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## **From the outside looking in: a comparative Finnish perspective**

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### **Abstract**

Olli Rehn is a member of the Finnish Parliament from the Centre Party and a member of the Finnish delegation to the Council of Europe Assembly. He has been a special advisor to the Finnish Prime Minister on European affairs. This paper was originally presented to a seminar at the Sussex European Institute, held in association with the University Association for Contemporary European Studies in September 1993. The paper was updated in May 1994 as the Finnish Parliament endorsed the terms of accession agreed with the member states of the European Union. Olli Rehn identifies the key features which distinguish Finland and its evolving European policies from both EFTA candidates for EU membership and Denmark. He argues that it is in the interests of Finland to be actively engaged in strengthening the EU in the economic, political and security spheres.

As an offspring of our Lutheran heritage, we Finns respect more action than speech. For us the concrete results are important, not rhetorical fluency - no matter whether we speak of work or war, school-going or love-making, politics or drinking. As a consequence, we Finns are taught to behave modestly and not to brag about our achievements, in particular not in international contexts. Besides, we have until recently thought that we have every reason to be modest, which might have been true.

Yet I want now to abort this false modesty. My argument is that the Finnish Government has so far performed well its slide-and-turn in integration policy, both in relation to the Community and in relation to the Finnish people; besides, we have a long-extending but realistic vision of the future of the European Union (EU). Drawing on my training as a comparative political economist, my aim is to prove this by comparing the Finnish approach with that of the other European Trade Free Area (EFTA) applicants for EU membership and Denmark. The comparative analysis is not by definition intended to be provocative, but if it ends up being so, I apologize in advance to everybody who feels offended. I start with the more specific and immediate Finnish themes and continue towards broader and longer-term European issues.

## **1. Finland is not Norway.**

Finland has no crude oil revenues, fishery romantics, or NATO security shield. First of all, we cannot afford - like Norway - to have a less efficient domestic economy than the other west European nations, nor to lack full participatory rights in the single market and other Community programmes. Furthermore, our security interests are not so permanently saturated as those of Norway. Both dimensions increase Finland's stake in European integration.

The economic imperative, which Finland faces by trading two-thirds of its exports with EU and EFTA countries, is further emphasised by the fact that Finland has some particular competitive disadvantages compared to most EU and other EFTA countries. These include a small domestic market, a longer distance to our main European markets, and unfavourable climatic conditions. For that matter, and leading to the same conclusion, I could say that Finland is not Switzerland either. We do not have the evergreen banking industry, the dynamic multinationals, the booming craft industry, or the policy of rationed immigration (and exported unemployment) of the Swiss.

Since we lost our Soviet trade, which was our equivalent to crude oil and rationed immigration together, we have no specific competitive advantage. Now we just have to succeed with our own competence and skills - with our own products, technology, know-how and services. The Finnish forestry and metal industries need European markets, and the currently rising engineering, electronics and telecommunications industries also need partners and the EU technology programmes

## **2. Finland is not Sweden.**

In conducting the negotiations for membership, Finland was not putting so much emphasis on such detailed issues as snuff or alcohol monopolies. Rather we tried to concentrate only on the most crucial issues of our future adjustment to the Community policy frameworks so as to secure satisfactory results in these areas.

In particular, this goes for agriculture and regional policy. The Finnish Government adjusted its negotiation objectives to those of the Community structures. Our claims should be regarded as legitimate as far as the Northern or semi-Arctic agriculture and long distances as criteria for regional policy are concerned.

Consequently, I agreed with the Swedish prime minister Carl Bildt when he expressed his dissatisfaction with the over-emphasis on detail; and the lack of political vision in the negotiations. Bildt's critique was directed especially on the Community approach, but it could have been directed elsewhere, for instance to some EFTA capitals, as well.

If the political leadership of the applicant countries really wants to convince the people of the virtues of European integration, they had better put more emphasis on the fundamental objectives of European integration, and its concrete applications, such as common security policy, common European defence and economic and monetary union. Until now the political elite, at least in Finland, has employed too narrow arguments, and argued too much only about economic necessities. People expect their bread-and-butter interests to be defended, but they also ask for a sense of direction. Integration is not only a matter of economic statistics or of organisational schemes, but also of European values and visions.

### **3. Finland is not Denmark.**

Finland does not, or at least should not, by definition, regard the federalist objective of an ever closer European union as negative to the interests of a small nation, and thus not as something that necessarily has to be opposed. European integration has progressed due to both functionalist processes (= socio-economic forces) and federalist attempts (= political will). Socio-economic integration is a necessary but not sufficient element of this dual process. To make the process sufficient, a political will with a long range perspective is required - we can call this a **vision** or *finalité politique*.

As a consequence, the alternative to the *finalité politique* is a stagnation and gradual erosion of integration, which would mean that the political and economic development of Europe would be determined by the interests of its strongest powers and their relations to the external power centres. In this geopolitical and geo-economic setting, Finland would lie more than ever in the grey zone between the fragmented and unstable East and the core nations of the EU. That is not in the best interests of Finland.

Moreover, a weak Europe does not serve the interests of a small nation. Even a small nation has to be concerned about European security in the face of old and new security scenarios. And even a small nation has to be concerned about European economic and industrial competitiveness in the face of the worst post-war mass employment.

Consequently, Finland in my opinion should for its own sake support the deepening of the European Union as a **federation of nations**. In the field of political economy this is more evident than ever. The economic and monetary union (EMU) would bring the required stability to currency and financial markets, the value of which is evident if we consider the damage done by the currency turmoil in autumn 1992 and more recently with the partial collapse of the ERM. Prospective membership of the EMU would not be an easy task for a country like Finland, given both its industrial structure with an emphasis in semi-finished products and its historical tradition of export-stimulation devaluations. More flexibility and

diversification are needed before Finland is ready for the EMU. Nevertheless, Finland aims at participation in the EMU in due course.

Furthermore, if Europe really wants to tackle the current economic depression and mass unemployment, concerted European action to lower interest rates and to stimulate the economies is required. During the last currency turmoil this attempted adjustment took place in a chaotic way, because of the Bundesbank straightjacket; EMU would enable the European nations to cooperate for the common objective in a more equal way and with balanced objectives.

From this angle, the Commission's White Paper on Competitiveness, Growth and Employment represents a new and positive way of thinking. Its simulating impact would be derived from investment in infrastructure and from increased flexibility in the labour market. Both are needed, but the question is whether these promises can be turned into action. If so, it might imply a paradigm shift in European thought on economic and industrial policy, away from the purist monetarism of Maastricht and the Bundesbank. Friedman may have defeated Keynes, but now it is Schumpeter's turn.

Federalism is naturally related to the institutional development of the Community, even though they do not have a one-to-one relation to each other. The Finnish Government welcomed the decisions of the Copenhagen European Council as they provided for an early enlargement without major institutional reforms. Finland recognises the need for certain technical adjustments, but we expect that the new members will be treated fairly on institutional questions.

Without doubt the current EU decision-making structure requires rationalisation to make it function more effectively, even without the enlargement, but especially if or when it takes place. On the other hand, the European political elite - in other words, the EU leaders - must provide for the legitimacy of the EU. Legitimacy should be improved in terms of: (a) the internal democracy of the Union, which translated implies the upgrading of the accountability of the decision-making process and the strengthening of the powers of the Parliament; and (b) the legitimate rights of small nations to participate in EU institutions and decision-making.

Consequently, significant institutional changes to the detriment of the current applicants - all of which are small states - would not be approved of by the candidate governments, and even less by their citizens. Were this to take place, it would fuel the support of the EU opponents in the small countries. Finland's aim is to take part in the 1996 Intergovernmental Conference as an equal partner to discuss and decide upon further steps to develop the EU.

## **4. Finland is not Austria.**

Neutrality is not a holy sacrament for the Finns as it is for the Austrians of the Second Republic, for whom it is the core of national identity and the constitutional base of nationhood. For the Finns neutrality has not been a fundamental objective as such, but rather a political tool to secure freedom and well-being in a turbulent Europe, especially during the Cold War. For the Finns, neutrality has been the codeword for freedom and independence.

The Finnish point of departure in the EU accession negotiations was military non-alignment combined with a credible, national defence. Being a large and sparsely populated country in

a strategically sensitive region, we have built a defence which meets our needs and suits our resources. Despite the current economic difficulties, we have no intention of wavering in our commitment. Finland is prepared to participate actively in the shaping and implementation of the common foreign and security policy. The same is valid with respect to our relationship with the Western European Union (WEU). When the time is right, Finland will take appropriate decisions in the light of development of the defence dimension and, in broader terms, European security structures.

Finland's membership of the European Union would increase her range of options in security policy. Yet it would not compel Finland to join a military alliance if it preferred not to. The proper question thus is whether it is preferable for Finland to seek membership of a military alliance and whether such an option is available that would provide relevant added value for Finland's national security.

Since the EU is not a military alliance, its impact on security is not of military kind, but rather a matter of the overall security of a nation - including political, economic, ecological and democratic security. EU is a consortium of nations that have provided themselves with an instrument to tackle cross-border common European challenges, such as unemployment, immigration and pollution.

Nevertheless even EU membership as such would also provide eventual added value for Finland's own national security. The EU is a political community that is based on common European values, creating political solidarity among its members. This may not imply military security guarantees, but in any case it should prevent larger European powers from deciding on Finland's fate without the Finns having any say about it. It is not so imaginary as it sounds; Finnish history provides a line of such examples, in particular the Treaty of Tilsit between the Emperors Alexander and Napoleon in 1807 and the Molotov-Ribbentrop Pact in 1939.

Finland's security is - to an extent - a function of the power relations and institutional cooperation between the Russian Federation and the European Union, on the one hand, and of Russian policy on Finland, on the other. Finland should evaluate its decision in security policy in the light of this equation. The parameters of this equation are the developments of European - or Euro-Atlantic - security system and of Russian domestic politics and foreign policy. It is in the framework of this equation that constituted the legitimate security interest of a small nation. Finland has during its history applied this sometimes by a pursuit of neutrality, or by reliance on collective security arrangements or through a search for military alignment.

The NATO summit in January 1994 was a milestone in terms of building a European security architecture. Apart from the Partnership for Peace, its most significant decision was the creation of Combined Joint Task Forces (CJTF). Because of this, NATO can - if needed and with a separate decision - 'lend' units from its integrated military system to some other Western consortium, such as the WEU. Thus the NATO system can be used also in European operations of peace-keeping and crisis management, even if the United States chose not to participate.

NATO's decision about CJTFs abolishes one European divide, that is, the divide between the 'continentalists' and the 'Atlanticists' concerning NATO's role in the defence of Western

Europe. The creation of CJTFs facilitates a continued US presence in Europe in a way that can be combined with the development of a defence dimension to the European Union. Besides, it provides France with an honorable way to return to the NATO integrated military system.

In other words, the NATO summit already framed the prospective decisions on common European defence expected from the IGC of 1996. The future of the WEU is a function of EU-NATO relations. As a consequence of the NATO summit decisions, Europe's defence will be a duty of NATO, which retains its role as the military security insurance of Europe, even if its mandate would at the same time become somewhat more diversified.

The interests of the United States have recently been more directed towards the Asia-Pacific region. Still its commitment to Europe will prevail in quality even if it diminishes in quantity, which was confirmed by President Bill Clinton during his visits to Europe in January and May 1994. As a consequence, the EU and its member states should soon carry the main responsibility for European defence inside the NATO structure as its European pillar. This is facilitated by the CJTF decision and enhanced by the enlargement of the Franco-German 'Eurocorps' units.

Turning the focus from the West to the East, Finland's main concern in its Russian relations is to expand foreign trade, improve economic cooperation in a new market-orientated environment, and to support their political and democratic reforms. Consolidation of democracy in Russia is the greatest challenge for Europe in the 1990's, and it can be facilitated by a more intensive Russian participation in European cooperation, such as the Partnership for Peace, Council of Europe and the Group Seven (Eight).

Yet power politics retain a stubborn reality, even in a Europe stabilised by institutions and integration. Finland has to take into account also the worst case scenarios in Russia. The current Russia is not a threat by its intentions, only by its military potential. The risk is that the consolidation of democracy could be turned into a political nightmare overnight.

Regardless of political developments in Russia, Finland should seriously consider prospective participation in the Euro-Atlantic security arrangements. If the consolidation of democracy succeeds in Russia and if the country's foreign policy continues on a cooperative course, it is unproblematic for Finland to seek membership of NATO or WEU. If there is a backlash against democracy in Russia, which is less likely but still possible, the traditional virtues of neutrality may not be so valid as during the Cold War. The post-communist Russia seems to view its foreign policy interests less from the point of view of a balance between superpowers and more as regards the 'near-abroad countries', a foreign policy doctrine, which represents thinking in terms of spheres of influence.

This is a further incentive to evaluate the pros and cons of a membership in a military alliance, in case this alternative becomes a real option in the near future. Military security guarantees can provide added value for Finland's national security, on condition that they are achieved according to defensive principles, thus with no nuclear weapons in Finnish territory and no foreign bases during peacetime. This kind of defensive alignment would serve the purposes of Nordic stability as well. It would follow the same design as Norway's NATO membership.

Nevertheless Finland will be interested only in real security, not one of an imaginary kind. New security arrangements are not worth seeking, if they would only imply a loss of non-alignment but would not provide any real security guarantees. At present this is just pure speculation. Eventually we shall be much wiser about these 'ifs' only after some months and years have passed.

## **5. Finland is for a widening, opening and stepwise deepening**

**European Union.** Currently there are three visions competing for the souls of Europeans regarding the future shape of the European Union.

The *first* vision sees the EC as a confederation of nations. It is rather like an extended free-trade area, or a single market at the maximum. For its advocates even the Maastricht Treaty is too much. However, such a union would be too weak to safeguard European security and to upgrade its industrial competitiveness in the fast-moving dynamics of world economy with its 'competitive interdependence'.

The *second* vision strives for a 'federal' Europe with a limited membership, a common currency and central bank, a common defence with joint armed forces, and protectionist commercial and industrial policies. In practice this would mean building of a 'fortress Europe' in the name of federalism. This is too much of a straight-jacket for freedom-loving Europeans, and besides it would leave out central and eastern Europe and erode European industrial competitiveness.

The *third* alternative is a widening, opening and simultaneously deepening European Union. It would be enlarged to central and eastern Europe, deepen its internal democracy, apply principles of federalism and subsidiarity, continue liberalisation of trade practices, and develop the Euro-Atlantic security community – perhaps even a single market – with the United States.

For me it is evident that the third alternative would best serve the interests of a Nordic small nation and best tackle the present and future challenges of Europe. I would vote for the third alternative.