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New Pact for Europe

National Report

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NEW PACT FOR EUROPE– Rebuilding trust through dialogue

Project description

Launched in 2013 by the King Baudouin Foundation and the Bertelsmann Stiftung, and supported by a large transnational consortium including the Open Society Initiative for Europe (OSIFE), the Calouste Gulbenkian Foundation, the European Policy Centre (EPC), the BMW Foundation Herbert Quandt, and the Open Estonia Foundation, the New Pact for Europe (NPE) project aims to promote a European wide debate and develop proposals on how to reform the European Union in light of the manifold challenges Europe is currently facing.

After a first successful period in 2013-2015, which included more than 80 events in 17 EU countries and the publication of two major reports, which elaborated five strategic options on the future of the EU, the NPE project entered a new phase in 2016-2017. The ultimate aim of this new phase of the NPE project is to work out the details of a wider ‘package deal’ to equip the EU with the tools it needs to meet the internal and external challenges it faces. This proposal will contain solutions generated by connecting the discussions on the key policy challenges, and propose changes in the way the EU and its policies are defined to avoid future fundamental crises.

Building on the analysis and proposals elaborated in the previous phase, the NPE has in this period explored how the EU can better serve the interests of its member states and citizens, through a series of 30 national and transnational debates on key policy challenges (including the migration/refugee crisis, internal and external security, as well as economic and social challenges).

National Reflection Groups have been created and met specifically for this purpose in ten EU countries (Belgium, Estonia, Finland, France, Germany, Greece, Italy, Poland, Portugal and Slovakia), followed by transnational exchanges between these groups. This national report is the result of the work and discussions of one of these National Reflection Groups.

The discussions within and between representatives of the ten National Reflection Groups will be discussed by a European Reflection Group of eminent persons, which includes all the national rapporteurs. It will be tasked to produce a final NPE report taking into account the national and transnational debates, scheduled to be published at the end of 2017.

The project also benefits from the overall guidance of an Advisory Group of high-ranking policy-makers, academics, NGO representatives and other stakeholders from all over Europe. It is chaired by Herman Van Rompuy, President Emeritus of the European Council and former Prime Minister of Belgium.

For more information on the NPE project, please see the project website: www.newpactforeurope.eu

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The views expressed in this report reflect the result of the work and discussions of this National Reflection Group, enriched by exchanges with two other National Reflection Groups, but they do not necessarily represent the views of each member of the group or the institutions they are affiliated with.

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LIST OF ABBREVIATIONS

| | |
|-------------|------------------------------------|
| ECB | European Central Bank |
| EMU | Economic and Monetary Union |
| EP | European Parliament |
| EU | European Union |
| MFF | Multiannual Financial Framework |
| NATO | North Atlantic Treaty Organization |
| TEU | Treaty on European Union |
| UK | United Kingdom |

FOREWORD

This report is inspired by the discussions of the Finnish National Reflection Group enriched by exchanges with National Reflection Groups from Belgium and Portugal. It reflects on the ‘state of the Union’ from a national perspective and discusses the main challenges the EU and its members are facing, taking into account both the European and national perspective. Finally, it proposes ideas and recommendations on how the EU and its members should react to these main challenges and sets out how the EU and European integration should develop in the years to come.

This paper is part of a series of ten national reports. These reports and the debates in the member states will provide a solid basis for the discussions in the NPE European Reflection Group. The latter will be asked to take the reflection a step further through in-depth and thorough discussions at the European level. The Advisory Group chaired by Herman Van Rompuy will provide input to this process. All these reflections will lead to a final NPE report that analyses the current ‘state of the Union’ and contains several proposals on how to re-energise the European project. It will be published at the end of 2017.

EXECUTIVE SUMMARY

Since becoming a member of the European Union (EU) in 1995, Finland has seen itself as one of the EU's most constructive member states. For the most part during Finland's membership, the Finnish EU policy has aimed at securing and increasing Finland's influence in the Union by positioning the country firmly at the core of the EU and by taking part in key European integration projects. During the years of the financial and economic crisis, Finland's image in the Union gradually started to change, with the country gaining a reputation as a hardliner and, at times, as a difficult member state. These developments were related to the rapid emergence of an openly populist and Eurosceptic party in the 2010s.

Notwithstanding the implications of the increasing politicisation and polarisation of EU affairs in Finland, the Union and the single currency have however remained distinctly popular among Finnish citizens. One explanation for the steady support for the EU is that the basic rationale behind Finland's EU membership has not changed. Finland still sees the Union as a vehicle for security, prosperity and influence. The years of EU crises has also increased awareness of the added value of the EU for Finland, and the need to engage with the processes aimed to consolidate it.

From the Finnish perspective, the EU is currently in the midst of several severe crises. These are related to the eurocrisis and the rather gloomy broader economic outlook for the EU in recent years, the refugee or migration crisis, and the worsening external and internal security situation in the Union. Moreover, the notable difficulties experienced by the EU in addressing these crises have contributed to an understanding that the EU and European integration themselves are in crisis. However, there are also other key drivers for this development, which are only partly EU-related. These relate, *inter alia*, to a broader lack of trust in political systems and institutions, and to the negative effects of globalisation.

It seems that neither the EU nor its member states were adequately prepared to tackle crises of this scale and nature. The Finnish EU narrative also highlights the political difficulties in agreeing and implementing the necessary EU-level and national reforms during the crises themselves. Importantly, some of the key achievements of European integration and the EU seem to be overshadowed by the current crises. In Finland, the United Kingdom's decision to withdraw from the EU, and the growing dissatisfaction among EU citizens, are seen as symptomatic of the Union's internal crisis and economic challenges.

In the field of the economy, several challenges have been identified and debated in Finland. These include problems related to the eurozone, the economic outlook for the EU and Finland, and the uncertain future of the Union's external trade policy. While more EU action has been called for in order to turn the economic tide in Europe, the role of national responsibility and reforms has also been constantly highlighted.

The national debate on the migration and refugee crisis suggests that the global migration pressure is likely to increase, and Europe's geographical location means that the EU will be the destination for significant migration in the future as well. Instability and conflicts in the Union's neighbourhood are important root causes of migration. Finland itself received more than 32,000 asylum applications in 2015. This represented a significant increase compared to the very low number of applications received by Finland before the crisis. During the autumn of 2015 and spring of 2016, approximately 1,800 asylum-seekers arrived in Finland also

through the northern border crossings along Finland's border with Russia, and the country suddenly became an entry point of irregular migration to the EU. In light of the deep divisions between the member states over migration, and the current projections on future migration pressure in the EU area, this policy field is in many ways seen as a litmus test for the EU and European integration.

Russia's more assertive foreign policy and its proven willingness to resort to military force present the most significant security challenge for Finland. The Ukraine crisis has also had notable side effects in the Baltic Sea region. Importantly, the EU's room for manoeuvre and its position as a security actor have been challenged by the new situation. This is because the EU as a security actor has largely relied on soft power instruments and on the promotion of norms. Strengthening the EU's defence dimension step by step is strongly supported in Finland. The looming Brexit and the concerns related to the foreign and security policy of the new US administration are seen to further underline the need to move forward in this field.

Finland's security interests are not limited to northern Europe. The conflicts and instability in the EU's southern neighbourhood are seen as a security concern in Finland as well. Crisis prevention, mediation and management are all regarded as important features of the Finnish security policy and these activities are mostly advanced through the EU. In this context, the link between external and internal security has been underlined in Finland. The EU's role in addressing global challenges related to climate change, poverty and sustainable development continues to resonate with the Finnish public and decision-makers.

There is an urgent need to articulate a convincing political message at the EU and national levels, thereby providing straightforward answers to the questions and concerns raised by EU citizens. This message must be credible in the sense that concrete actions and positive developments will follow. It should acknowledge the negative effects of globalisation and the increasing global competition within the economy and politics, which are reflected in developments in Europe and beyond. The message should also touch upon global challenges and their management, as well as Europe's changed security environment.

A major overhaul of EU structures is not seen as necessary at present. Instead of institutional reforms, pragmatic and effective action are called for. In order for convincing steps to be taken, enhanced cooperation and multispeed integration could be a way forward, but its implications for the coherence and unity of the EU should be carefully considered. To forge political will, the EU must work on reinforcing mutual trust between the member states. And the member states must do their share in this process. A strong European Commission and an influential European Parliament are needed to forge and articulate a convincing political message at the EU level and to connect directly with EU citizens.

Importantly, a stronger focus on the social dimension of the EU is called for. This would benefit from a European-wide political discussion followed by EU-level action aimed at (re-)establishing European social norms. Relatedly, the responsibilities and competences to enforce them should also be discussed. Moreover, the EU should continue to forcefully develop its single markets and, in so doing, become a global frontrunner in the digital revolution. Given the expectations of citizens and member states towards the EU, adequate resources to address these issues must be secured at the EU level.

PART 1: THE CURRENT STATE OF THE UNION: A VIEW FROM FINLAND

BACKGROUND: FINLAND'S EU POLICY

Finland has seen itself as one of the most constructive member states of the Union. It joined the EU in 1995 without reservations. Despite its Cold War-era legacy of neutrality, Finland also became a strong supporter of the EU's foreign, security and defence policies. Finland has, however, decided to stay outside of military alliances. Compared with its closest reference group, the other Nordic countries, Finland has chosen to integrate itself more deeply into the EU. It was the only Nordic EU member that joined the third phase of the Economic and Monetary Union in 1999 and adopted the euro in 2002. Denmark, which joined the EU in 1973, has clung to its opt-outs secured in the Maastricht Treaty, including the right to stay outside of the euro area. Sweden also decided not to adopt the euro after its electorate rejected the possibility of euro membership in a referendum in 2002. Norway and Iceland are not EU members, but they participate in the European Economic Area and the Schengen area.

For the most part during Finland's membership, the country's EU policy has aimed at securing and increasing Finland's influence in the EU by positioning the country firmly at the core of the EU and by taking part in key European integration projects. At the same time, Finland has also striven to accumulate political capital through active and constructive engagement in EU decision-making. According to the Finnish logic, the political capital gained over the years can be used in difficult situations when significant national interests are at stake. As a part of its constructive approach towards EU policy, Finland has also reasoned that if a majority is forming in the Council, it is generally wiser to align itself with it and thereby gain possibilities to shape the outcome, rather than marginalize itself in the minority. This has arguably led to Finland establishing a reputation as a well-behaving 'model pupil' in the EU 'classroom'. However, Finnish EU decision-makers do not accept this characterisation without reservations. Indeed, some think that this characterisation is false given that the country has continuously worked hard to advance its interests in the EU.

During the years of the financial and economic crisis, Finland's image in the EU gradually started to change, with the country gaining a reputation as an increasingly difficult member state. In stark contrast to its early membership period, Finland did not even shy away from obstructing some of the joint efforts to tackle the euro crisis. Finland's tougher political rhetoric and policies are anchored in domestic developments. Participation in the measures to reinforce the currency union, and particularly in the loan programmes aimed at shoring up the failing eurozone economies, proved highly unpopular in Finland and led to exceptional changes in the Finnish political landscape. The country duly witnessed the rapid emergence of an openly populist and Eurosceptic party, the Finns Party (formerly known as the True Finns), in the 2011 parliamentary elections. The Finns Party retained its support in the 2015 elections, and became the second largest party in the country, joining the three-party government coalition.

As a result, the pervasive national consensus that largely characterised Finland's EU policy in the early part of its membership broke down during the eurocrisis. The re-politicisation of Finland's EU policy has resulted in a

hardening tone and tougher negotiation positions, including, atypically, some 'red lines' in EU policy-making. While some see this as an element of a more mature EU policy, others have suggested that Finland has rapidly lost much of the political capital that it had gained through its earlier constructive engagement.

Notwithstanding the increasing politicisation and polarisation related to some EU issues, the EU and the single currency have remained distinctly popular among Finnish citizens. According to the Eurobarometer survey conducted in 2016, 60% of Finnish respondents see Finland's EU membership as a 'good thing', 30% as 'neither good nor bad' and only 10% as a 'bad thing'.¹ A striking 78% of Finnish respondents are supportive of the EMU and the single currency.²

These figures speak for a rather profound significance of the EU and European integration for the Finns. The euro membership is understood to be an integral part of Finland's deep involvement in European integration. While the citizens might be dissatisfied with the EU's actions in tackling the crisis, the basic rationale behind Finland's EU membership has not changed. Finns still see the EU as a vehicle for prosperity and international influence, and they highly value the opportunities brought by the freedom of movement, for instance. The dramatic changes in the European security environment – the Ukraine crisis and Russia's annexation of Crimea – has also highlighted the EU's importance for Finland's security. While economic factors featured high in the Finnish EU membership discussion in the early 1990s, it is largely accepted that security considerations were equally important. Relatedly, and although the EU and European integration have occasionally proved to be divisive issues for some of Finland's political parties, all of the major parties, with the exception of the Finns Party, can be labelled as pro-EU.

A noteworthy aspect of the recent populist and Eurosceptic challenge has been Finland's rather unique way of handling the issue. First, and in terms of the functioning of the political system, the emergence of a new major party was generally welcomed. After the 2011 parliamentary election, the former president of the republic stated that she was pleased that the Finns had rushed to the polling stations rather than into the streets to voice their political opinions. Experts have also noted that the emergence of a Eurosceptic challenge – and the temporary breakdown of the national consensus on some aspects of Finland's EU policy – have been good for the national EU debate. It has meant that EU affairs were being debated more than they were before in the public domain, including during national election campaigns and the parliament's plenaries. Political parties have had to clarify their EU policies, and governments have had to explain and defend their policies more vigorously than during the times of broad national consensus.

Second, a rather broad consensus emerged in the run-up to the 2015 parliamentary elections that the continuing success of the Finns Party would mean that the party should be included in the government. In practice, this signalled a readiness on the part of the other parties to also make some concessions in the field of EU policy. Yet the Finns Party was also urged to prepare itself for compromises on EU matters. As a result, the EU policy of Finland's current government coalition is based on a somewhat uneasy compromise between pro-integrationist and moderate Eurosceptic positions. Nevertheless, the government has sought to advance EU integration in those areas that are of particular interest to Finland, especially the security and defence

¹ Parlemeter 2016 - Analytical overview, Special Eurobarometer of the European Parliament, p. 15, available at: http://www.europarl.europa.eu/pdf/eurobarometre/2016/parlemeter/eb86_1_parlemeter_synthesis_en.pdf.

² Standard Eurobarometer 86, Autumn 2016 - First results, Public opinion in the European Union, p. 27, available at: https://ec.europa.eu/finland/sites/finland/files/eb86_first_en.pdf.

policy. On the other hand, the government has occasionally been blamed for not having a broader vision for the future of the EU and Finland's place therein.

While they have been a part of the coalition government, support for the Finns Party has declined significantly according to opinion polls. Some see this as a sign of the difficulties that populist parties face in translating their agenda into concrete policies. On the other hand, some elements of the Finns Party's political agenda have been (partly) mainstreamed in Finnish politics. In other words, in responding to the political challenge of the Finns Party, other parties have re-positioned themselves, and at times moved closer to the position adopted by the Finns Party. The most notable example is the Finnish immigration policy, which had already been tightened before the European migration crisis. The Finns Party has also taken credit for influencing the Finnish government's tough negotiation positions *vis-à-vis* rescue loan packages, first as the opposition, and then through the government.

EUROPEAN INTEGRATION IN CRISIS

The EU has been tackling several and severe crises in recent years. These include the euro and broader economic crisis, the refugee or migration crisis, and the worsening external and internal security situation of the Union. The former consists of instability and conflicts in the EU's eastern and southern neighbourhoods, and the latter of radicalisation and terrorism (among others). The notable difficulties of the EU and its member states in addressing many of these crises have contributed to an understanding that the EU and European integration themselves are in crisis. The crises are also seen as a key driver of the different forms of Euroscepticism and populism in the EU member states, including Finland.

These political trends are also connected to the negative effects of globalisation. Importantly, the global financial crisis, its long-term negative implications for the EU and its member states' economies as well as the increasingly competitive global milieu have had political ramifications in many liberal democracies. As some of the risks and threats related to the globalisation have materialised, the positive effects of it have been at least partly overshadowed in Finland. Citizens feel that managing the ongoing developments and challenges are partly beyond the control of their government. Majority of the Finns however see the EU as part of the solution in addressing the global and regional challenges.

From a Finnish point of view, it seems that neither the EU nor its member states were adequately prepared to tackle crises of this scale and nature. Member states have largely failed to anticipate the worst and agree on major reforms both at the EU and at the national level during the pre-crisis years when the European and global economy and politics were evolving under more benign conditions. This applies to all three key dimensions of the crises: the economy, migration and security. The member states did not agree to deepen the EMU in the Convention on the Future of Europe in the early 2000s. Nor did they take the warnings regarding the possibility of a large migration crisis seriously enough, even on the eve of the worst refugee crisis in Europe since the Second World War. And finally, they did not advance security and defence policy cooperation despite signs of potential and dramatic changes in the European security landscape. In a similar vein, the implementation of the Lisbon Treaty reforms concerning the EU's external action proved difficult even in the context of largely recognised shifts in the global economy and politics, and the ensuing challenges to Europe and the EU.

The Finnish EU narrative also highlights the political difficulties in agreeing and implementing the necessary EU and national reforms during the crises themselves. In this context, the commonly held view that crises are watershed moments for the further development of the EU has been called into question, at least to some extent. The fact that common European solutions to the different crises have proven difficult to advance, has further served to decrease citizens' trust in the future of the EU.

Importantly, some of the key achievements of European integration and the EU seem to be overshadowed by the current crises. Peace and stability in Europe as well as the four freedoms guaranteed by the EU are often taken for granted. The crises have also overshadowed some of the key reforms that have been implemented in recent years, some of which were seen as too difficult, politically, to be advanced earlier. These include reinforcing the EMU and EU's external borders, for instance. Moreover, some of the positive trends in the EU, such as the recent economic growth, the declining unemployment and the decreasing sovereign debt levels, have gone largely unnoticed due to the strong focus on the crises as well as Finland's own economic downturn.

In Finland, the UK's decision to withdraw from the EU, has been partly connected to the EU's internal crisis and economic challenges. While the EU renegotiation and referendum process of the UK was largely the result of domestic political dynamics, the recent negative developments in the EU have unquestionably contributed to the outcome of the process.

THE EU'S LEGITIMACY CHALLENGED

Distinct views on the EU's democratic shortcomings can be identified in the Finnish EU debate. Suggestions that stronger democratic legitimacy would require a more powerful European Parliament are often refuted in Finland by hinting at the EP's alleged detachment from the electorate, reflected in the low turnout in the European elections. Relatedly, the democratic legitimacy of the European Council and the Council of the EU is at times argued to be stronger than that of the European Commission and the European Parliament. Finnish policymakers also often highlight the deep involvement of the Finnish parliament in EU decision-making, extending all the way up to the political mandating of Finland's representatives in the European Council and the Council.

At the same time, the potential challenges and dangers related to the increasingly powerful role of the European Council in the EU have been underlined by many Finnish EU experts and practitioners, who continue to view the European Commission and the traditional Community Method as the strongest safeguards against the dominance of large EU member states. This reasoning partly explains why Finland has accepted transfers of competences in consecutive EU Treaty reforms, including the Lisbon Treaty, even if the public opinion has been wary of granting more powers to the EU level. While the role and policy positions of Germany have been largely welcomed in Finland in relation to the eurocrisis and the Ukrainian crisis, the challenges related to the influence of smaller member states have also been acknowledged. In the context of the EU's reflection process launched in Bratislava after the Brexit vote, the informal meetings among the biggest member states, as well as the founding members, have been seen to be problematic, as they are not open for all the member states.

While there is debate in Finland about the role of 'input legitimacy' in European integration, the EU's suggested legitimacy deficit is increasingly understood to result from the Union's weak performance rather

than its alleged democratic shortcomings. Some dissatisfaction with the EU can be sensed even among the traditionally pro-European elites. Notably, the economic elites that were vocal supporters of Finnish EU membership in the 1990s have until recently remained rather silent in the national debates on the EU's future. At the same time, national policymakers, including civil servants, have been expressing their frustration with developments in the EU for a longer time. They have been worried about the state of the EU ever since the failure to adopt the Constitutional Treaty, and have highlighted the problems with regards to the implementation of the Lisbon Treaty. Even before the financial and economic crisis, Finnish policymakers expressed their concerns about the efficiency of the enlarged EU and the decreased level of ambition in the post-Lisbon context. This has occasionally spurred discussions about alternative channels through which Finland could gain influence in Europe and beyond. Most important of these is cooperation in the Nordic framework. More Nordic cooperation has been called for in the field of foreign policy, for instance. This is partly related to the difficulties in moving forward in some fields in the EU foreign policy, such as promoting women's re-productive health rights, and sexual and gender minorities rights. Nordic cooperation has also advanced in the field of defence cooperation. However, the opportunities afforded by the alternative arrangements are mostly seen to fall short of those provided by the EU, and Nordic cooperation is seen as complementary to Finland's EU membership.

In sum, a more cautious national approach and narrative concerning the EU and its future have gained a foothold in Finland. At the same time, the importance of the EU for Finland is broadly acknowledged. As the EU and European integration has been called into question, awareness of its added value for Finland, and the need to engage with the processes aimed to consolidate it, has however also increased.

PART 2: THE MAIN CHALLENGES FACED BY THE EU AND ITS MEMBER STATES

ECONOMY

In the field of economy, several challenges have been identified and debated in Finland. These include problems related to the eurozone governance, the gloomy economic outlook for the EU and Finland, and the uncertain future of the Union's external trade policy. While more EU unity and action has been called for to turn the economic tide in Europe, the role of national responsibility and reforms has also been constantly highlighted. In the wake of the Brexit vote and increasing populism and Euroscepticism around Europe, the social dimension of the EU and European integration has become more prominent in the debate, although some significant reservations remain.

A central negative trend in the EU is that the convergence between the economies of the member states has come to a halt and has even been partly replaced by a growing divergence. The gradual recovery in recent years is largely a result of the extraordinary measures taken by the European Central Bank. Public and private sector debt levels are still a valid concern. The financial sector is still in an unhealthy state, as the recent worries related to the Italian banks suggest. Moreover, the long-term growth prospects of many eurozone economies continue to be weak, including those of Finland and many major economies such as Italy and France.

Several old and new challenges have also been raised in Finland. First, although financial market regulation has improved and the EMU has been strengthened, concluding the banking union has proven challenging due to prevailing national differences. The mechanisms established to provide greater fiscal and budgetary supervision of the member states have proved somewhat weaker than expected. It has also been debated whether the eurozone is guided by rules or by politics, especially now that the European Commission has taken a more political approach. The Commission's recommendation to give some leeway to France, Italy and Belgium in 2015, has raised concerns related to political discretion in the application of the reinforced fiscal and budgetary rules for the eurozone economies.

Finland itself has faced a significant economic downturn. The healthy state of the country's public finances at the beginning of the European financial and economic crisis enabled the country to absorb a significant decrease in its GDP in 2009, and then bounce back. However, the country subsequently slid into a long period of stagnation. In Finland, the country's economic difficulties are only partly seen to be of external origin. Indeed, the bulk of expert and political opinions suggest that the current economic downturn is largely the result of domestic failures to prepare for and accommodate to the changing global and European economic trends.

Finland faced a severe economic crisis in early 1990s, and it managed to recover from it largely without external assistance. During the followed rapid growth period, some of the potential risks such as the country's dependence on its extensive information technology cluster driven by Nokia Corporation were frequently discussed publically. Finns have also at least partly accepted that during the extensive growth period, the country lost some of its competitiveness due to increasing production costs. The strong performance of the

neighbouring Swedish economy during the years of the European economic crisis is mainly seen as a result of successful national reforms undertaken prior to and during the crisis, as well as better functioning labour markets. Only a relatively modest debate concerning the comparative advantages and disadvantages of euro membership has taken place, and membership of the currency union has been considered to ultimately be a political choice.

Due to Finland's self-critical attitude towards its economic problems, there seems to be only limited understanding for the calls by some member states to reassess the economic rationale of the reinforced financial rules of the eurozone. Finland itself has attempted to do its utmost to comply with the rules even during the national economic downturn. Yet it has also been noted that Finland's economic woes cannot be directly compared to those of the countries that were hit worst by the financial and eurozone crisis.

The push towards a deeper Economic and Monetary Union is facing significant challenges in the long term as well. Two broad scenarios have been outlined in Finland in terms of the future development of the EMU, which could either be developed towards (i) a centralised system including greater joint responsibility, or (ii) a system largely based on market discipline and national responsibility. Both systems have their strengths and weaknesses, and as long as greater joint responsibility is not a politically feasible option, a market discipline system is likely to prevail. To function well enough, experts have noted that this system might require a mechanism for restructuring the member states' debt and a limited increase in joint responsibility, as well as elements of centralised decision-making. The current government is however hesitant in moving towards this direction. The introduction of a fiscal capacity or automatic stabilisers to absorb asymmetrical shocks to the eurozone economies would most likely go against the governmental programme (that is, the coalition agreement between the three parties in the current government).³ The programme states that Finland's liabilities should not increase, and that Finland does not support an EU Treaty change, which is seen as a requirement for the above-mentioned reforms. As only rather modest EMU reform proposals have been advanced since the new government started in 2015, the official Finnish position remains untested.⁴

As an export-driven, open and relatively small economy, Finland is increasingly worried about the protectionist global trends. The country is also concerned about the possible ramifications of the UK's withdrawal for the EU's external trade policy, as well as the development of the single market. In these policy fields, Finland has often aligned itself with the UK in EU decision-making and the looming Brexit is expected to have a significant impact on the relative power of the 'free-traders' (i.e. member states favouring trade liberalisation) within the EU. With regard to external trade, it is notable that in Finland both businesses and trade unions support the concluded and ongoing free trade negotiations between the EU and its external partners.

In light of the rising Euroscepticism, the recent economic developments and the potential impact of growing international competition, the need to work on the social dimension of the EU has been recognised in Finland. The Brexit vote is at least partly seen as a result of the unsuccessful management of the negative effects of globalisation. It has highlighted that political campaigns suggesting that the EU is part of the economic and

³ See, Prime Minister's Office 2015, pp. 34-36 (See "List of further readings").

⁴ Yet the escalation of the Greek crisis in the summer 2015 immediately after the current Finnish government was appointed, highlighted the need to consider new EMU reforms. Then Finance Minister Alexander Stubb established an expert working group to assess the need for EMU reforms in the short and long term. This work has largely been seen to favour a model based on market discipline and national responsibility. For more, see Ministry of Finance, 2015 (included in "List of further readings").

social problems can resonate with the electorate. However, some notable obstacles remain in advancing EU's social dimension. The divergence of social norms and systems across the member states in particular renders this a thorny project. Finns are traditionally concerned that EU action in this field could have negative repercussions for the relatively high social standards in Finland. And as Finns seem to be very hesitant to increase the country's financial contribution to EU, the national discussion on the EU's social dimension has so far been rather limited, and there has been a tendency to underline the member states' responsibility in this policy field. Yet the continuing populist and Eurosceptic challenge present in many national elections throughout the EU, could potentially open up some possibilities to consider EU wide standards, and over time limited expansion of 'EU's globalisation funds', for instance, which could be used to support member states under stress to meet the EU standards.

Importantly, taxation is an economic policy field in which there seems to be a relatively broad agreement that more EU-level coordination is needed. In particular, the recent national decisions to decrease corporate taxation are seen to result in a 'race to the bottom', which would prove very harmful for national governments struggling under austerity pressures. EU action in the field of tax evasion is therefore strongly supported.

MIGRATION

Discussions on migration and the refugee crisis suggests that even if the recent migration flows are unprecedented, they could turn out to be merely the beginning of a broader mass movement. The global migration pressure is likely to increase and Europe's geographical location means that the EU will be the destination for significant irregular migration in the future as well. Instability and conflicts in the EU's neighbourhoods are important root causes of migration. Fragile state and governance structures in some of the neighbouring countries also weaken the EU's possibilities to manage the migration externally. Thus, the EU should pay attention to the development of the countries of origin of the migrants and refugees. Current data indicate that in the Middle East alone, millions of people are on the move. Developments in Africa also indicate potentially significant flows to the EU.⁵

Finland itself received 32,476 asylum seekers in 2015. This represented a dramatic increase compared to the very low number of applications received by Finland before the crisis (annually 1,500 - 6,000 since 2000).⁶ Most of the asylum-seekers came to Finland in autumn 2015 via Sweden. From the Finnish perspective, the situation in autumn 2015 was seen to have three key dimensions. Firstly, it was a humanitarian crisis, which required the EU and its member states to fulfil their international responsibilities. Secondly, it also represented an EU crisis, as the Union's current system of managing irregular migration failed in many respects. Previous calls to prepare for an increase in external migration flows were not taken seriously by the member states. Moreover, when the system failed (for example with regard to receiving and registering people arriving in the country of entry), new measures were adopted, but their implementation (such as setting up 'hotspots' to manage the situation in the entry countries as well as relocation) has been only partial and the situation remains fragile. The deal between Turkey and the EU has also proved to be delicate, and the reduction in the numbers has partly resulted from other measures, such as the closure of the Western Balkan route. Thirdly, the situation led to extraordinary political polarisation at the national and the EU level,

⁵ For an overview of the current trends, see Parkes, 2016 (included in "List of further readings").

⁶ Ministry of the Interior of Finland, "Refugees flee persecution in their home countries", available at: <http://intermin.fi/en/migration/refugees-and-asylum-seekers>.

with significant political ramifications. At the EU level, a deep dividing line emerged between those member states opposing and supporting proposals for greater burden sharing to manage the crisis. In Finland, the refugee issue not only led to polarisation among political parties, but also in society in general.

The number one priority should now be the integration of those that have been granted asylum. The second priority should be to reinforce the Schengen system. This includes the recent proposals for reforms in asylum and migration policy, and proposals aimed at strengthening the EU's external borders. As burden-sharing continues to be a thorny issue among the member states, initiatives suggesting a more differentiated approach could be carefully assessed. This could entail establishing relocation among the members willing to participate in the scheme, and others contributing financially to the system, for instance. Third, the EU's external action is key in finding long-term solutions to global and regional migration pressure. Common action and the use of the EU's entire toolbox is very much in demand.

The unexpected and worrying developments at Finland's border with Russia during the winter of 2015-16 also influenced in the national migration debate. Finland suddenly became an entry point of illegal migration to the Schengen area. During the autumn of 2015 and spring of 2016, approximately 1,800 asylum-seekers arrived in Finland through the northern border crossings along Finland's border with Russia.⁷ This indicated a change in Russian border modalities, as prior to that no one without a Schengen visa had been allowed to enter the border zone. While keeping the EU and Frontex informed, Finland used its bilateral ties to Russia to negotiate a solution, and the flow of asylum-seekers through Russia diminished. It is still largely unclear why the situation changed at the Finnish-Russian border. While there is some indication of an increasing migration pressure to Europe via Russia, the Finnish president has recently suggested that it was clear that Russia wanted to send Finland a signal. Earlier, Norway (also a member of the Schengen area) had managed to resolve a similar situation at its northern border with Russia by dealing with Russia bilaterally.

In light of the deep divisions between the member states over migration, and the current projections on future migration pressure in the EU area, this policy field is in many ways seen as a litmus test for the EU and European integration.

SECURITY

From the Finnish perspective, Russia's more assertive foreign policy and its proven willingness to resort to military force present the most significant security challenge. The Ukraine crisis has had notable side effects in the Baltic Sea region as well. Military activity has increased significantly, and several EU member states' airspaces have been violated by Russia. Due to the increased military activity in the Baltic Sea region, NATO has reinforced its presence in the area. While Finland understands that Russia's actions concerns first and foremost the EU member states with close geographical proximity to Russia, it has underlined that the Ukraine crisis and annexation of Crimea constitutes a fundamental challenge to the European security order, and thus for the whole Union.

⁷ Ministry of the Interior of Finland, 2016. Press release, available at: http://intermin.fi/en/article/-/asset_publisher/sisaministeri-orpo-ja-komissaari-avramopoulos-keskustelivat-euroopan-turvapaikanhakijatilanteesta-ja-dublin-asetuksen-muuttamisesta?_101_INSTANCE_jyFHKc3on2XC_languageId=en_US.

Importantly, the EU's room for manoeuvre and its position as a security actor have been challenged by the new situation. This is because the EU as a security actor has largely relied on soft power instruments and on the promotion of norms. As power politics and the use of military power have forcefully returned to the European theatre, Finland has been a notably vocal supporter of developing the EU's defence dimension, not least because it is not a member of NATO. In this context, Finland has also underlined the importance of the EU's mutual assistance clause (TEU 42.7). When the French government requested the activation of the clause in the aftermath of the terrorist attacks in Paris, Finland responded positively. Furthermore, Finland is currently reviewing its national legislation concerning the provision and reception of military assistance in order to fully live up to the requirements of the clause. In the EU, Finland has also highlighted the need to develop capabilities to counter hybrid threats. It is currently engaged in establishing a European Centre of Excellence on Hybrid Threats in Helsinki in close cooperation with the EU, NATO and several member states of either or both organisations.

Strengthening the EU's defence dimension step by step is strongly supported in Finland. The looming Brexit and the concerns related to the foreign and security policy of the new US administration are seen to further underline the need to move forward in this field. However, the lack of a common and shared strategic vision for the EU's security and defence policy might continue to hinder the development in this field. This also explains why many member states have been rather reluctant thus far to invest resources and political efforts in common security and defence projects. While the new EU Global Strategy is clearly an improvement in this respect, concrete action is now needed. The EU's crisis management capabilities and European military assets are very much in demand also due to developments in the EU's southern neighbourhood. From the Finnish viewpoint, permanent structured cooperation could be used if needed in order to move forward in EU security and defence cooperation. The government has noted that cooperation should be ambitious, and extend beyond EU's crisis management. Important fields of cooperation for Finland are countering hybrid threats, receiving and providing assistance under mutual assistance clause, enhancing defence capabilities and logistic support, as well as investing in European defence industry and research. Finland has also supported the European External Action Service in promoting the inclusiveness of the permanent structured cooperation, and allowing member states to decide which concrete projects they will engage with.

In addition to developing the EU's security and defence policy dimension, Finland has welcomed the Nordic defence cooperation (with its pooling and sharing prospects) and has sought to deepen its bilateral defence cooperation with Sweden, another non-NATO EU member. At the same time, both Finland and Sweden have increased their cooperation with NATO, as well as with the US. While the recent developments have led to a public discussion about the possibility of Finnish NATO membership, there is a rather broad national consensus that Finland should not currently seek membership, although it would like to keep its options open.

Apart from the security and defence dimension, the importance of the EU's diplomatic and political toolbox, including sanctions against Russia, has also been highlighted in Finland, even though the Russian countermeasures have had negative economic implications for Finland. As far as the sanctions are concerned, the EU is seen to have demonstrated much needed unity, although some divisions remain.

Finland's security interests are not limited to northern Europe. The conflicts and instability in the EU's southern neighbourhood are seen as a security concern in Finland too, and the country is engaged in missions aimed at security-sector reforms in the region. Crisis prevention, mediation and management are all seen as important features of the Finnish security policy, and these activities are mostly advanced through the EU.

In this context, the link between external and internal security has been underlined in Finland. The country has witnessed the departure of a relatively high number of fighters to Syria and Iraq in terms of its population and demographic factors.⁸ Internal security threats, such as terrorism and the risks related to radicalisation in general and the return of foreign fighters in particular have been taken very seriously in also Finland. Terrorist assaults in other Nordic countries, most recently in Sweden, as well as in other EU countries, have increased public awareness of these threats also in Finland. To tackle these issues, more coordination and information-sharing among member states in the fields of police cooperation and intelligence agencies is seen as imperative. Relatedly, the heightened security concerns of EU member states hit by terrorism is well understood in Finland. The country is currently reviewing its national legislation on intelligence partly in order to enable closer European and international collaboration.

The EU's role in addressing global challenges related to climate change, poverty and sustainable development continues to resonate strongly with the Finnish public and decision-makers. These challenges are often seen as root causes of instability and insecurity. However, the current government's austerity measures have had negative implications for the country's development aid budget and efforts. Nevertheless, Finland sees the EU's attempts to forge effective multilateral solutions to the challenges of the 21st century as highly important.

⁸ The Finnish Security Intelligence Service terrorist threat assessment suggest "the number of persons taking part in armed activities in foreign conflicts - especially in Syria and Iraq - and returning to Finland is significant", and that "at least 80 adults and dozens of children had travelled to these conflict zones" by the end of 2016. See, SUPO - Finnish Security Intelligence Service 2017. Year Book 2016, available at: http://www.supo.fi/instancedata/prime_product_julkaisu/intermin/embeds/supowwwstructure/72829_SUPO_2016_ENG.pdf?304cc2d77276d488.

PART 3: A WAY FORWARD FOR THE EU: MANAGING GLOBALISATION

In light of all this, the Finnish reflection group arrived at some general conclusions regarding the future of collaboration at the EU level. While the discussion on a vision and mission for the EU was intense and detailed, some points of consensus also emerged, which contributed to largely shared views on the question of what kind of an EU Finland should strive for.

First, there is an urgent need to articulate a convincing political message at the EU and the national levels, thereby providing straightforward answers to the questions and concerns of EU citizens. And this message must be credible in the sense that concrete actions and positive developments will follow. The message should acknowledge the real and perceived negative effects of globalisation and increasing global competition in the economy and politics, which are reflected in developments in Europe and beyond. The message should touch upon global challenges and their management, as well as Europe's changed security environment. Importantly, this message should be increasingly discussed with the citizens as well. New technologies open up possibilities for greater outreach activities, and the public seem to be increasingly interested in engaging in a debate on the future of the EU.

Second, a major overhaul of EU structures is not necessary. Instead of institutional reforms, pragmatic and effective action is now needed. As there are several major projects underway in the field of the economy, migration and security, and the Treaties establish a functioning basis for European integration, the focus should be first and foremost on the political will to act according to the Treaties and to seek consensus to advance the necessary reforms. To forge political will, the EU must work on reinforcing trust among the member states. A shared understanding of the benefits and prospects provided by the EU and European integration is a prerequisite for this. And the member states must do their share in realising and communicating this. Restoring trust also requires compliance to the commonly agreed principles, rules, and decisions.

Third, the inadequate joint EU action to tackle the multiple crises is partly linked to the classic problem of intergovernmentalism. The increasingly powerful role of the European Council and the changed role of the European Commission are symptomatic of this in the EU. While the Lisbon Treaty reforms have been helpful in establishing the European Council firmly within the EU's institutional system with its checks and balances, a strong European Commission and European Parliament are also needed to forge and articulate a convincing political message at the EU level and to connect directly with EU citizens. They are also needed to balance the asymmetrical power relations among the member states.

Fourth, in order for pragmatic and convincing steps to be taken, enhanced cooperation and multispeed integration could be a way forward. While this approach has some potential, it also has its limits. Multispeed integration might work in some fields (e.g. defence). But many of the reforms currently on the table relate either to the euro area or the Schengen area, and it might be counterproductive to aim to introduce elements of multispeed integration within these areas of deeper integration. This could lead to increasing divergence among the euro members and Schengen countries. The key principle of the flexible or differentiated

integration of inclusiveness enshrined in the EU Treaties should also be respected. Deeper integration should be open for all willing and able member states, but the creation of a more or less exclusive 'core Europe' involving only a limited number of member states can further damage the trust among the member states.

CONCRETE STEPS NEEDED

While the declarations of Bratislava (2016) and Rome (2017) mark significant steps in reinforcing European integration and the EU, envisaged projects and reforms must be spelled out in detail, and advanced with determination.

Importantly, a stronger focus on the social dimension of the EU is needed. Given the diversity of social norms in Europe, an EU-wide political discussion on them would be helpful to establish common understanding and map out the different challenges member states and citizens are facing. On a more concrete level, this discussion should aim to clarify and, if needed, review the responsibilities to enforce social norms. This discussion should also be future-oriented. Streamlining and reforming European social security systems should be in the interests of member states due to the expected transformations related to technological developments and automation, which will shape the prospects and character of work in Europe. In response, the EU should ever more forcefully develop its single markets and, in so doing, become a global frontrunner in the digital revolution.

Managing these large-scale changes, which will have consequences for EU citizens, as well as the private and public sectors, clearly demands European investment, steering and regulation. The EU and its member states' success in managing the effects of globalisation and ongoing technological transformations is directly linked to its legitimacy, and hence will crucially influence the Union's ability to shape these developments regionally and globally. In an increasingly multipolar world, there is an urgent need for the EU to continue to assume leadership in trade, climate change, sustainability and development.

The EU has recently indicated that it wants to assume greater responsibility in protecting its citizens. Enhancing and streamlining European defence capabilities and developing structures and mechanisms to address internal security challenges must therefore be a key priority, because the failure to live up to the expectations now raised by the EU would harm the legitimacy of integration. However, these developments must fully comply with the EU's core values.

The EU and its member states must furthermore develop more efficient tools to safeguard the European values enshrined in the EU Treaties. This could include establishing a stronger and continuous review process on the rule of law principle and fundamental rights in the member states at the EU level, which could result in recommendations and the monitoring of their implementation. In case of severe concerns, unanimity requirement for sanctioning procedure should be reviewed. The rule of law is a principle of utmost importance for the future of the EU and European integration. It is a core value in its own right and, as such, it constitutes the foundation of Europe's political, economic and judicial integration.

Finally, given the expectations of the citizens and member states towards the EU, adequate resources to address the abovementioned issues must be secured at the EU level. The scope of EU integration and the Union's responsibilities should not be increased without providing for a solid funding base and opportunities. Hence, the negotiations about the EU's next Multiannual Financial Framework (MFF) are key in terms of the



future of the EU and European integration. The UK's withdrawal and its unavoidable financial consequences will further underline the importance of the next MFF. In this context, strengthening the EU's own resources could prove to be the most productive way forward, as increasing member states' payments to the EU is politically difficult.

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