

Figure 1.1. The Four European Models: A Typology

		EFFICIENCY	
		Low	High
EQUITY	High	Continental	Nordic
	Low	Mediterranean	Anglo-Saxon

Source: Sapir (2006).

Indeed, the Nordic economies have been performing well in terms of export and GDP growth, external balances, and public finances (Andersen et al., 2007). They were hit hard by the global economic crisis, but they are recovering faster than Europe as a whole and especially faster than Southern European countries, many of which continue to face major imbalances and structural weaknesses.

The offshoring challenge

Past achievements aside, the long-term sustainability of the Nordic model is in doubt. Multinational enterprises' search for the most cost-effective location of each business activity is eroding the Nordic countries' manufacturing bases and weakening the traditionally densely networked industrial clusters. Especially in Finland, which has a large high-wage manufacturing sector, this is clearly an issue of concern. Furthermore, national clustering is arguably a feature that promotes solidarity among labor market participants and private citizens.

Having a highly internationalized business sector has been an integral part of the Nordic model for decades; the largest corporations in the region currently derive their revenue primarily from international operations (Braunerhjelm et al., 2010). The internationalization of business has been exceptionally fast in the past few decades, as illustrated by the Finnish case (Figure 1.2). This internationalization has also been qualitatively different from earlier times: internationalization has concerned not only production jobs but also high-value-added "supportive" tasks such as research and development (R&D). Earlier internationalization has often translated into increasing exports by expanding domestic production; in the current mode, internationalization often means choosing globally optimal locations for ever-finer slices of the value chain. With the increase of this type of internationalization, large corporations are detaching themselves from their original home countries and national institutions.