and welfare functions that are provided in developed states either by the welfare state or advanced welfare solutions. In the Nordic countries, we have developed very strong states, where it has been possible to relieve the family of responsibility for taking care of people in need. The trend in other European countries is in the same direction but at a far slower pace.

Especially in recent years, the emphasis of political debate in many countries has thus been on the difference and even contradiction between the state and society. Leading liberal ideologues have depicted the state as a threat to civil society. But as Bo Rothstein in particular has noted, the opposite is true. The conditions for building strong public welfare institutions are fostered if there is great trust in society, that is, if civil society is strong. It can also be assumed that the reverse holds: civil trust increases if the state functions well.

If one is to understand the growth of the Nordic welfare states, it is not enough simply to look for direct political explanations. One must also understand the cultural and social context in which the welfare state developed. Historically, mutual dependence in small local communities paved the way for a strong civil society. That, in turn, paved the way for the development of strong welfare institutions at the central and local level.

THERE IS REASON to still ask whether a high level of trust, too much trust, could become a problem in itself. It is not an especially bold statement to say that the social models characterised by great trust and advanced welfare solutions that developed in northern Europe have gone hand in hand with industrial society. But, is it really just coincidence that these social models will equally be in tune with an internationalised service society that is thus far more individualised, among other things? Could this great, not to mention extreme, trust in existing institutions represent an obstacle to development?

The Swedes have an expression “lagom”, meaning not too much and not too little. Interestingly, Sweden is lagom in hardly any respect. As shown in the diagram above, Sweden and the other Nordic countries position themselves at the extreme end of the scale.

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How does such a society handle its own need to change? Does trust help make change possible? Or can trust in what is so great that it stands in the way of what should be?

Our Nordic welfare model faces a number of challenges that are linked to changes in both internal and external conditions.

Productivity growth in the production of services is typically lower than in the production of goods. This means that, in relative terms, services continuously become more expensive than goods. This phenomenon is known as Raaflaub’s dilemma or Raaflaub’s cost disease.

With welfare services funded by taxes, it means that the tax burden should gradually increase even with no change, in quality or quantity, in the services on offer.

With economic growth, resources available for use increase. Once we have satisfied basic material needs, our demand for services increases, especially those that the state and local authority provide us in the Nordic societies: health care, child and elderly care, continuing education.

Medical research in particular furnishes health services with continuously new methods for caring, alleviating pain and curing patients. Clearly, knowledge growth will lead to greater demands for public sector activities. These demands can be met in various ways:

- Through increased taxes: Given the understanding that taxes in practice are compulsory insurance premiums and collective fees for services that are in ever greater demand, it is reasonable to increase the tax burden. A well-functioning public sector is a competitive advantage for individual countries even if there are high.

- Through increased fee-based funding: Fee-based funding is increasing both because of fiscal prudence and because it generates funds. Low fees in emergency care, for instance, create unmet or unmet high demands for access to emergency care. It is important to realise that increased fee-based funding does not constitute an option in today’s tax-funded welfare but rather a necessary complement to and development of the welfare model.

- Through increased differentiation of services: As a complement to increased fee-based funding, public sector services are being differentiated. Someone who is prepared to pay for a higher level of service in elderly care, for instance, can do this. Fees can also be an important part of the social insurance system.

- Through expenditure frameworks: The measures to increase resources for public sector activities noted above are politically awkward and ideologically unpalatable. The only option, to avoid economic imbalance, is to continue carrying out current policy: Absolute limits are set on insurance premiums and collective fees for services to increase resources for public sector activities produced by the state and local authority from doing so.

Our Nordic welfare model faces a number of challenges because it is a product of the world, as well as in the Nordic countries, of the policy now being carried out in large parts of the world, and as well as in the Nordic countries, public sector activities are defining inner of the services that citizens are demanding.

In the short term, trust can thus probably be both an advantage and a disadvantage when what has thus far been a very successful welfare policy must be adapted to changed conditions.

But as was noted previously, there is a mutual relation between trust and a well-functioning welfare state, which Berggren and Trägårdh have developed in their article “Social trust and the welfare state, which Berggren and Trägårdh have developed in their article “Social trust and the welfare state, which Berggren and Trägårdh have developed in their article “Social trust and the welfare state”.

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The essential condition for trust is that the welfare system in the broad sense of the term really works well.
THE NORDIC COUNTRIES have managed to combine good economic growth with successful efforts to prevent resource depletion and minimise environmental impact. If humankind is to survive on earth, this is something that will have to be replicated throughout the world.

What needs to be done is a transformation into a circular economy, characterised by smart resource management, innovations, more jobs and more secure and sustainable economic and social well-being.

Could the Nordic countries, individually and together, function as a catalyst in developing such a new industrial revolution?

This chapter will consider these questions. Let me first describe the situation the world is in today.

More than sixty years ago, Georg Bergström, a Swedish professor of food sciences, attracted international attention when he warned of the risk of general world hunger, including in Sweden, by around the year 2000.

Bergström was not the only doomsday prophet of this sort. Lord John Boyd-Orr, director-general of the Food and Agriculture Organization of the United Nations in the 1960s, believed that two thirds of humanity would be affected by malnutrition and hunger. The so-called Club of Rome’s report “The Limits to Growth” predicted global economic collapse since the world would run out of natural resources: oil, natural gas, silver, tin, uranium, copper, aluminium, lead and zinc.

With the benefit of hindsight, we know that these predictions came to nought. Nor will the world population reach 15 billion by 2050, as many commentators feared. The reason for this is that the birth rate stopped rising as early as 1990, quite simply because many people had more secure living conditions and no longer needed a large family to offset infant mortality, ward off poverty and care for them in their old age.

The global population will still rise by more than two billion by mid-century, but this is
largely because more and more people are living longer thanks to better food, health, housing and education.

In its reports and analyses, the UNDP warns that these promising trends could come to an abrupt end if the world cannot stop climate change and bring a close to the resource wars in the Middle East and Africa, with their severe poverty and millions of destitute refugees.

Among the researchers attempting to calculate the earth’s capacity to deliver fresh water, food, clothing, energy and other resources needed for the wellbeing of people on Earth into the distant future, Canadian human ecologist William Rees and his colleagues have come up with the following rough figures:

- In the long term, the planet can hold no more than 2.5 billion people — based on the living standards of the average European.
- There can really only be 1.5 billion people — based on the lifestyle of the average American.
- In the short term, the world can hold no more than 8–10 billion people — based on the living standards of the average Indian.
- There can really only be 1.5 billion people — based on the lifestyle of the average American.

One billion people lack clean water. One in three people lacks access to a toilet. One in three people lacks access to clean water. Only 2.5 per cent of the world’s fresh water is accessible. One billion people lack clean water.

The US must therefore cut its emissions from 5 tonnes per person per year to an average of 1–2 tonnes per world citizen per year. That translates into the whole world reducing emissions to the current average level of an average Indian (1.3 tonnes per person and year). The US must therefore cut its emissions from 16, China from 5 and Sweden from 6 tonnes per person and year. Such climate targets would require sweeping transformations — technological, social and political.

A key question: how many people can the earth sustain given the limits imposed by the climate, nitrogen turnover, the ozone layer etc. (the climate, planetary limits. Researchers are able to define these with ever greater certainty (the climate, nitrogen turnover, the ozone layer etc.).

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The earth could hold 15 billion people — if everyone lived like the average Indian.
that is, with governments and authorities allo-
cating the benefits of growth to the health and
well-being of the majority of people.

Meanwhile, as an already prosperous middle
class – no longer not just in the US and Europe
but also in many countries in the east and
south – continues to increase its consumption,
the result is also that ecological problems are
becoming worse. The positive effects of econo-
mic growth on material well-being, and thus for the basic ecosystems – locally, nationally, globally.

We need to row as effectively using both oars
in the boat: a) new resource-efficient technology and
b) a more prudent way of life. A general systemic problem in this respect is
that our welfare societies still rely to a large extent
on linear as opposed to circular flows of energy
and raw materials. A product moves from cradle to
grate, after which – in the best case – it is recycled
as material or energy. This is a linear economy
that requires continuously increased consumption
– essentially a consumerist economy with ever
increasing resource minimisation in three key segments of well-being – food, transport and housing. The report shows the sub-optimal
effect, but only recently has it attracted political
attention. The conclusion is clear – if “green tech-
tology” is to be beneficial to the full extent, it must
become part of a co-called circular economy and supplemented with some new features (see below) as well as accompanied by basic life style changes.

We must sharply reduce our draining effects on
natural resources and help the environ-
ment with resource-efficient and fossil-free
production of materials we need at the molecular level in order to develop our well-being in a sustainable way?

What therefore needs to happen, locally and
globally, is a gradual but urgent transition to a
more circular market economy, where profit-
ability and success would be based on revenue
from use instead of consumption, where today’s
“cradle to grave” consumption is replaced by the
“cradle to cradle”  principle.

We are talking about nothing less than a new
industrial revolution for the 21st century, in which
Europe – with the Nordic countries as the driver
– can and must play a key role.

Businesses and all society would need to pro-
mote “de-materialisation” through circular flows
drawn from the concepts of cradle-to-cradle
management of resource flows. That requires imple-
mentation of a number of changes in the mar-
tet, something the European Commission has
already begun.

Eco-design

An important strategy in a circular economy is for consumers to rent instead of own – washing machines, refrigerators/freezers, cars, perhaps even furniture, toys, art. This strategy extends the user period of a product and thus contributes to
super efficient resource use.

Eco-design is also part of the eco-design
movement – making a product an efficient in material
use as possible while maximizing its function.

Nano-technology

Can technology imitate nature and form the
materials we need at the molecular level in order
to develop our well-being in a sustainable way?

That has long been a dream in research. Nano-technology can be seen in part as a radical extension of miniaturization and holds poten-
tial for extremely material-efficient production
and consumption.

Leasing and buying functions
An important strategy in a circular economy is for consumers to rent instead of own – washing machines, refrigerators/freezers, cars, perhaps even furniture, toys, art. This strategy extends the user period of a product and thus contributes to
super efficient resource use.
use of resources in today’s predominantly linear market, both in economy and environmental terms. A typical car in Europe is used for driving only 5 per cent of its useful life. In 4 per cent of the time, it is used to find a parking space; 92 per cent of the time, the car is unused.

To test what a circular economy could mean for jobs and the climate in a Swedish context, Anders Wijkman and Kristian Skånberg, in collaboration with the Club of Rome, compiled an interim report in May 2015: “The Circular Economy and Benefits for Society.” They found that about 180,000 new jobs would be created if energy efficiency were increased by 25 per cent for each Swedish krona of revenue, if the share of renewable energy were increased so that it was used throughout society, and if material use in manufacturing were 25 per cent more efficient, combined with replacing half of virgin materials with recycled materials to double the useful life of consumer goods.

The Nordic countries, with a total of some 25 million residents, are small, open and adaptable economies. Together, they constitute the eleventh largest economy in the world, one characterised by high productivity and high education and income levels.

Since the 1950s, this region – and Sweden in particular – has been a pioneer in a number of environmental fields. In the 1960s and 1970s, agriculture was detoxified of chemicals such as DDT, PCBs and mercury. Lakes are cleaner and environmental fields. In the 1960s and 1970s, the acidification of air. The clear-cutting of forests and use of Agent Orange in the 1970s have been replaced by far more sustainable forestry. The acidification of land and water is a far less serious problem now than during the second half of the 20th century. The threatened Baltic cod is recovering. Orange in the 1970s have been replaced by far more sustainable forestry. The acidification of land and water is a far less serious problem now than during the second half of the 20th century. The threatened Baltic cod is recovering. Surviving forest areas and larger protected areas have been created. The recycling of materials is also world-class. At least 90 per cent of all glass containers and 90 per cent of all newspaper are used in new products.

In forty years, Sweden has cut its oil-based heating of homes and commercial premises from 70 to only 8 per cent*.

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These decades of green progress have laid the foundation for green businesses that can sell technology and management both in the domestic market and, to a significant extent, to export to other countries. These companies produce treated drinking and waste water, material recycling, renewable energy, energy-efficient construction, climate-smart logistics, electronics, consulting activities etc. Their operations provide benefits to the environment and the climate around the world, improve Sweden’s trade balance, create jobs and inspire more intensive research on sustainable development.

Sweden serves as an example here of what all the Nordic countries have in common. The other countries in the region share, to varying degrees, similar successes, environmental policy decisions and frameworks which have resulted in considerable benefits to well-being. These countries also share experiences with each other, in part through extensive Nordic cooperation on policies and in non-profit organisations.

The Nordic countries have inspired one another to introduce green government measures such as energy taxes, support for renewable energy (investment funds, green electricity certificates etc.), carbon emissions trading, energy efficiency standards, national targets for material recycling etc.

The Nordic tradition of popular movements and local democracy, which is in many ways unique to the Nordic countries, has played a significant role in the progress we have made. Climate resistance of clear-cutting of forests, poor city air, lakes contaminated by mercury and toxic food have both pushed and encouraged governments and local political
leaders to take far-sighted decisions and measures that later proved to also promote economic growth and jobs.

With the benefit of hindsight, it is clear that the Nordic countries succeeded in reducing their damage to the environment and the climate while the region's economic growth has been on a par with or even higher than the OECD average – a win-win for both well-being and a long-term sustainable future.

At a meeting in 2010 in Reykjavik, the Nordic prime ministers decided to appoint a working group with the vision “The Nordic region – leading in green growth.” The Nordic countries possess a number of strengths in environmental technology, with excellent potential to enhance green growth. Denmark is a leader in wind power, Finland in geothermal energy, Sweden and Norway (in bio energy), and Norway and Sweden in hydro power.

There are at least four strong reasons for the Nordic countries to create synergies so as to, together, increase their share of green growth:

• A larger market

In a combined Nordic market with similar requirement specifications for green technology, market demand and the impact these countries have can increase significantly.

• Influence the EU/ES agenda

By using the political platforms of Nordic cooperation, the Nordic countries can expand the scope of green growth in Europe, which in turn can help make Europe a world leader.

“On their own, the Nordic countries are small, but their cooperation makes them an attractive region for both green investments and ecotourism”

• Common infrastructure

The energy and transport markets depend on a common infrastructure – roads, subways, electricity grids, gas networks and optical fibre networks.

• Critical mass

In order to develop specialised green niches, a minimum size is needed for players to have any impact on the global market. On their own, the Nordic countries are small, but their cooperation makes them an attractive region for both green investments and eco tourism.

The project “The Nordic region – leading in green growth” and the concrete work program constituted a strong expression of the political will of the Nordic governments.

So much for the beautiful ambitions – but how did it go? A comparison of developments in the Nordic countries can teach us a fair amount about what works well and not so well.

• Denmark for example, ranks number one in the world in the Global Innovation Index (measuring the success of research in a country as well as to what extent this leads to new companies and economic growth), or the entire value chain from research to commercialisation. As for the commercialisation of environmental technology, the index for that country is as high as Sweden’s.

• Sweden is among the best countries in the world for research but has fallen out of the top ten to eighteenth place when it comes to converting research results into industrial production and development.

The Danish environmental technology sector had total revenue of 240 billion Swedish kronor in 2013, which means the figure was more than twice that of Sweden, both in per capita and GDP terms. Sweden’s environmental technology exports generated 29 billion Swedish kronor in revenue, whereas Denmark’s generated 90 billion Swedish kronor.

• In Denmark, with just over half of Sweden’s population, 106,000 people work with environmental technology, in Sweden that number is 80,000. If Sweden maintained Denmark’s high development rate in green manufacturing, it is estimated that Sweden could generate green business worth 250 billion Swedish kronor and about 116,000 new jobs.

According to the Global Innovation Index, which specifically monitors the environmental technology sector, Denmark tops the list. Sweden ranks behind China, India, Germany, Ireland and Canada. These countries invest less per capita in research and development than Sweden does but are better at commercialising new environmental innovations.

The difference between Denmark and Sweden is sometimes explained by Sweden being weighed down by an ageing industrial structure, whereas Denmark is far younger. Another explanation is that Denmark has introduced more effective stimulus policy measures to fight climate change and set clear, explicit environmental targets while making laws more stringent gradually and at a faster rate than the rest of the world.

Reduced by a broad political majority, the Danish parliament adopted a decision that 100 per cent of the country’s energy supply is to be renewable by 2020. Carbon dioxide emissions are to be cut by 34 per cent by 2020; the same year, half of the country’s electricity supply is to come from wind power, with facilities set up offshore to a large extent.

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Denmark today already has half the level of Sweden’s electricity consumption per capita and has decided to cut energy use in buildings and manufacturing by half.

Another difference between Denmark and Sweden is that Swedish green electricity certificates are technology-neutral and have therefore led primarily to an expansion of the cheapest technology, such as land-based wind power and bioenergy. Denmark, like Germany and Britain, has certificate systems that stimulate the growth of new climate-smart technology, which is more expensive initially but has potential to put Denmark at the cutting edge of climate change solutions in five or ten years.

“A number of years ago, Norway decided to become a world leader in super-environmental cars”

Norway shows another instructive example. In 2012, Denmark installed as many solar panels every two weeks as Sweden has over the past ten years. Investment accelerated through advantageous tax deductions, a guaranteed production price and so-called net debiting, which allows producers to deliver surplus energy to the electrical grid and not pay against consumption at another time.

In Sweden, such systems have been studied and discussed for many years, but only recently has it been possible to put them in effect. Sweden is in number one in research and innovation, but the absence of a domestic development market for new energy technology has meant world-leading Swedish inventors have not managed to attract venture capital for investment in Sweden. One example is the pioneering technology for more efficient batteries. When the innovators could not get venture capital in Sweden, they had a factory built in the US by Boston-Power, with Chinese owners, a billion Swedish kronor in venture capital and government stimulus funding.

Sweden’s environmental technology research is highly successful in terms of bio energy, solar energy, wave power, wind power, energy storage, recycling, energy efficiency improvements and smart electricity grids. But in order for research to lead to patents and Swedish production, the Swedish government and parliament must quickly set ambitious environmental and climate targets and harden this transformation. Only in this way is a domestic market created that can attract the capital needed.

Norway also shows the way. A number of years ago, Norway decided to become a world leader in super-environmental cars. They have succeeded. In August 2014, one in seven new passenger cars in Norway produced no emissions at all.

The government’s means to achieve this have been powerful and commonsense: no tax, no road tolls, free parking and recharging in municipal parking facilities, permission to drive in bus lanes, free transport on some road ferries and a 50 per cent tax assessment reduction. The sale of electric cars (mainly by Tesla and Nissan) has risen rapidly. In April 2015, the 50,000th electric car was registered, which, by the way, is twenty times more than the number in Sweden at the time.

Granted, the bulk of economic benefits from the sale of electric cars go to manufacturers, including Tesla in the US. But the growing Norwegian market—the largest in the world alongside Canada, the US and Germany—also generates green growth in Norway in repairs, service and trade.

Finland has managed to assemble the largest concentration of energy technology know-how in the Nordic countries, it is found in the Vasa region of Dalsland, between Halmstad and Höganäs, shipbuilding in Halmstad, and 5G wireless technology.

Norway now is growing debate about the need for blue growth, focused on the maritime sector—shipping, fishing, fish farming and offshore wind power. The EU has great aspirations for the Baltic Sea region as a pilot area for blue growth. In shipping, more environmentally friendly fuels, including liquid natural gas (LNG), and technology to clean sulphur dioxide emissions are being introduced.

The Åland cruise vessel Viking Grace is often...
GREEN GROWTH – WILL THE NORDIC COUNTRIES TAKE THE LEAD?

The Nordic countries, together with Germany, have expressed a clear intention to expand and cooperate development toward green growth. The competitive advantages of the Nordic countries – the unique abundance of forests and hydro power per capita, excellent locations for wind power, geothermal energy, good conditions for agriculture and fish, and green materials alongside food – are to be taken advantage of in shared strategies.

1. The Nordic countries have pursued active and often successful policies for sustainable development/environment/energy/climate change. Public involvement, training, grass roots democracy, and a high level of awareness thanks in particular to the unique Nordic model of popular movement – have helped create conditions for this.

2. All of the countries, with Sweden in the lead, produce advanced research in green technology and economics.

3. All of the countries can showcase examples of how research has led to commercialisation of products and services (water, energy and recycling technology, energy efficient construction, logistics etc.) for both their domestic and export markets. Denmark is a leader not just among the Nordic countries but also globally. Green growth has created or helped companies and employment, in many cases resulting in substantial export earnings and, ultimately, enhanced well-being in these countries.

4. The Nordic countries, which comprise the eleventh largest economic region in the world, have competence, opportunities and other good reasons to take the lead in the EU when it comes to green technology and green growth.

5. In policy terms, the Nordic governments have expressed a clear intention to expand and cooperate development toward green growth. The competitive advantages of the Nordic countries – the unique abundance of forests and hydro power per capita, excellent locations for wind power, geothermal energy, good conditions for agriculture and fish, and green materials alongside food – are to be taken advantage of in shared strategies.

6. The Nordic countries, together with Germany, should be able to influence the rest of the EU EHS countries in their ambitions to increase the share of green growth. This in turn would mean that the EU enhances its potential to contribute to a transformation of the global economic order toward a more sustainable, circular economy.
CREATING THE NORDIC WAY TO THE FUTURE

THE GREATEST THREAT to the Nordic model would be to take it for granted. If the model is to last for five, ten, or fifty years into the future, we must continue to work actively here in the Nordic region to create the path we wish to travel together. For social models are not static and cannot be preserved intact; they can only be renewed.

“In a Europe dogged by unemployment and welfare cuts, the Nordic region appears to outsiders almost idyllic by comparison”

In recent years, the Nordic countries have attracted a great deal of favourable attention internationally. The Economist’s 2013 cover story proclaiming us “the next super model” was widely read. Nordic literature, films and TV series are being exported as never before, and have boosted interest abroad both in our region and in our way of life. The Nordic countries score consistently high marks in international surveys. Some proclaim us the happiest people in the world, others that we are among the least corrupt, while still others praise us for our stable, democratic and efficient welfare societies.

Moreover, the region seems to have been more or less spared the economic slumps that many other parts of the world have suffered. In a Europe dogged by unemployment and welfare cuts, the Nordic region appears to outsiders almost idyllic by comparison. At times of recession, the Nordic countries and Nordic cooperation stand in marked contrast to the rest of Europe, and people often look to us in the hope of finding a “Nordic way” through the crises.

In Norway we have an expression that says: “The path is created as you walk.” I believe this expression is indicative of the Nordic model, a path to generous social welfare, a robust economy and perhaps even happiness. The Nordic model is not a static phenomenon but rather a process that changes in both character and expression, in step with the times we live in. This model is not something we have but something we do in the Nordic region, and it is something we do together, since it is precisely the synergy between our countries that brings such unique results.

Actually, the individual components of the Nordic model are no longer particularly unique; they can be found in many other countries. The fact that the model is being copied in other parts of the world can be seen as evidence of its attractiveness and strength, but at the same time it reveals the model’s vulnerability, since it is made obvious that the various parts are dependent on one another in order to function optimally. We can see that separately, these components do not work in the same way. Furthermore, countries choosing to follow in the Nordic region’s footsteps may lack the kind of binding cooperation and trust that is to be found in our region and which has contributed significantly to our success.

THE WAY I SEE IT: the Nordic model is not particularly threatened by global crises or measurements. These are challenges that our region, just like the rest of the world, must find solutions to and we are better equipped to overcome such challenges than most other regions. Over the past 200 years the Nordic countries have lived in peace with one another. Our system of regional cooperation
“By strengthening and renewing Nordic cooperation, we also strengthen and renew the Nordic social model.”

is one of the oldest and most comprehensive in the world. We share the same basic values and place the same trust in the state, the region and the world around us. Our common ground in terms of politics, geography, history, culture and language means we are well-equipped to confront a challenging future together.

However, what might truly jeopardise the Nordic model is we seem to take it for granted. The positive interest being shown by the outside world should not be interpreted as a sign that we are at the end of our journey; that our welfare societies will always endure in their present shape. Losing sight of the fact that the Nordic model is given much of the credit for the fact that the Nordic countries have come through times of crisis relatively unscathed, but paradoxically it is precisely during slumps that our welfare societies will always endure in their present shape. Losing sight of the fact that the Nordic model is a relatively high level of tax-funded welfare benefits, healthy public finances, aspirations of social equality and a levelling of political and economic power. The Nordic labour market is characterised by a relatively high employment rate, and it is women and older citizens in particular who are contributing positively in this respect.

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commission a strategic review of the labour market sector, and this is being undertaken by Poul Nielson, the former... 46

• A borderless Nordic region, in which citizens and enterprises have every opportunity to move
  freely between the Nordic countries.
• An innovative Nordic region, where we jointly
  make more active use of Nordic cooperation in
  international cooperation.

In 2014, the ministers for Nordic cooperation adopted a four-point vision for the future under the slogan “We are stronger together.” This vision will determine the course of cooperation between the Nordic governments in the years ahead. The four points are:

The Nordic region must constantly adapt a long-term, visionary approach, but we must also be alert and practical if we want to continue playing an important role on the European and international scene. The above vision shows that there is a clear political will – regardless of party affiliation – to identify the priority areas in which cooperation is of the greatest benefit and relevance to Nordic citizens.

Thorough agreement in the Nordic countries that steps must be taken to further develop and strengthen the Nordic model. The model has grown much beyond the Nordic countries, but we have to follow that story and take a new role in it. The Nordic model will only become history when we no longer move forward together.

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The Swedish Institute (SI) is a public agency that promotes interest and confidence in Sweden around the world. SI seeks to establish cooperation and lasting relations with other countries through strategic communication and exchange in the fields of culture, education, science and business. SI works closely with Swedish embassies and consulates around the world.

Global Utmaning is an independent think tank that promotes solutions to global challenges relating to the economy, environment and democracy.

The Norden is an NGO founded in 1919 with the aim to support the development of the cooperation between the Nordic countries. With its wide network members organized in local branches all over the region it has major impact on the well developed cross-border cooperation in the Nordic region.