

The EEA and Norway Grants

Source of Norwegian influence or soft power?

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Introduction

For nearly 20 years, Norway has contributed financially to less-wealthy EU countries. From €120 million (1994–1998) these contributions have reached nearly €1.8 billion for the period 2009–2014. In the first period of contributions through the Financial Mechanism,¹ there were five recipient states. Today, Norway contributes, together with Iceland and Liechtenstein, to 15 – a majority of the EU members.²

Polish Prime Minister Donald Tusk has said that these contributions represent excellent ‘propaganda’ for Norway in Europe.³ Indeed, there are reasons to believe that Norway’s contribution to the 15 poorest EU states is important for how they, and the EU, perceive Norway. But what exactly does Norway get in return? Should the Grants simply be understood as an act of solidarity? Or do the financial contributions serve as a source of soft power providing increased influence in the EU?

These questions are also relevant as regards the other non-EU members that contribute to EU social and economic development: Iceland, Liechtenstein and Switzerland. While the first two and Norway are together responsible for the Grants, Norway is by far the largest contributor, covering more than 97 per cent of the value. Since this article analyses if the Grants is a source for *Norwegian* soft power, little attention is given here to the two other EFTA/EEA states. The Swiss started providing funding through the Swiss Grants to the 12 new member states from 2007 (2009 for Bulgaria and Romania). The Swiss contribution amounts to €754 million,⁴ less than half that of Norway.

The questions are relevant also from the perspective of other net contributors in the EU. Reducing economic and social disparities is an EU goal; such redistribution was long related to the Common Agricultural Policy (CAP) and was also the main reason for the famous British demand for a ‘UK rebate’ in 1984. An active EU regional policy became increasingly important in the 1980s when Greece, Portugal and

¹ All Financial Mechanisms are here referred to as ‘Grants’ unless otherwise specified.

² In 1994, the beneficiary states were Greece, Ireland, Northern Ireland, Portugal and Spain. Current beneficiary states are Bulgaria, Cyprus, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia and Spain.

³ TV2 News, 10 June 2011.

⁴ The sum is agreed in Swiss francs: 1,257 billion CHF. Our sum in Euro is based on 1 CHF = 0.6 Euro.

Spain joined. Thus, reducing economic and social disparities was already a goal when the EEA agreement was negotiated in the late 1980s/early 1990s. In the period 1989–1993, the EU’s Cohesion Policy assisted poorer regions with nearly ECU 70 billion, which more than doubled to 168 billion for 1994–99 (European Commission 2008). It was against this backdrop that the EEA agreement was negotiated: with reducing regional disparities an EU goal, it made sense to include a similar objective in the EEA agreement.

The objective of this article is not to assess whether the Grants have helped to reduce economic and social disparities, nor to explain *why* the Grants emerged. We focus on how and to what extent Norway has had and can have political advantage from these contributions, in relations with the EU and the beneficiary states. This article serves as a case-study examining the relation between a policy (the Grants) and soft power.

We begin by presenting the concept of ‘soft power’ and how it has been applied, and then describe how the Grants have developed and been perceived by Norwegian governments and politicians. In the main part of the article we ask whether Norway can derive ‘soft power’ from the Grants, highlighting their prospects, achievements and limitations for political ends.

What is soft power?

The term 'soft power' was developed by Joseph Nye in his *Bound to Lead* (1990). In 2004, Nye elaborated on the concept in his *Soft Power: the means to success in world politics*, using the concept to underscore the fact that states can no longer rely exclusively on carrots and sticks in order to achieve their foreign policy goals.

Nye identifies three distinct types of power: hard, economic and soft (2004: 31).⁵ *Hard power* is demonstrated through threats or/and the use of force, and has traditionally been central in international relations studies. *Economic power* is exerted through payments and sanctions. Both hard power and economic power seek to coerce or induce in order to obtain the behaviour desired from another actor. By contrast, *soft power* involves 'getting others to want the outcomes that you want' (p. 5). Whereas threats and force are the 'currencies' of hard power, and payments/sanctions of economic power, 'policies, values, culture and institutions' are the currencies of soft power (p. 31). While hard power entails the ability to force preferences on others, soft power 'rests on the ability to shape the preferences of others' (p. 5). More recently, Nye (2011: 8) has specified the concept, fully defined, as 'the ability to affect others to obtain preferred outcomes by the co-optive means of framing the agenda, persuasion, and positive attraction'.

In analysing soft power, it is important to be aware of the 'vehicle fallacy' of mistaking the resource itself for power and the 'exercise fallacy' of seeing an outcome and automatically presuming it had to be caused by power (Lukes 2005: 478). This does not mean disregarding power resources or observable outcomes – but we should be wary of automatically equating either as manifestations of power. With soft power, both the soft-power resources and the soft-power outcomes should be evident. While not guaranteeing the existence of soft power, which is an intangible capacity, this makes its existence plausible.

The benefits of possessing soft power are considerable. For instance, if the Grants are really a source of soft power, they can create goodwill in the EU, making it more likely for Norway's views to be accommodated. It might also mean that the Norwegian government can export its values to the EU and the beneficiary states. This is ultimate-

⁵ A further refinement is 'smart power' (Nossel 2004) – basically, the successful mix of hard and soft power.

ly ‘not just a question of image, public relations, and ephemeral popularity [...] it is a form of power – a means of obtaining desired outcomes’ (Nye 2004: 129). Certain behaviours can create political capital which can be ‘used’ later in order to achieve tangible foreign policy goals.

The value-agenda has become central in international politics, turning the foreign policy focus towards public diplomacy as a way of achieving soft power by cultivating a positive and credible image and reputation. And yet, Nye (2004) argues, the current international situation is characterized by a ‘paradox of plenty’: the plethora of channels of information makes it hard to get one’s message through and gain attention and visibility. This leads to what Keohane and Nye (2001: 223) term a ‘poverty of attention’. Countries have to work on their images in order to get access and publicity, but this has become increasingly difficult, especially for medium- and small-sized countries.

It is almost a cliché that Norway ‘punches above its weight’ at the global stage. According to Nye (2004: 112), Norway ‘has developed a voice and presence out of proportion to its modest size and resources’. Norway has made some efforts towards understanding, measuring and mastering soft power. For instance, in 2004 the government established a group to work on improving the country’s image.⁶ It also commissioned a report from Leonard and Small (2003) on the country’s soft power. Leonard and Small (2003: 1) argue that public diplomacy for Norway involves overcoming the country’s ‘invisibility’. It is also about increasing awareness within the EU and its member states of the EEA agreement, to which Norway is a party. In other words, soft power is a means for obtaining awareness and access.

The idea of a ‘soft’ face of power has been criticized or questioned. Niall Ferguson (2003: 21) writes that the ‘trouble with soft power is that it’s, well, soft’. Robert Kagan (2009) argues that we are at the end of dreams and the return to history, meaning a state in which traditional forces and interests will dominate the world stage. Jim Hoagland (2004: 32) criticizes soft power for meaning almost anything: ‘Nye’s book (from 2004) so stretches the definition of soft power, and so heavily conditions it, that the term comes to mean almost everything and therefore almost nothing’. Christopher Layne’s 2010 article bears the telling title ‘the unbearable lightness of soft power’. Janne H. Matlary (2002) has described the paradox of soft power: soft power seems most likely to materialize when actions are perceived as altruism; once the action is understood to be strategic, its soft-power potential can easily be undermined. Christopher Ford (2012) warns that the

⁶ <http://www.regjeringen.no/nb/dep/ud/dok/veiledninger/2006/omdommeutvalget.html?id=439698>

concept can be used by politicians to avoid prioritizing expenditures related to maintaining hard capabilities, and that there is a tendency to over-sell the concept. Despite these problems, soft power may still be a valuable concept, depending on its ‘usability’. In this article, we focus on concrete, and probable, effects of the Grants for Norwegian soft power.

Nye (1990, 2004) developed the concept within the context of US foreign policy, where it is still widely used, but also the EU is broadly assumed to be a soft power (Cooper 2003, Kagan 2003, McCormick 2007, Moravcsik 2010, Toje 2011). Otherwise, the most common soft-power case (or its limits) is made for China (Nye 2005, Kurlantzick 2008, Nye 2012). Additionally, there is an undercurrent of soft-power-related studies and reports on other ‘middle-range powers’ like Russia (Hill 2006, Popescu 2006, Tsygankov 2006), Japan (Lam 2007, Watanabe and McConnell 2008, Heng 2010), South Korea (Lee 2009, Kalinowski and Cho 2012), Turkey (Oğuzlu 2007, Altunişik 2008, Kalin 2011), Iran (Kemp 2008), Brazil (Sotero and Armijo 2007, *The Economist* 2010, Lee and Gómez 2011), Canada (Bátora 2005, Potter 2008), Argentina (Sikkink 2008), Australia (Maley 2007, Byrne and Hall 2011), India (Hymans 2009, Wagner 2010, Mullen and Ganguly 2012) and South Africa (de Jager 2006). Also some small countries have gained attention, like Taiwan (Rockower 2011), Singapore (Chong 2004), Qatar and the United Arab Emirates (Ulrichsen 2012), and Norway (Leonard and Small 2003, Perelstein 2009, Stokke 2010).

In the following, we investigate the extent to which the Grants can be viewed as a source of soft power for Norway – at the EU level and in Norway’s relations to the beneficiary states. We begin by explaining what the Grants are, and how they have developed over time.⁷

The Grants – a source of soft power?

With the signing of the EEA agreement in 1992, a financial mechanism was established so that the EFTA/EEA⁸ states could contribute to the less-prosperous states of the EU. While Norwegian negotiators at the time saw this as a temporary arrangement (Johnsen 1998), there

⁷ Since the negotiations on the Grants 1999–2003, tariff quotas of fish exports from Norway to the EU have been negotiated simultaneously with the Grants. However, this aspect will not be treated here. In the period 2009–2013, Norway receives tariff quotas for fish which the Ministry of Fisheries and Coastal Affairs (information from e-mail correspondence 02.02.10 with ministry official) values at about €130 million, or some €26 million per year. This represents approximately 7.5 per cent of the total contribution from Norway.

⁸ The EFTA countries in the EEA negotiations were Austria, Finland, Iceland, Norway, Sweden and Switzerland. Austria, Finland and Sweden later joined the EU; Switzerland rejected the EEA agreement in a referendum. Current EFTA/EEA states are Iceland, Liechtenstein and Norway.

have been negotiations between the EEA countries and the EU on the size of the Grants five times since 1992.⁹

Several financial arrangements have been established:

- 1) the Financial Mechanism 1994–1998
- 2) the Financial Instrument 1999–2003
- 3) the EEA and the Norwegian Financial Mechanisms 2004–2009
- 4) the EEA Financial Mechanism and Norway Grants 2007–2009
- 5) the EEA and the Norwegian Financial Mechanisms 2009–2014.

Table 1 and Graph 1 show the magnitude and timeline of these arrangements. Since 1994, their size has increased almost 1500 per cent¹⁰ from around €120 million to €1788.5 million. Negotiations for 2014–2019 are expected to be conducted by the end of 2013.¹¹

Table 1. Financial arrangements (in million EUR)¹²

	1994–1998		1999–2003		2004–2009		2007–2009		2009–2014	
	Norway	EFTA	Norway	EFTA	Norway	EFTA	Norway	EFTA	Norway	EFTA
Contribution	112.25	119.25	113.6	119.6	1134	600	136	72	1745	988.5
Total contribution	119.25		119.6		1167		140		1788.5	
Beneficiary states	5		4		13		2		15	

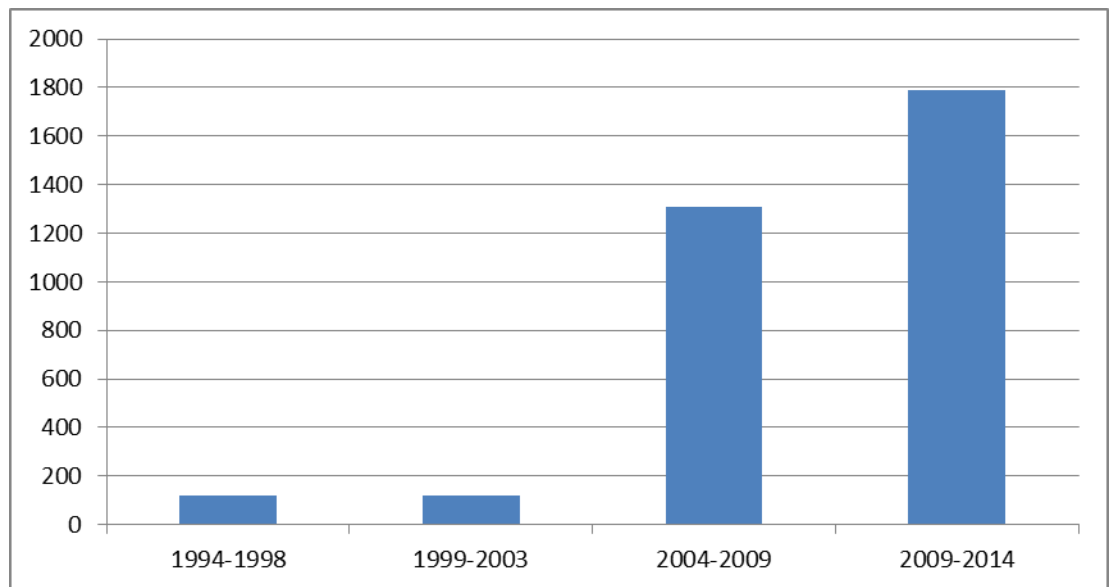
Source: NOU 2012:764

⁹ There were adjustment negotiations after Switzerland's decision not to enter the EEA in December 1992.

¹⁰ It has increased twentyfold from what one in 1992 expected to contribute. However, this was adjusted because of the Swiss 'No' to the EEA agreement and thus to the Financial Mechanism.

¹¹ When Croatia joins the EU in 2013, it will simultaneously join the EEA. An agreement will have to be made between the EU/EEA and the EFTA/EEA, implying that the EFTA/EEA states will have to provide Croatia with financial contributions.

¹² EFTA = EFTA/EEA states.

Graph 1. Size of financial arrangements (in million EUR).

Source: NOU 2012: 762

The Grants in the Norwegian political debate – from financial aid to foreign policy instrument?

Political awareness about the possibilities of using the Grants as a source of power has developed gradually in Norway. The Grants were generally overlooked until the ‘big bang’ enlargement of the EU, and subsequently the EEA, in 2004. For instance, the final evaluation report for the Grants 1999–2003 has never been finalized. Now perceptions seem to have shifted: from being a marginal symbolic element of EU cooperation in 1994, the Grants have emerged as an important element of Norway’s policy and relations to the EU.

Politicians’ approach has also shifted from hesitation to greater acceptance. In fact, Norway had challenged the very continuation of the Grants at the end of the first period in 1998. The three Nordic EU members plus Germany and the UK initially supported the Norwegian position (Bjellaanes 1998), but Spain’s EU ambassador, Javier Elorza Cavengt, declared that Spain would cancel the EEA agreement if the principle of the permanence of the financial arrangement was not accepted (Otterdal 1998). These negative reactions from Spain and the risk of damaging Norway’s relations to the EU soon made doubts about the continuation of the Grants a non-issue in Norway (Johnsen 2010: 35-36).

While the 1999–2003 Grants were the same size as in the preceding period, in 2004 the Norwegian government faced unexpectedly high

demands. Norwegian negotiators proved hesitant, but still ended up moving far beyond their own starting point. The final result entailed that the EFTA/EEA countries would contribute Grants worth nearly €1167 million from 2004 to 2009, an increase of almost 1000 per cent from the previous period.¹³ In justifying the increase, the government used the solidarity argument, citing Norway's responsibility to help cover the costs of the 2004 'big bang' EU eastwards enlargement.

From being understood by Norwegian politicians primarily as an act of solidarity and moral responsibility, the Grants have increasingly been seen as a foreign policy instrument. This was first officially expressed by the Norwegian parliamentary committee in relation to its treatment of Proposition 3 on the Grants for 2004–2009 (NMFA 2003), when the Committee argued that the Grants could present opportunities for Norwegian businesses, research institutions and other organizations (Standing Committee on Foreign Affairs and Defence 2003). The next financial arrangement, the Norway Grants for Bulgaria and Romania, set bilateral partnership as a precondition for funding.¹⁴

The strengthening of bilateral relations is a main objective of the Grants for 2009–2014, together with reducing economic and social disparities in the EEA. Parts of the contributions are to be earmarked for promoting bilateral relations.¹⁵ However, Norway's MPs may merely be paying lip service to the potential utility of the Grants. The absence of focus from the Storting (the Norwegian Parliament) could indicate that Norwegian politicians do not place much emphasis on the Grants.

Recently, the Norwegian government has expressed the 'soft-power ambition' of using the Grants to strengthen Norway's 'general reputation in the beneficiary states' (NMFA 2010: 3).¹⁶ The foreign minister at the time, Jonas G. Støre, called the 2009–2014 Grants an 'historic opportunity' *for Norway*, adding that the greatest challenge would be to 'draw out political capital on the investment' from the Grants (Støre 2009a).

¹³ In order to reach agreement on the Grants, a bilateral Norwegian channel was created ('Norway Grants'), as the Icelandic negotiators refused to accommodate the EU as much as Norway.

¹⁴ There is no partnership precondition for funding in the current Grants.

¹⁵ In every programme, 1.5 per cent of the allocation is to be set aside for promoting bilateral relations. This entails that organizations in the beneficiary states get funds for travels to Norway and seminars in search of partners. At the national level, 0.5 per cent will be committed to a fund for bilateral relations.

¹⁶ Unless otherwise indicated, all translations from the Norwegian are by the authors of this article.

How can the Grants make Norway's European policy more effective?

Ever since 1972, when the Norwegian people rejected membership in the European Community the first time, successive Norwegian governments have aimed at pursuing an 'active Europe policy'. Just what does this mean? Presumably, there are some general objectives concerning awareness, access and value promotion.

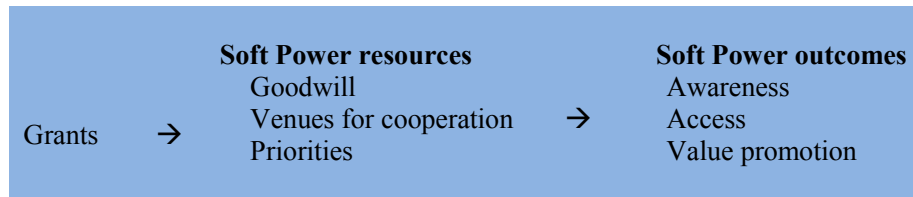
Awareness is about making the EU and its member states aware of the EEA agreement and more knowledgeable about Norway's rights derived from membership in the Internal Market. *Access* entails consultation, agenda-setting and participation. Thirdly, the government wants to have a neighbourhood that shares its basic values, so *value promotion* may be an aim in itself. These three objectives may be mutually reinforcing: greater awareness may lead to better access, which in turn can make it easier for Norway to export its values.

Thus, if Norway were to exert some sort of power, this would probably aim at achieving one or more of the above-mentioned objectives. How can the Grants assist Norway in achieving its foreign policy goals?

We can hypothesize three soft-power resources derived from Grants that might create soft power, at the bilateral and EU levels:

- 1) The Grants could create *goodwill* in EU institutions and beneficiary states, in turn making them more inclined to consult Norway on new policy and to accommodate Norwegian concerns. Further, the Grants could have an impact on the EU's willingness to *include* Norway in new areas of cooperation.
- 2) The Grants establish venues for cooperation between Norway and the EU/beneficiary states. On the one hand, this ensures that the EU/beneficiary states are reminded of Norway and the EEA agreement. On the other hand, the Norwegian authorities gain access to the beneficiary states through the annual meetings and MoU¹⁷ negotiations regulated by the Grants. This is valuable as the beneficiary states are important agenda-setters in the EU, particularly during their EU Presidencies.
- 3) Norway can co-determine areas of support for the Grants. This helps to spread Norwegian priorities and values, and can ultimately serve as inspiration for EU policy.

¹⁷ These Memoranda of Understanding are agreements with each beneficiary state on how the funding will be implemented in the given grant period, with details on the allocation and the support areas to be set up.

Figure 1. The theoretical relationship between the Grants and soft power

Note that the immediate effect of the policy of providing the Grants (goodwill etc.) is *not* evidence of soft power, but soft-power resources that may assist Norway in achieving certain foreign policy objectives – operationalized as awareness, access and value promotion. The attainment of one or more of these three objectives would indicate soft power.

The Grants as a source for Norwegian soft power at the EU level?

The Grants provide prospects for Norwegian influence in each of the three main EU institutions, and the EU as a whole. These potentials are to be found in relations to all three indicators of soft power identified above: increased *awareness* in the EU about the EEA agreement; greater *access* for Norway to the EU institutions and EU policymaking; and the opportunity for Norway to *promote its values*.

While there is not much concrete evidence as to Norwegian *soft-power achievements*, there are some indications. The Grants appear to have created goodwill in the EU. They also add to the legitimacy of the EEA agreement, as Norway participates in both the benefits and the burdens. Moreover, Norwegian politicians seem to have been able to *promote expressed values* due to the Grants, as shown by earmarked support for tripartite dialogue¹⁸ civil society and carbon capture and storage (CCS).

Certain elements might obstruct or limit the soft-power value of the Grants. For instance, there could be serious repercussions if, in negotiations on the Grants, Norway were seen as unwilling to pay its 'fair share'. According to Nye (2004: 55), 'perceived hypocrisy is particularly corrosive of power that is based on proclaimed values'. A reputation as a free-rider could obstruct all the potential benefits of the Grants for Norway. A further limitation concerns the size of the Grants. From a Norwegian perspective, the contributions are large – but they represent less than one per cent of the EU's Cohesion Policy. A look at the size of the earmarked sectors of support could also call into question the effectiveness of the Norwegian government's efforts to promote its values and priorities.

Prospects

Awareness of the EEA agreement

For the EEA agreement to function, there must be sufficient awareness of it within the EU. This is particularly important since the agreement was negotiated in the early 1990s, long before most of the

¹⁸ This is the 'trepartsmodell' involving the Norwegian government, the Confederation of Trade Unions and the Confederation of Enterprises.

beneficiary states joined the EU – so almost half of today’s EU members have no actors with first-hand experience of the issues of the negotiations and the ensuing agreement. Norwegian politicians want the Grants to contribute to increased awareness of the EEA agreement in the EU (Standing Committee on Foreign Affairs and Defence 2012: 4). Although the government hesitates to describe the Grants as a part of the EEA agreement, Norway’s contributions can serve as a permanent reminder, serving the foreign policy goal of visibility and knowledge of the EEA agreement.

Furthermore, removal of the pillar structure in the EU (Lisbon Treaty) has made it less clear exactly which EU policies are EEA-relevant.¹⁹ Norway cannot take for granted the right to be included in new EU legislation: this must be decided on a case-by-case basis and through negotiations with the EU. This is facilitated if the EU is sufficiently familiar with the EEA agreement, and here the Grants can contribute.

Greater access to the EU institutions and new EU cooperation

The Grants can create goodwill in the EU institutions. Take for example the EU Council Conclusions of December 2012, where the EU emphasizes its satisfaction with the Grants – indeed, expressing its gratitude more clearly towards Norway than to Iceland and Liechtenstein, or Switzerland.

The Grants might make the European Commission more inclined to listen to Norwegian views on various policy sectors and accommodate Norwegian wishes for flexible solutions. Further, with the numerous partnerships formed through the Grants, partner entities in the beneficiary states can meet their Norwegian counterparts in expert groups and committees under the European Commission. Thus, the Grants may help to strengthen Norway’s access and ‘policy-shaping’ capabilities.

The Grants can play a part in Norway’s relations with the European Parliament (EP). When the EEA Agreement was designed, the EP was less powerful,²⁰ and the agreement provided Norway with few relevant formal channels for influencing it. Since then, the EP has grown increasingly important for EU policymaking, for instance through the co-decision procedure, also making it a more important institution for Norwegian politicians. The goodwill stemming from the Grants may facilitate Norwegian access to the EP.

19 Through the EEA agreement, Norway is obliged (and has the right) to implement EU policy deemed EEA-relevant.

20 At the time of the signing of the EEA agreement, only 3 of the beneficiary states were represented in the EP.

Norwegian governments have strived for participation in the new EU agencies. The conditions for participation (EEA-relevance, status for Norway, etc.) are the result of negotiations, and today Norway takes part in 26 agencies. Not all EU agencies are EEA-relevant, however, so Norwegian participation is not automatically ensured.²¹ Here goodwill from the Grants can help.

The Norwegian government wants the Grants to show the EU that Norway is a stable and reliable partner that not only reaps the benefits but also shares the burdens of the EU project. The White Paper on the Grants underscores the public relations aspect of the 2009–2014 Grants (NMFA 2012: 32). Visibility has become increasingly important after 2004. Not only have numerous new areas of EU cooperation emerged, but there are more countries in the EU that have to agree, and even more states currently in the accession process. Norway must compete with other third countries for attention, making goodwill within the EU important to ensure access to EU institutions and cooperation.

Value promotion in the EU

The Grants provide an opportunity for spreading the values of the Norwegian government to the EU level, as there are negotiations on the modalities of the support as well as the size of the Grants. This can be meaningful for the Norwegian authorities in a normative sense; moreover, EU adoption of Norwegian policy niches such as tripartite dialogue can make Norway a relevant partner for the EU, thus adding to awareness and access.

Achievements

Norway enjoys excellent relations with the EU, helped not only by its dutiful incorporation of EU legislation, but also because the Grants have existed for nearly 20 years now. By 2014, Norway will have contributed about €3.2 billion to the reduction of economic and social disparities in the EU, which bolsters the legitimacy of Norway's membership of the Internal Market.

The EU's goodwill towards Norway, and the latter's ability to exert soft power such as gaining access, seems to have increased as result of the Grants. Although we cannot cite empirical examples of the effect on Norwegian access to the EU, the 2012 Council Conclusions, for

²¹ Some agencies are part of the Schengen cooperation, and are therefore regulated by the Schengen agreement. However, some agencies are outside of the EEA agreement, such as the European Defence Agency (EDA). Several agencies are in the justice and home affairs sector but outside of the Schengen cooperation.

instance, refer to Norway's contributions as 'very significant' (Council of the European Union 2012: 4).

Grants negotiations provide the Norwegian government with EU access and attention. They also offer an arena where Norway can put forward positions reflecting its values and priorities. In order to improve the effectiveness of the approval process for projects at the EU level, Norway is entitled to send a national expert to the European Commission's Directorate-General for Regional and Urban Policy (DG REGIO). However, we have not found any expressions of official Norwegian intentions of making political use of this contact.

We do note instances where the Norwegian government seems to have used the Grants to promote its values and priorities within the EU. In 2009–2014 negotiations, Norway was able to promote certain policy areas: CCS, civil society and tripartite dialogue. Especially environmental support is emphasised with 30 per cent of the EEA Grants and 20 per cent of the Norway Grants set aside for this purpose. According to Ingrid Schulerud of the NMFA, Norway 'received 100 per cent acceptance for the sectors in which the money is to be used' (Bondevik 2010). This indicates that Norway can shape the direction of parts of the Grants.

Hurdles and limitations

Lack of awareness of the EU level

There has been a gradual change among some Norwegian politicians, from seeing the Grants as unconditional aid to seeing the contributions as a potential for influence. This shift is evident in the Recommendations from the Storting to the various governmental propositions on the Grants. However, the focus has remained on the bilateral level, with little expressed awareness of the *EU level* as a potential arena for influence. For instance, as noted above, for the appraisal period of the 2004–2009 Grants, Norway was allowed a national expert in the European Commission's DG REGIO; this arrangement was continued in the Grants 2009–2014. However, we cannot find any expressions of political awareness or will to utilize the potential of this channel to the EU. Such lack of awareness obstructs the Norwegian government in taking advantage of the potential political uses of the Grants at the EU level.

Continuing negotiations – risk of damaged Norway–EU relations

Should Norway prove overly reluctant in negotiations on the Grants, there could be serious repercussions for its relations with the EU, undermining any soft-power aspirations. In fact, Norwegian negotiators

felt that the continuation of the EEA agreement was at stake in the negotiations leading up to the 2004–2009 Grants (NMFA 2003). In the negotiations for the Grants 2007–2009, the EU even froze the EEA agreement and would not let new EU legal acts be implemented until agreement on the Grants had been reached (Skjævesland and Ask 2007). Norwegian reluctance may also have consequences with regard to EU cooperation that Norway wants to participate in, beyond the scope of the EEA or Schengen agreement.²² Such participation beyond the EEA agreement has no legal foundation, but depends on the goodwill of the EU.

Limited influence due to the size of the Grants

The Grants are small compared to the EU's own internal transfers, representing only some 0.7 per cent of the EU Cohesion Policy. Annually, Norway contributes about €70 per capita through the Grants 2009–14, making Norwegians' net contributions to the EU exceed those of the Finns and almost on a par with the French and Italians in 2010, but far below the Dutch, Germans and Swedes. Further, when net contributions are measured in percentage of GDP, Norway ends up considerably lower down the list of net contributors.²³

As noted, the EU Council has lauded the Norwegian contributions. Nevertheless, the size of the Grants may seem unimpressive from the EU's perspective. According to a recent report from the European Commission (2012: 13), 'while the EEA financial mechanism is widely appreciated', it represents marginal sums compared to the EU's Cohesion Funding. It all depends on one's perspective. In connection with the negotiations on the Grants 2004–2009, former Swedish Prime Minister Göran Persson (2003) claimed that it was reasonable that Norway, 'the richest country in Europe', should pay more than it did at the time, adding that 'it would be very odd if Europe's richest country [*Norway*], that wants access to the market, was not to pay as much as Sweden with our weak economy and Denmark and Finland with their weak economies.'

There are limits to how much Grant funding gets directed toward Norwegian priorities. Following negotiations for the Grants 2009–2014, minimum 5 per cent of the total was to be earmarked to civil society support (supposedly a main priority of Norway).²⁴ The tripar-

²² For instance, defence cooperation (European Defence Agency, battle groups etc.), justice and home affairs (outside of Schengen), migration etc. It could also affect EU readiness to agree on the EEA-relevance of EU legislation.

²³ Figures for EU countries based on data from *EU-oplysningen* (2011). For an overview, see NOU 2012, p. 784.

²⁴ However, the final total allocation (following negotiations on the various MoUs) was about 8%.

tite dialogue also has high priority (NMFA 2012: 20), so it seems less impressive that 0.5 per cent of the Grants are earmarked for this purpose.

The Grants as a source of bilateral soft power?

As with the EU level, the potentials for Norwegian soft power at the bilateral level lie in relation to all three of our indicators of soft power: awareness of the EEA agreement, access to beneficiary-state governments that are important EU agenda-setters, and possibilities to promote developments in the beneficiary states in line with Norway's priorities and values.

Interestingly, the Norwegian government cannot cite any concrete instance of the Grants being critical for achieving foreign policy goal, apart from maintaining that current cooperation with the beneficiary states will be valuable for future cooperation and that the Grants have fostered greater awareness of the EEA agreement (NMFA 2012: 31). Still, the Grants have supported the creation of partnerships among entities in Norway and the beneficiary states. Further, the Grants have brought new venues for cooperation between Norway and beneficiary states through MoU negotiations and Annual Meetings, and may have boosted goodwill towards Norway and EEA awareness in the beneficiary states..

Also here we find elements that may obstruct or limit the soft-power value of the Grants. There are indications of limited Norwegian political prioritization, or strategic use, of meetings with the beneficiary states. Some obstacles to Norwegian use of the Grants stem from the fact that the contributions also come from Iceland and Liechtenstein. Additionally, there have been doubts about the authenticity, sustainability and value-added of the partnerships supported by the Grants (Whist and Holtedal 2008, Office of the Auditor General in Norway 2010). There is also the danger that the Grants are presented in a zero-sum context within Norway, as well as the possibility that certain developments might create tensions between the governments of Norway and the beneficiary states, negatively impacting on Norway's relations with the EU.

Prospects

Increased awareness of the EEA agreement

There are possibilities for using the Grants to boost awareness of the EEA agreement in the beneficiary states. This point is evident in the

Norwegian domestic debate, as well as being a stated objective of the government (NMFA 2012: 30). For some beneficiary states, the Grants represent nearly the only element of importance for their state-to-state relations with Norway. To measure the extent of this effect, Kruse and Kaya (forthcoming) are conducting a study involving interviews and surveys of bureaucrats in the beneficiary states as well as in Norway.

Access to beneficiary-state governments

The Grants may induce beneficiary-state governments to be more inclined to accommodate and promote Norwegian views in EU arenas. As important agenda-setters in the EU, all the beneficiary states are politically useful. According to Laila Gustavsen²⁵ (2012), Norway had a strong position during the 2012 Cypriot EU Presidency, and this was perhaps due partly to the Grants. The Grants may make beneficiary states more welcoming to Norway because of the Grants and this may result in Norwegian ministers being invited more regularly to EU Council meetings or that the beneficiary state give higher priority to political meetings with Norway. It might also facilitate Norwegian access to parliamentary cooperation as in COSAC/COFAC,²⁶ which is administered by the rotating EU presidency.

The MoU negotiations and Annual Meetings are excellent venues for strengthening bilateral relations between Norway and the beneficiary states. These meetings can serve as arenas for politicians, diplomats and bureaucrats to promote mutual understanding, create networks and develop valuable personal relationships, but the soft-power value of these arenas depends on Norway developing a strategic approach to this channel of communication.

Partnerships

The partnership aspect of the Grants can promote contacts between organizations in Norway and the beneficiary states. Many of these organizations are state entities, adding to the potential political value of the Grants. The partnerships at bilateral level might prove useful for Norway at the EU level, as corresponding state entities in Norway and the beneficiary states sometimes participate in the same committees and expert groups.

²⁵ Norwegian MP (Labour), member of the Standing Committee on Foreign Affairs and Defence.

²⁶ These meetings are for the (Chairpersons of the) Parliamentary Committees on Foreign and Security Affairs of the EU states. Generally, Norway must invite itself to these meetings.

Promoting beneficiary-state developments in line with Norwegian priorities

The Grants offer opportunities for the Norwegian government to shape developments in the beneficiary states. The sectors for support are determined in the negotiations on the size of the contributions, but contributions to the individual beneficiary states will be directed to only some of these areas. Decisions on which areas to prioritize are taken bilaterally, in ‘MoU negotiations’. The design of the Grants gives Norway opportunities to shape developments in the beneficiary states.

One area of support of the Grants is civil society, often presented as an area where Norway ‘makes a difference’. As such projects reach many people, they can be useful for improving Norway’s image, as well as helping to strengthen movements in the beneficiary states that work for issues in line with Norway’s values and priorities.

Achievements

Most of the beneficiary states of today’s Grants were in transition from dictatorships to democracies at the time when the EEA agreement was negotiated. This in itself makes it unreasonable to expect awareness of the EEA agreement in these states to be as high as Norwegian politicians might wish. Grant contributions can serve as a reminder of the EEA agreement. Although we lack data on this, we may expect greater familiarity with the EEA in the beneficiary states, at least among leaders and relevant affected authorities, than if there had been no Grants.

There are indications that beneficiary-state governments feel goodwill towards Norway as result of the Grants. For instance, former Prime Minister Kubilius of Lithuania has said, ‘everywhere I go in the country, I see Norwegian projects, and we are very grateful’ (FMO 2011: 110).²⁷ Svein R. Hansen²⁸ (2012) claims the Grants make it possible to plant Norwegian flags in various locations throughout the EU.

According to the Norwegian White Paper on the Grants (NMFA 2012), contributions in 2004–2009 received considerable attention in relation to official visits, and Norwegian embassies are working actively in order to promote the Grants. It further is stated that the Norwegian government *presumes* that the Grants create contacts, knowledge and trust that will prove valuable for future cooperation. The Norwegian government also claims to have used the Grants stra-

²⁷ The Financial Mechanism Office (FMO) in Brussels, which is the Secretariat of the Grants.

²⁸ Norwegian MP (Labour); First Vice-chair, Standing Committee on Foreign Affairs and Defence

tegitally to strengthen the cooperation with the beneficiary states (NMFA 2012: 17, 31). Indeed, the authorities have developed guidelines for strengthening bilateral relations through the Grants (FMO 2012).

As noted, the Grants provide venues (like the Annual Meetings and MoU negotiations) for encounters with beneficiary-state politicians, encounters that are presumably useful for disseminating the Norwegian government's values and priorities. These arenas can also be well-suited for political dialogue.

Contacts between Norway and the beneficiary states have increased quantitatively as result of the many partnerships established. About a quarter of the projects of the Grants for 2004–2009 involved a donor-state partner – generally Norwegian. The Grants 2009–2014 have shifted from a project to a programme method: the Grants will mainly fund programmes, which in turn will fund projects. More than half of these programmes have Norwegian partners.

Hurdles and limitations

Lack of strategic approach?

The Norwegian government seems to have a limited strategic approach to putting the Grants to political use. True, guidelines have been developed for strengthening bilateral relations through the Grants (FMO 2012). However, with no mention of these guidelines in the White Paper on the Grants (NMFA 2012) or in the corresponding parliamentary treatment, it is difficult to argue that the guidelines have political impact on how the Grants are seen and used by Norwegian politicians.

For Norway, one achievement of the Grants is the venues created for interaction with the beneficiary states. However, the Norwegian government must have a strategic approach if it is to benefit from these opportunities. We have data only on the signing of MoUs for the Grants 2009–2014.²⁹ In the Baltic States and Poland, Norway was represented by the Prime Minister or a cabinet minister. In Slovakia and Slovenia, the signings coincided with a Royal Visit of the King of Norway. Otherwise, Norway was represented by an ambassador in over half of the signings. The Norwegian representative was often of a lower rank than the representative from the beneficiary state.

²⁹ The NMFA did not provide us with information from the Grants prior to the most recent.

In regulating the Grants, annual meetings are held between representatives of the donor and the beneficiary states.³⁰ The value of these meetings depends on the political level. Normally, Norway and the beneficiary state meet at the level of Division Director³¹ – which weakens the political benefit of these encounters. There is also the danger that these meetings may serve merely as venues for discussing technical matters regarding the various programmes of the Grants.

Underdeveloped definition of ‘bilateral relations’

Norwegian parliamentary documents on the Grants indicate that bilateral relations have been operationalized primarily by establishing partnerships between entities in the donor and beneficiary states. According to the 2012 bilateral guidelines, operationalization of strengthened bilateral relations now means ‘cooperation, joint results, and increased mutual knowledge and understanding between donor and beneficiary states as a function of the EEA and Norway Grants’ (FMO 2012: 6). Still, Report No. 20 (NMFA 2012) to the Storting on the Grants makes no mention of the bilateral guidelines, raising doubts about the political weight of the initiative.

Do Norwegian politicians really focus on the potential political benefits of the Grants? There was, for instance, no parliamentary debate on the handling of the proposition confirming the Grants 2009–2014. The government issued a White Paper in 2012 (NMFA 2012), but the actual parliamentary treatment lasted only 10 minutes (Storting 2012).

The EU determines internal distribution

As Norway has no say in the distribution of the Grants among beneficiary states, it cannot undertake strategic allocations. Negotiations on the allocation of the Grants are held with the EU member states after the total size of the contribution has been determined. Romania is now a major recipient of the Grants, while the Baltic states are at the lower end of the list. The Norwegian authorities would probably have set different priorities if they had the chance.

Limited benefit of the partnership approach

Evaluations have noted limitations with regard to partnerships. A report by Whist and Holtedal (2008) found that such partnerships were often established between organizations that had an existing bond – making any value-added of the Grants marginal. The Office of the Auditor General of Norway (2010) has remarked that some of the partnerships in the Grants for 2007–2009 were weak and unsustaina-

30 We lack attendance lists for these meetings, and were informed by the NMFA that such an overview does not exist.

31 Based on information from the NMFA (e-mail).

ble. One factor might be the temporary nature of the Grants;³² or demand for partners in the beneficiary states might be low among Norwegian organizations. On the other hand, it might be that organizations in the beneficiary states do not ask for Norwegian partners, perhaps because of Norway's high price levels.

Politically sensitive in Norway and in the beneficiary state

To improve the opportunities for successful and lasting partnerships, it is important for Norwegian authorities to strengthen domestic awareness and support for the Grants. This can be a demanding balancing act. Sometimes the media describe the Grants from a zero-sum perspective. For instance, state television in Norway presented it as outrageous that Norwegian politicians should fund local hospitals in Poland, through the Grants, while shutting down local hospitals at home.³³ This indicates how it might prove costly, from a domestic political perspective, to promote the Grants optimally in order to encourage cooperation between entities in Norway and the beneficiary states.

The Grants can be challenging politically with regard to the bilateral relations. The opportunities for promoting Norwegian values and priorities through the Grants depend on whether the beneficiary states are ready to listen to Norwegian views, or instead see the Grants as 'their own' resources, best handled by the recipients themselves. It may prove counterproductive if Norwegian negotiators are seen to disregard the wishes of the beneficiary states. For instance, the Norwegian proposal of focusing support for CCS was well received by the European Commission, but met a mixed reception in the beneficiary states (Støre 2009b). According to the Bellona environmental organization, many member states were not pleased about having to earmark contributions (Frisvold 2009).

A highly profiled area of support of the Grants is *Civil Society* through NGO funds. These funds are independent of the government, and may become a source of friction between Norway and the individual beneficiary state. To some extent, this has happened in the case of Hungary. There have been diplomatic meetings between Hungary and Norway concerning the process for selecting the NGO Fund Operator, and an exchange of letters between the Hungarian Deputy Prime Minister (dated 10.05.12) and the Norwegian Minister of Foreign Affairs (dated 19.06.12). Possible mistrust between the political leadership of Norway and Hungary could weaken these bilateral relations.

³² The 2009–2014 Grants have some funding for certain countries directed to support projects from the 2004–2009 Grants.

³³ NRK Dagsrevyen, 13 June 2011.

The EEA Grants and the Norway Grants

The Grants are divided into two separate mechanisms: EEA Grants, and Norway Grants. In dealing with EEA Grants, Norway must act in tandem with Iceland and Liechtenstein, which emplaces limits on Norway's room for manoeuvre with regard to half of the Grants. For instance, with Norway Grants, the Financial Mechanism Office (FMO) has the Norwegian Ministry of Foreign Affairs as the sole principal, but all EFTA/EEA countries in connection with the EEA Grants.

Despite brass plaques and communication strategies informing that projects are supported by something called 'the EEA and Norway Grants', the general public seems largely unaware.³⁴ In many beneficiary states, the Grants are known simply as 'Norway Grants'.

³⁴ Thorkildsen and Kavli (2009: 5) found little awareness among opinion-formers in the largest EU states (and beneficiaries Spain and Poland) of anything called 'the EEA and Norway Grants'.

Concluding remarks

The Grants represent a major contribution from Norway to large parts of Europe, promoting a peaceful and prosperous continent which is clearly in Norway's interest. As to whether the Grants help Norway to achieve more tangible foreign policy goals through 'soft power', we have noted several ways the Grants can create soft-power resources, serving as a source of soft-power capacity. They have the potential to strengthen Norway's access and 'policy-shaping' capabilities and thereby increase the likelihood of Norwegian soft power in the EU and its member states. First, the Grants can contribute to perceptions of Norway as a stable and reliable partner that not only reaps the benefits of the EU project but also shares the burdens and thereby create 'goodwill' towards Norway. Second, the Grants create venues for cooperation and negotiation, at the bilateral and the EU levels that may serve as arenas where politicians, diplomats and bureaucrats promote mutual understanding, create networks and develop personal relationships valuable in future cooperation. Third, since Norway can influence priorities in the Grants, they offer opportunities for the Norwegian government to shape developments in the EU and beneficiary states.

All these soft-power resources have the potential, if used wisely, to create outcomes that may promote Norwegian soft power. They can promote awareness of and knowledge about the EEA agreement, which is a Norwegian foreign policy aim in itself. They also create meeting points (MoU negotiations and annual meetings) and can make EU institutions more inclined to listen to Norwegian views and accommodate Norway's wishes for flexible solutions. Further, they can increase the EU's willingness to include Norway in policy areas and cooperation beyond the scope of the EEA agreement. Finally, there are opportunities for disseminating Norwegian priorities and values to the EU level, through the beneficiary states and towards the EU institutions as such.

It is difficult to find hard evidence of the Grants as an actual source of Norwegian soft power. However, there are indications that Norway has managed to create goodwill in the EU and the beneficiary states, and that the Grants have brought greater awareness of the EEA agreement among EU officials and important beneficiary-state stakeholders. As a result of the Grants, there are negotiation meetings between Norway, the EU and the beneficiary states, and the high number of partnerships established also means that contacts between Norway

and the beneficiary states have increased. Moreover, Norway has managed to shape the direction of parts of the Grants, so that Norwegian values and priorities can affect developments in the beneficiary states.

Despite these achievements, there are also factors that limit the extent to which Norway can derive political utility from the Grants. First, Norway's contribution is tiny compared to the EU's own internal transfers: the Grants represent only some 0.7 per cent of EU's Cohesion Policy.

Second, even though the EU is grateful for the Norwegian contribution, there is still a risk that the generally excellent relations between the EU and Norway may be threatened by the political frictions created by the recurring negotiations on the Grants. We have noted that this can have serious consequences for Norway and the survival of the EEA agreement. Third, there are limits to how much of the funding gets directed towards Norwegian priorities. For instance, in the 2009–2014 Grants, only marginal amounts are earmarked for two of Norway's priority areas (5 per cent to civil society, 0.5 per cent to tripartite dialogue). Fourth, Norwegian politicians seem to ignore many of the prospects made possible by the Grants. For instance, the EU level is rarely mentioned in Norwegian politicians' discussions of the Grants. Further, Norwegian attendance at MoU signings and Annual Meetings is seldom at the political level. Such elements limit the extent to which the Norwegian government can make use of these soft-power resources. In the end, whether or not there will be a change in the Norwegian approach will depend on the political willingness to use the Grants more strategically - a move that might undermine Norway's image of itself as an altruistic small power.

Norway cannot change the first limitation. For structural reasons, the relative size of the Grants will always be small. The second and the third limitations depend on both Norway and the EU, as the direction and institutionalization of support are negotiated between the two parties. The fourth limitation, however, is a purely domestic constraint that can be overcome by greater willingness to use the Grants strategically, at the EU and the bilateral levels. Surmounting this obstacle will also require Norway's politicians to appreciate the relevance of the EU level.

In this article we found that while the Grants provide the Norwegian government with a whole range of soft power resources, it has, for different reasons mentioned above, difficulties in using its soft power resources strategically.

Still, this case study also provides us with some general insight about the possibilities for a small/medium sized country to derive soft power from an aid/redistribution scheme such as the Grants. Just as relevant, our study indicates that a government can derive the resources for soft power even without being capable of transforming these resources effectively into power capacities (i.e. reach foreign policy goals). This is an empirical question and therefore also a promising point of departure for future research on specific government foreign policies and their plausible soft power effects.

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