

Finland in the European Union

– What next?

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FOREWORDS

Finland joined the EU in 1995, and so we will soon be approaching 30 years of being member of the Union. It is the right moment to ask questions that help define the European Union and our own membership, as well as our chances of success now and in the future.

Security is naturally highly featured in these current discussions. The importance of Finland has increased due to the events of recent years – especially with the Russian war of aggression towards Ukraine. Our eastern border of more than 1,300 kilometers is also the border between Russia and the EU and also the border between Russia and NATO. Finland is not only clarifying the EU's policies in relation to Russia, but is increasingly defining them itself.

Global megatrends are gaining strength. Mitigation of climate change requires new energy solutions. Artificial intelligence and robotics challenge us to learn new things and do things in a new way. Finland can be an agile pioneer and benefit from the fact that development is progressing faster than ever. In this book, it is also justified why increasing work-related immigration is essential.

Western democracy is being challenged – the previous world order has begun to be described as disorder. Right-wing populist movements have grown in popularity throughout Europe. The European elections in 2024 will define the direction of the EU for the following years.

In this joint project of Toivo think tank and the Wilfried Martens Centre for European Studies, experts in their respective subject areas highlight these current and long-term changes, which the European Union and its member, Finland, must know how to prepare for. Warm thanks to each author for participating in the project.

In Helsinki on 22 November 2023

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The world needs
vision and
determination
from the EU

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ALEXANDER STUBB



I believe and argue that for us in the world, but especially in Europe and Finland, the year 2022 was a major turning point. Russia's invasion changed the world order. We are faced with a more uncertain, new and in many ways tangled world order, to which we were accustomed during and after the Cold War. However, we should not be frightened of this period and there is no reason to be intimidated by it. We should not fall into hopelessness.

Three power centres

We live in a world order that is rather disorder. My estimate is that it will probably take ten years for the new world order to settle. Simplified, three power centres are emerging in the world: the global West, the global East and the global South. The global West includes, among others, the United States, Canada, Japan and the European Union, including Finland. At the other extreme, the global East is made up of China and Russia and they are supported by smaller countries.

There is competition between the West and East. The aim of the West is to preserve the liberal rules-based system that the East wants to break. The East aims to create a new, more interest-based, authoritarian order in which the large countries have more power.

The third and crucial centre is the global South: 120 countries in Asia, Africa and South America such as India, Saudi Arabia, Nigeria and Brazil. They have not chosen sides between the West and the East. If the global West wants to win the battle it must pursue a more respectful foreign and security policy, i.e. see the global South as a partner. The global East and especially China has succeeded in cooperating better than the West.

Over the next ten years there will be a sort of tension or balance between competition, conflict and cooperation between the centres. There is a competitive situation between the centres, in which they seek to increase their regional and global influence. However, it is important to understand that competition will not lead to conflict if we cooperate. And without cooperation, global challenges and problems, above all limiting climate change, will not be solved.

Regionalisation of globalisation, i.e. increasing the influence of regional integration systems, such as MERCOSUR, ASEAN or the African Union, is also emerging in the world. At the same time, unholy

global alliances which are not based on values or geography, but on interest, are becoming more common. Such alliances include the G20, BRICS and AUKUS.

Disunited and united within the EU

Before the war in Ukraine, attention within the EU was focused on constant internal tensions and power struggles. Factors that unite the Union, such as basic values and principles, trade, freedom of movement and currency, also drive apart member states. Over the past few years, some governments in the member states have sought to break away from democracy or respect for the rule of law. The Euro and immigration crisis have increased dissatisfaction with the Union.

The reaction to Russia's invasion of Ukraine in spring 2022 showed unity within the Union. The shared experience was created between member states. At times, the European Union has been criticised for its slow response capacity due to the complexity of the system, but after the outbreak of the war, the Union quickly formed a common line.

It seems that Russia's invasion caused Europe to end its naivety. The EU examined its past mistakes in relation to Russia. Since war is about European integration, Western values and the liberal world order, we must learn from past mistakes. There is no way of going back.

Europe is divided into Russia and Belarus, and the rest of Europe. European security has changed, which is why the Union has changed its attitude towards Russia. The country must be treated

as an imperialist and aggressive state. The Union's task is to isolate Russia and ensure that Ukraine wins this war.

The European Union must cooperate not only with the United States but also with China. Disconnecting China doesn't make sense, although caution is certainly needed. Because the relationship between Europe and China is firmer compared to the relationship between the United States and China, the Union has the opportunity to act as an intermediary between two major powers. It is the exercise of power at its best.

Finland's position

During Finland's 28 years of EU membership, our welfare and development have been based on openness, internationality, tolerance, responsibility and ability to reform. These pillars must continue to be relied upon in the future.

Since the beginning of membership, Finland's EU-policy has been based on maximising its influence by applying for tables where decisions are made. That is why we joined the single currency, free movement, trade policy and security. I argue that Finland's influence in the Union is greater than our size.

Finland's foreign and security policy has been based on idealism and realism. In idealism, we believe that cooperation, interdependence and international institutions lead to peace and stability. That is why we are members of the EU, the UN and NATO. Finland's membership of the EU was primarily a matter of security policy. At the moment, membership is a matter of foreign and security policy and, of course, also of economic policy.

As a result of Russia's invasion, the idealistic policy idea in relation to the eastern neighbour ended. As realists, we have understood what the world, and especially Russia, can do at its worst. That is why we have one of Europe's strongest defence forces. At the moment, Finland is geostrategically in an important role, and turning inwards is not an option. Right now, Finland is moving forward strongly, exclusively towards the West, and it is our job to support Ukraine as a part of the West.

Conclusions

My estimate is that the European Union will expand, deepen and strengthen over the next three decades. However, it depends, for example, on whether the rest of the world continues to adapt European legislation, standards or norms, or whether competing models emerge alongside, for example, through China.

The three basic pillars of a well-functioning society are liberal democracy, social market economy and globalisation. These must be constantly cherished and developed in the world, in Europe and in Finland.

It will take about ten years to form a new world order. We are moving more and more towards a world which is scattered. The European Union has a strong capacity to cope with even difficult situations. It will manage this too. We have to be determined, but not naive in any way.

From core to periphery – Finland's EU policy from Lipponen to Orpo

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KIMMO ELO



This article is published almost 30 years after Finland's joining the European Union (EU). Joining the EU in 1995 took place under geopolitical circumstances characterised by dramatic changes and disruptions in Finland's closest political and security-political neighbourhood. In a short time, Europe's geopolitical landscape had shifted significantly, and the aftershocks were still ongoing as Finland considered its foreign and security policy solutions in the early 1990s.

In retrospect, the decision to apply for EU membership has been described, quite aptly, as our country's most significant foreign and security-political – but also economic – decision after the Second World War. The membership changed Finland's political and economic coordinates and anchored our country more tightly into the so-called Western community.

However, we should not forget that the accession to the EU was preceded by a long road of integration that began already during the 1960s. This development created a rather flexible political-economic linkage between Finland and Western Europe, enabling Finland to balance between the deepening Western integration and Finland's geopolitical position during the Cold War. It was this long preliminary phase of the integration policy that made a smooth transition to the full EU membership possible, once the window of opportunity was open.

I venture to claim that our Western integration, culminating in EU membership, created favourable conditions also for Finland's rather smooth and fluent NATO accession process. This underlines the interpretation of Finland's EU membership as our most significant foreign and security policy decision.

From “all cores” to the “frugal four”

The first years of Finland's EU membership were marked by the premiership of Paavo Lipponen (1995–2003). For many good reasons, Lipponen is often characterised as the most pro-integration prime minister of Finland. His guiding principle was to get Finland into “all the cores” in order to use constructive agenda-setting power at tables shaping and deciding future integration policy.

However, to act in all the cores requires readiness and willingness for compromises Finland has not had – at least not at the same level – since Lipponen. Naturally, other EU countries pursue their national interests as well, a development that seems to have intensified especially in the era of multi-crisis since 2009.

The change is particularly evident in the relationship between economic and political integration. If a political union was widely pursued in Europe in the early years of the 21st century, the political failure of the European Convention that drafted a constitution for the EU, the sovereign debt crisis around 2010, the refugee crisis in 2015, the COVID-19 pandemic and, most recently, Russia's aggressive war against Ukraine, have marked a (hopefully) temporary end for most discussions on the establishment of a political union. Debates on EU enlargement that began in 2023 can be seen – similar to earlier enlargements – as an attempt to force solutions to central problems of integration and to promote reforms in the EU. The current political backlog is eminent, but previous enlargements do not give much reason for optimism, that a future enlargement would lead to a significant integration boost.

In Finland the above-described development has resulted in a downshifting of public discussions on the future of the EU. Most debates focus on national financial burden, in which Finland positions itself alongside the Netherlands, Austria and Sweden in the so-called “frugal four”, famous for its self-declared status as the guardian of a strict economic policy. To put it somewhat bluntly, Finland has set a ceiling price for integration, beyond which the costs of integration are considered as greater than the benefits.

EU politics curls inward and becomes “Cameronian”

It is an undeniable fact that the pecuniary costs of integration have increased significantly during Finland's EU membership. However, this change is explained by the EU's expanded scope of tasks and the increased number of member states. It is quite understandable that if the EU is expected to do more both quantitatively and qualitatively, sufficient resources are also required. However, this does not seem to be the case, as the EU is still suffering the same wide expectations-capabilities gap that has existed for the last couple of decades.

In the era of multi-crisis, Finland's integration policy has shifted after a series of intended decisions and choices. I call the current policy – after David Cameron, the former prime minister of the United Kingdom – a Cameronian concept of integration. The key is economic integration, especially the internal market, while the task of political integration is to guarantee the undisturbed functioning of the internal market. Such a policy is clearly rooted in intergovernmentalism, emphasising the central role of the member countries in the guiding of integration policy.

For a long time, Finland has expressed a reluctant, sometimes openly negative, attitude towards increasing the powers and competences of EU institutions in general, of the European Commission in particular. A remarkable exception to this has been the Common Foreign and Security Policy, a development Finland has long welcomed. However, Finland's NATO membership seems to have nullified integration enthusiasm in this area as well.

The new government's EU policy is characterised by caution

I round up this article by looking at the current state of affairs from the perspective based on an understanding of integration policy as a desire to get committed to a larger community. Against this background, the government programme of Prime Minister Petteri Orpo's government offers an interesting peephole into the ambivalence of Finnish integration policy.

Regarding our country's security, NATO is the core community for hard security, whereas the EU's role is mainly in the area of soft security. The EU's most important contribution and asset is the internal market. The biggest challenge is the possibility that the EU would turn to some kind of an economic transfer union. By stressing and highlighting the centrality of national interests and goals, the government programme edges out almost all supranational aspects of integration policy.

Although the government programme emphasises the EU as Finland's most important value community, this remains at the level of political jargon and mantras regarding democracy and common European values. An understanding of European integration as something that exceeds the national, as something one cannot simply put a price on, is rarely present in the government programme. Although the current government's EU policy is in many respect extremely pragmatic, it almost entirely lacks a political vision for a future EU.

European elections – An underrated democratic opportunity

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June 2024 will see the tenth direct elections to the European Parliament, and the seventh in which Finland will participate. The European elections are not only a democratic highlight in EU politics, but also a globally outstanding phenomenon: they are the only simultaneous supranational parliamentary elections and the elections with the second largest electorate in the world (surpassed only by India).

However, in Finland, as in other member states, the European elections are often seen only as “second-order elections”, with campaigns focusing mainly on national issues. After the national parliamentary election in 2023 and the presidential election in early 2024,

there is a certain risk of electoral fatigue and low voter turnout. But the reality is that the European Parliament is an important political actor, involved both in appointing the EU Commission and in EU legislation. The results of the elections will influence European policy and therefore also the lives of people in Finland.

A fragmented electoral system

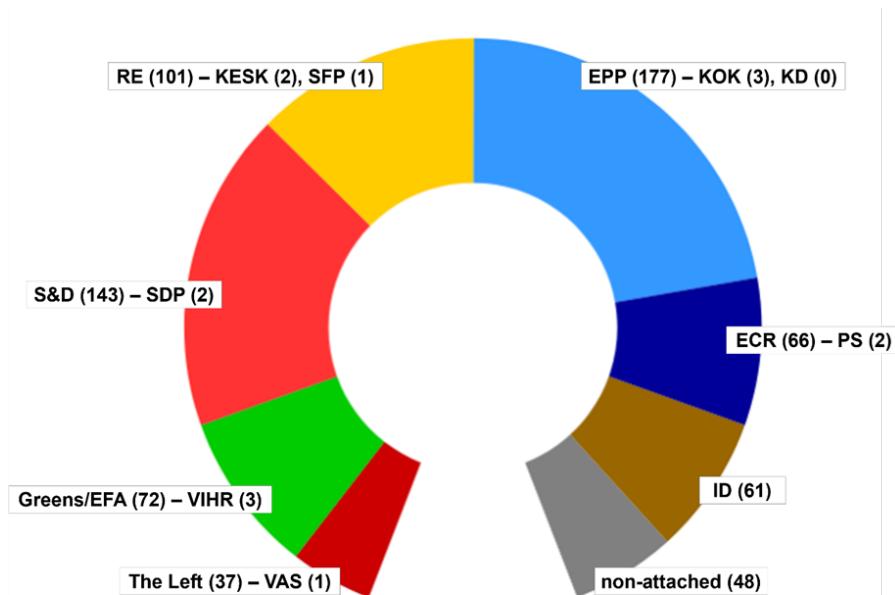
One of the obstacles to greater public awareness of European elections is the strong national fragmentation of the electoral system. Each member state elects a fixed number of MEPs according to the principle of “degressive proportionality” (where larger states elect more MEPs, but smaller states elect more MEPs per inhabitant). The method of election is largely left to the member states. The EU-wide Direct Elections Act lays down some general rules, but does not even prescribe a common election day. Instead, each member state can choose its own polling day within an “electoral period” between 6 and 9 June 2024.

In recent years, the European Parliament has made several attempts to further harmonise the electoral system (e.g. with a common voting age and day) and to introduce a new EU-wide constituency in which some MEPs would be elected on transnational lists. However, these proposals require unanimity among member states and have been blocked in the Council. The electoral system in 2024 will therefore be the same as in previous elections. The only change is that some member states will receive additional MEPs due to population growth, and the overall size of the Parliament will increase from 705 to 720 seats.

Finland is one of the countries to benefit from this, increasing its seat quota from 14 to 15. In general, the Finnish electoral system

for European elections is similar to that for national elections, the main differences being that candidates stand in a single nationwide constituency rather than in regional ones, and that also non-Finnish EU citizens living in Finland are eligible to vote.

The nationally fragmented electoral system focuses public attention on national politics: national parties present national lists to a mostly national electorate. In reality, however, all major Finnish parties belong to a European party family and usually vote in line with their respective political groups in the European Parliament (see graph). As such, MEPs are not representatives of a national interest, but of “the Union’s citizens” (art. 14 TEU) with their diverse political views and convictions.



Graph: Political groups in the European Parliament and their Finnish member parties (as of September 2023)

The eternal “grand coalition”

Another reason for the public’s underestimation of European elections is their lack of immediate, clearly visible impact. In national elections, public debate almost always focuses on the contrast between government and opposition. This provides an easy-to-understand framework for interpreting who “wins” and “loses” an election.

In European elections, however, there is no such government-opposition contrast. Although the European Parliament elects the Commission, it does so only in consensus with the Council, and the Commissioners are proposed by the member states. As a result, the party-political composition of the Commission reflects the diversity of member state governments rather than a majority in the European Parliament. For the Commission presidency, the European party families have started to put forward lead candidates since 2014, but even this procedure has been controversial among governments.

Also, when it comes to legislation, the European Parliament shares its powers with the Council and always has to find compromises with national governments. To strengthen the Parliament’s position in these interinstitutional negotiations, MEPs tend to form large cross-party majorities: traditionally, more than two-thirds of all decisions in the Parliament are based on cooperation between the two largest groups, the centre-right EPP and the centre-left S&D, usually supported by the centrist RE and/or the Greens.

The predominance of this “grand coalition of the centre” weakens the political impact of European elections. Although the seat share of EPP and S&D has declined over time, together with the RE or the Greens they have always had a clear majority and will continue to do so for the foreseeable future. Therefore, unlike national elections, European elections never produce sudden changes in government or policy.

Alternative majorities

However, the “grand coalition” does not always vote in unison. Depending on the issue at stake, other majorities can come into play – most notably a centre-left alliance formed by S&D, RE, Greens and Left and a centre-right alliance formed by EPP, RE and the right-wing ECR. These alternative majorities are narrower and more precarious, but they play an important role in the balance of power in the Parliament. In recent years, the existence of a centre-left majority has meant that the EPP had to accept more compromises and even was left out of some decisions, such as the nature restoration law in July 2023.

The 2024 elections could change this. Early EU-wide seat projections currently predict that the far-right groups ECR and ID will both gain seats, while the centre-left (especially the Greens, who performed very strongly in 2019) could lose seats.¹ This suggests that the balance of power could shift to the right in the next legislature. Indeed, in recent months the EPP leadership around Manfred Weber has sought a rapprochement with the ECR. In several member states, EPP and ECR member parties already govern together (Italy, Czech Republic and Finland) or cooperate closely (Sweden and Spain).

A stable right-wing majority still remains unlikely. Given that the ECR includes several far-right members with dubious democratic credentials, important parts of the EPP, as well as the centrist RE, do not want to rely too much on this option. But even if most decisions will continue to be taken by the “grand coalition of the centre”, a more right-wing Parliament will give the EPP more strategic options and thus lead to a gradual right turn in policy.

¹ Cf. Manuel Müller, European Parliament seat projection (September 2023), Der (europäische) Föderalist, <https://www foederalist.eu/2023/09/ep-seat-projection-september-2023.html>.

Exercising democratic power

The lack of sudden and clearly visible policy changes means that European party politics rarely makes headlines in the national media and often seems complicated and remote from the national public. This makes it difficult for citizens to understand how their vote influences the political direction of the EU and limits public interest in European elections. These are institutional weaknesses that only a treaty reform could overcome.

But despite all this, European elections do have an impact on policy – and are in fact the most direct way for citizens to exercise democratic power at European level. This is an opportunity not to be missed. With many difficult policy choices ahead, the stakes will be high in the 2024 elections, for Finland as for the rest of the EU.

The green transition – Opportunity for Finland

Henna Virkkunen

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HENNA VIRKKUNEN



The green transition has been a major reform that has revolutionised EU policy during the past legislative term. It has also turned out to be a surprisingly crisis-proof endeavour. When European Commission President Ursula von der Leyen declared in summer 2019 that the EU was aiming to become the world's first climate-neutral continent by 2050, there was no sight of the upcoming COVID-19 pandemic or Russia's attack on Ukraine.

However, unprecedented crises have not stopped the policy of green transition. On the contrary, the crises have even accelerated the pace of the transition. In 2020, the first year of the pandemic, the European Union's CO₂ emissions fell by as much as 9 % as a result of severe confinement measures. That reduction was not achieved in a socially or economically sustainable way, yet it showed that rapid change is possible. In the wake of the pandemic, an exceptional €750 billion stimulus package was put in place to support the EU economy, of which 30 % was earmarked for climate action.

Russia's war of aggression against Ukraine – Impact on climate action

Russia's invasion of Ukraine accelerated EU member states' shift away from fossil energy imports and increased investments in Europe's own low-carbon energy sources. The change has not come easily, as in most of the EU member states the entire energy infrastructure, from industrial processes to domestic heating, is based on coal, oil and gas.

After the war broke out, coal imports from Russia to the EU stopped entirely within a year, while oil purchases fell by 90 % and natural gas imports by 75 %. At the same time, however, imports of LNG from Russia have even increased as European countries have sought to substitute their pipeline gas supplies from Russia.

As recently as autumn 2023, despite sanctions, EU member states were still importing Russian fossil energy estimated at €2 billion each month. The sum is a tenth of what it used to be, but even this is not morally sustainable. The European Parliament has called for sanctions to be extended to cover all Russian energy, including nuclear power. Five EU member states – Hungary, Bulgaria, Finland,

Slovakia and the Czech Republic – have Soviet-built nuclear power plants that still run on Russian fuel. An EU-funded project to replace this fuel is under way and needs to be accelerated.

Finland as a leader in renewable energy

The energy crisis has intensified the strive towards green transition. In May 2023, for the first time in the history of the EU, wind and solar power produced more electricity than fossil fuels.

Finland is leading the green transition. For a long time, together with Sweden, Finland has been the EU's top performer in terms of renewable energy, thanks to an extensive forest industry and hydropower. Finland is well under way towards full electrification.

With almost all electricity produced either by nuclear power or renewables, Finland's entire electricity production is already practically emission-free. This gives Finland an advantageous position in the development towards a hydrogen economy.

Forests remain Finland's largest single source of energy. The forest industry processes generate by-products, which are more and more processed into new products. Still, a large proportion of the by-products are used for energy.

Forests are a huge advantage for Finland in the green transition. They offer sustainable solutions in two ways: when actively managed, forests are both a valuable carbon sink and a source of renewable raw materials. Everything that is made from oil can also be made from wood.

Active forestry is important for the whole of Europe. Around 60 % of all renewable energy used in the EU is bioenergy and most of it is derived from forest biomass. The bioeconomy has a growing role to play in cutting the Union's transport emissions, reducing dependence on fossil energy and ensuring security of supply.

However, in recent years, Finland has often experienced that forests and their climate impact are poorly understood at the EU level. The EU treaties do not explicitly mention forests and forest policy being a matter for national decision-making. However, European-level policies on environment, climate, energy and even the single market policies very often directly influence the Finnish forests.

Finland is by far the most forested country in Europe, and in no other country does forestry contribute to such a large share of gross domestic product. Therefore it is absolutely crucial for the Finnish EU policy to ensure that the role of sustainable forestry is recognised at the European level. Sanna Marin's government was not proactive in European forest policy, due to its own internal political conflicts. Marin's government often failed to act on time which resulted in Finland's defeat, one after another, in EU decisions relating to forestry. This cannot continue.

Finland must clearly indicate forest policy as one of its key areas of proactive EU influence, and together with the forest sector stakeholders, ensure that the role of sustainable forestry as part of the green transition is being recognised.

Contradictory technology choices

In the European Union policy making, there is a tendency to over-emphasise the role of renewables and energy reduction, rather than focus on the actual goal of lowering emissions. This has led to the exclusion of nuclear power, which is highly problematic from the perspective of emissions reductions. A stable supply of energy is needed.

Following the energy crisis caused by the Russian invasion, some EU member states, such as Belgium and the Netherlands, have rethought their nuclear policies. Instead of shutting down

nuclear power plants, they have decided to extend the lifetime of nuclear power plants as well as to build new ones. Interest in small modular reactors has increased. The European Parliament is working towards a coherent EU legislation for SMRs, which would allow a smoother process for permitting and construction in the future.

In the upcoming legislative period, the European Union needs a more active and innovation friendly approach to nuclear power. Although it is up to each member state to decide whether to invest in nuclear, nuclear power will continue to play a crucial role in reducing emissions at the European level.

Ambitious EU goals on developing a hydrogen economy and on strengthening the circular economy also require vast amount of clean energy. The obligation imposed on the member states to reduce energy use by 2030 contradicts these goals. What matters is how the energy is produced, not the amount of energy consumption.

Similar contradictions relate to the task to bring down Europe's ever-increasing transport emissions. Transport is the only sector where the EU greenhouse gas emissions are still higher today than in 1990. Ambitious targets have been set to tackle this challenge. For example, the new CO₂ emission standards for passenger cars, which in practice mean a sales ban on new internal combustion engine cars from 2035 onwards. This is a monumental change for Germany, the EU's largest economy. However, the fastest and the most cost-effective way to reduce transport emissions would be to focus on the targets rather than on technology bans.

Technologies should only be regulated according to actual needs, while avoiding regulatory overlap. This has not been achieved. On one hand, there are attempts to encourage different technological solutions. On the other hand, regulatory restrictions are constantly set on the industry's ability to innovate and to make use of various low-carbon solutions.

The European Union should take the lead in global emissions trading

The European Union's emissions have so far fallen by 32,5 % compared to 1990. This is a good result. At the same time, the region's gross domestic product has increased by 67 %.

This development shows that sustainable growth is possible. However, climate policy should not lead to carbon leakage; polluting industries moving to third countries. This has happened to some extent.

To tackle the issue of emissions outsourcing, the EU Emissions Trading System (EU ETS) has now been supplemented with carbon emission tariffs covering products from energy-intensive sectors such as steel, aluminium and fertilisers. However, setting up tariffs comes with the risks of third country reactions and trade wars.

Europe should be able to improve its competitiveness and modernise its economy without protectionism. Faced with a global climate challenge, Europe cannot act alone. Globally, emissions are still on the rise and the European Union only accounts for about 10 % of global emissions. In the current challenging geopolitical context, Europe must focus on closer cooperation with its Western allies.

Since the breakthrough of the Paris 2015 climate agreement, the international community has been unable to credibly agree on how to implement the Paris objectives. The focus should now be on meeting the agreed climate finance pledges of industrialised countries, as well as on promoting financial mechanisms to address climate damages and losses. Europe should show leadership in the process.

In the challenging global economic climate, the temptation to restore to state aid measures is strong. Developments such

as the Inflation Reduction Act, the largest clean energy subsidy package in the history of the United States, launched by the Biden administration in 2022, is putting a strain on the EU-US relations. Relaxation of the EU state aid rules in the wake of the COVID-19 pandemic has increased the pressure on EU member states to support national economies and increase national level regulatory measures. Such developments undermining the European single market pose great challenges for Finland's small export-driven economy.

In the upcoming legislative period, Europe must focus on promoting EU-US trade collaboration. Only through free trade agreements, can Europe succeed in global competition.

Finland has a chance to thrive in the competition for raw materials

The big challenge for Europe's green transition is the competition for critical raw materials. Both Europe's green and digital transitions rely far too much on imports. The majority of raw materials listed as critical in Europe are 90 % imported from one country, most from China. Metals and minerals are becoming the new oil as their availability increasingly determines geopolitics. A major achievement in this parliamentary term has been the EU's Critical Raw Materials Act, which for the first time sets targets for the EU's own production, processing and recycling of critical raw materials.

For Finland, the move towards European based value chains for critical raw materials is a major opportunity. Finland is one of the only EU countries where thousands of raw materials listed as critical by the EU can be found. In Finland, mining can be carried

out on a sustainable basis. Finland's high level of education and know-how can support the development of green transition ecosystems such as the battery industry.

While the EU's climate action is progressing, it must also be noted that climate change has already caused irreversible changes to our ecosystems. Extreme climate and weather events are becoming more frequent and more intense. The heatwaves, forest fires and storms that have shaken Europe in recent years are here to stay. Climate refugees are already part of the migration flow to Europe. In addition to tackling climate change, it is important to prepare more systematically for climate change adaptation.

The hard race for world top – How will the EU and Finland do?

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The playbook of world politics changed when Russia attacked Ukraine. Even before that, the heat was raised by the superpower tensions between the U.S. and China and the prolonged COVID-19 pandemic and related restrictions. A return to the old normal, where globalisation deepens as markets integrate, did not materialise. Instead, the world economy is polarising, heading towards trade blocs and alliances.

The European Union, a major power in world trade policy and a pioneer of the green transition, is facing something new. In addition to building trade relations, the crisis capacity of the economy must

be strengthened in the name of strategic autonomy. Finland, a small open economy dependent on foreign trade, is also facing something new: geopolitics and security have returned as being central to the economy, trade and technology, while Russian trade has stalled and the relationship with China needs to be re-evaluated.

From globalisation to localisation

After the World Wars, the countries' mutual trade and economic integration reached their peak in the early 2000s, when China became a member of the World Trade Organisation (WTO). Market liberalisation was at its hottest. Business investments and value chains are rapidly internationalising. China practically became the factory of the whole world. Globalisation reached its peak, and the state's role as a driver of the economy was at its thinnest.

The wheels of globalisation began to fall in 2007 as a result of the global financial crisis. Government intervention was needed to deal with the crisis that hit the financial sector of the United States and Europe in particular. This was followed by a regulatory tsunami in the financial markets, which is still widely reflected in the whole economy.

Localisation gained momentum when national security and economic interests became more prominent in superpower relations. U.S. President Donald Trump, who took over the White House in 2017, challenged China's growing role. In order to reduce his country's trade deficit and protect American jobs, Trump imposed tariffs on China, but Western trading partners such as the EU also got their share of imposed tariffs. President Joe Biden has continued on the same path, but with more diplomatic means.

China's long march to the top

As a result of WTO membership, Western industrialised countries believed that China would turn into a Western market economy, but now that perception has changed.

Already in 2010, when China became the world's second largest economic power, its politics became even more self-aware. President Xi Jinping's goal is to build a socialism stronger than capitalism, thanks to which in 2049 China would be the world's leading country when the People's Republic turns 100 years old.

China promotes this goal with 5-year programmes that emphasise the country's self-sufficiency and technological pioneering. Farmland and military bases have been acquired from Africa and technology and innovations have faded from the West through business deals. National regulation has excluded foreign players from China's own market.

China's tightened state control and balancing in the relationship with Russia has been a wake-up call for the West, including the EU and Finland. We have to evaluate our political and economic relations and our dependence on China in a new way. At the same time, we have to create new partnerships between like-minded countries, although all dependence on China will not be eliminated overnight and there is no need for it – for now.

The Western empire strikes back

The COVID-19 pandemic already showed the importance of economic crisis resistance and security to Western industrialised countries that have built their prosperity on global value chains. Russia's senseless attack on Ukraine brought Western partnerships to a new level, as exemplified by Finland's quick NATO solution.

In addition to security interests, the Western industrialised countries led by the U.S. and the EU have to defend rule-based free trade, fair competition and a responsible market economy in a new way as authoritarian countries like China seek a stronger position in the world – politically and economically.

Even though the BRICS countries are a heterogeneous group with their own interests, Brazil, India and South Africa are the factors of the future, not to mention Africa. The continent's population is expected to double by 2050 and will need to create jobs in order to secure a better living and to prevent the creation of refugees on a large scale. The EU and Finland must continue to have working relations with all of these.

Does Europe have the keys to success?

Europe, with an ageing population and slow growth, has hope if it manages the changing geopolitics, solve challenges such as immigration, climate and biodiversity, and is able to move to the road of sustainable and responsible economic growth.

Although the U.S. with its Inflation Reduction Act (IRA) stimulus package is tightening infrastructure and climate investments in the country, the EU will persevere if it trusts in market dynamics and the know-how of companies and investors and realises its ambitious

goals by making appropriate use of public incentives. The EU must not strangle companies or innovations with a regulatory tsunami or turn into a rigid planned economy that sows state subsidies.

The EU's internal market with 450 million consumers, which creates sustainable growth, and economic relations with key partners based on modern trade and partnership agreements are the key to the EU's success in the future. Thanks to the 47 trade deals already concluded, the EU is the most important trading partner of 74 countries, the corresponding figure for China is 66 and the U.S. is 31. To succeed, the EU's strategic autonomy requires a smart economic, industrial, innovation, investment and trade policy that encourages growth and investments in Europe, but not to be protectionist against the rest of the world.

Finland's got all aces

Despite the turmoil in the world, certain global megatrends are progressing, which offers Finland opportunities for success. For example, climate neutrality requires energy and resource efficiency. Population ageing, growth and prosperity strengthen the demand for high-quality education, modern health technology and responsible travel. The urbanisation of societies requires smart infrastructure, from elevators to ports, telecommunications networks to space and weather technology, and bioproducts. It is Finland that offers solutions to these phenomena.

Finland's got all aces in its hand, as long as we ensure the renewal of our society, population and companies and know how to cleverly utilise EU and NATO-Finland's partnerships with other countries in this new normal. Every change has an opportunity – also for Finland.

Labour immigration is essential for Finland and entire Europe

Elina Koskela

Director of International Labour, Barona

ELINA KOSKELA



The working-age population within the EU decreased by 3,5 million from 2015 to 2020, and it is expected to decrease by another 35 million by 2050¹. In 2020, the EU had an average of 1,5 children per woman, while the replacement rate for a stable population should be 2,1. At the same time, the proportion of people over 65 years old is expected to increase from the current 20 % to almost one-third by 2050.

In Finland, the ageing of the population is happening even faster than described above. It is estimated that by 2030, the age group over 75 years will be the largest and the only one that is growing. This poses a significant challenge to our dependency ratio as the proportion of working-age individuals decreases, undermining the capacity of our welfare state.

Our ability to generate economic growth is also at risk. According to the Ministry of Economic Affairs and Employment, last year, Finland had about 130 000 unfilled job positions due to labour shortages. This is a substantial number with noticeable effects on people's everyday lives.

At the same time, it has been recognised that a skilled and diverse workforce attracts investments. What happens to the economy and pension security when the working-age population decreases, and there are not enough workers? For several years, we have had more university admission slots than newborns.

Finnish working life internationalises

Barona has conducted the International Workforce and Future study, directed at private and public sector decision-makers, in collaboration with Taloustutkimus for three years now. According to the latest results published in September, the labour shortage for employers has somewhat eased, as expected.² Previously, 55 % of employers (2022) and 50 % (2021) reported experiencing a labour shortage. This year, the figure was only 41 %.

² <https://barona.fi/barona/tiedotteet/baronan-tyonantajatutkimus-edellytykset-kansainvaliselle-rekrytoinnille-osin-parantuneet>

However, the situation varies significantly between different industries. Sixty percent of public sector organisations, 52 % in the accommodation and catering sector, and 44 % in the IT sector face a shortage of skilled workers. Notably, 88 % of organisations expect the labour shortage to worsen or remain the same in the next year, and only 11 % anticipate an improvement. This strongly indicates that the current relief in labour shortage is temporary.

Several studies suggest that Finland lacks various types of expertise. For a long time, we have identified a shortage of IT professionals and other specialised experts. These highly skilled individuals play key roles in many organisations, driving innovation and growth. Thus, addressing their needs is crucial for Finland.

The crisis in social and healthcare has worsened over the past year. There is already a significant shortage of nurses, and according to the Ministry of Finance, the sector will need as many as 200 000 new employees over the next 15 years.³

The technology industry has announced its need for 130 000 new experts in the next 10 years, with 40 % of them requiring professional qualifications, such as welders and machinists. The shortage in the hotel and restaurant sector is worse than ever before, and the sector already employs a significant international workforce. Additionally, the retail sector has started recruiting international experts.

³ <https://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/162852/>

International recruitment cannot be limited within the EU

During the early stages of the current Finnish government, there was a lot of discussion about the need for labour immigration and where to source skilled workers for Finland. First and foremost, it's important to understand that few Finnish companies primarily hire employees specifically from abroad; they are seeking skilled individuals, and they look beyond national borders only if they can't find them in Finland.

In some discussions, it has been suggested to fill the skill gap with individuals from the EU and EEA countries. In practice, such a limitation would not work and could even be detrimental for Finland.

For many years, Finland has attracted expertise from third countries as well. While in the past, we obtained skills for various projects from the EU and EEA area, only a few have settled in Finland permanently, and the flow of newcomers has significantly decreased in recent years. Reasons for this include the rising living standards in many EU and EEA countries, Finland's comparatively weaker wage development, as well as its remote location, challenging language, and climate conditions.

It can be said that within the EU and EEA area, we face a similar labour market mismatch problem as within Finland's borders. When we seek expertise from further afield, the situation changes significantly. Finland appears quite attractive, with several self-evident advantages for us, including a stable and functional society, low corruption, gender equality, clean air, nature, and high-quality education.

Also, the situation regarding permanence in Finland changes significantly. For instance, of those Filipinos who applied for work permits ten years ago, over 90 % are still in Finland (Statistics Finland).

The role of the immigrant's family is crucial

The recent government programme contains both provisions that promote and hinder labour immigration. Increasing attraction coupled with concrete job opportunities is undoubtedly positive. Rationalising educational pathways and speeding up qualification processes, especially in the social and healthcare professions, is a critical issue for the near future, and the government programme offers solutions for that.

On the other hand, raising income thresholds for family reunification would be a significant challenge. If we want to promote permanent labour immigration, we should treat those coming here as full individuals and, therefore, welcome their families. Instead of adding barriers, we should promote the employment of spouses. Additionally, easily accessible, and flexible language training should be available if a certain language proficiency level becomes a requirement for permanent residency.

The majority of those coming to Finland are skilled workers subject to labour market testing. This is a complex decision process with constantly changing guidelines in different parts of Finland, making it difficult or even impossible for companies to make recruitment decisions. Labour market testing should be restricted or, at the very least, have clearer and consistent guidelines.

In the Barona survey, the obstacles to international recruitment were also investigated. It was great to note that the perceived major challenges have eased: especially, the permit processes appear to have become easier, and organisations find the services they need more effectively.

Finland is heading in the right direction, but in the tightening competition for expertise, our pace of reform is unfortunately

not enough. Our collective mission must be to rescue the Finnish working life and welfare society, and in the coming years, the decisions will be crucial in that regard.

The future of Finland and Europe depends on people

As mentioned above, Europe, and especially Finland, is ageing rapidly. The working-age population is decreasing, the dependency ratio is worsening, birth rates are declining, and life expectancy is increasing. Consequently, fewer people are taking care of an increasing number of dependents, putting upward pressure on various tax-like payments year by year.

Society's well-being is closely tied to the well-being and growth of businesses. For this, we need an adequate supply of skilled labour. Significant shortages of skilled workers are already reported across the entire European region. The demographic trends in the future will not alleviate this issue from within. We inevitably need labour immigration from outside Europe to maintain our well-being and compete globally.

Right-wing populism – Threat or opportunity?

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The theme of right-wing populism is an intriguing political phenomenon. Right-wing populist parties have seen significant growth in support across Europe, and their position and popularity have even become stable in many countries when viewed over the long term. It is highly likely that these parties are here to stay, both at the national and EU levels. Given this premise, it is crucial to examine these parties without emotional fervour.

How is right-wing populism defined?

The European spectrum of right-wing populist parties is quite broad, and the definition is wide. What often unites all the right-wing populists mentioned below is a strict immigration policy, EU scepticism, and Christian, often conservative, values context. The last trait is connected to a critical stance towards Islam and multicultural society, among other factors. The right-wing populists often see the values represented by Muslims as incompatible with the values of Christian Europe. Internal security, as well as law and order, are also key elements in the programmes of right-wing populists. Safeguarding and promoting the interests of their own country, as well as advocating for their own country's interests on all international forums, especially within the EU, have been at the heart of their politics.

Internal security, as well as law and order, also hold a prominent place in the programmes of right-wing populists. At the core of their politics is ensuring and promoting the interests of their own country, advocating for their own nation's interests on all international forums, and particularly within the European Union.

Right-wing populism becomes entrenched because that's what the people want

Right-wing populist political movements have been present in European politics since at least the late 1980s. Two of the earliest right-wing populist political actors and their respective parties in Europe were Jörg Haider, leader of Austria's FPÖ party, and Jean-Marie Le Pen, the founder of the current National Rally in France.

Some of the most prominent right-wing populist politicians and their parties currently holding government positions include Viktor Orbán's Fidesz in Hungary, led by Viktor Orbán himself, Giorgia Meloni's Brothers of Italy in Italy, and the Law and Justice Party in Poland, led by the current Prime Minister Mateusz Morawiecki. Orbán has been serving as Hungary's Prime Minister continuously since 2010, while Giorgia Meloni took over the power in spring 2022. Mateusz Morawiecki, on the other hand, became the Prime Minister of Poland in the fall of 2022, and has been serving as Prime Minister since 2017.

In Finland, it is often thought that access to power and participation in government tend to temper populist politics and, at the same time, eliminate the most extreme aspects of political discourse. On the European level, the best example of this change is Italy. Regarding the Finns Party, if we want to frame them as a right-wing populist party, the recent racism controversy can be seen as an indication of the change in political strategy after coming to power. On the European level, a similar exercise hasn't been seen before when a party from this political spectrum has gained a position in government or as part of a broader coalition. Previous statements and controversial remarks have not been formally retracted.

In contrast to many of her predecessors, Prime Minister Giorgia Meloni's tenure has been described as consistent and predictable. Italy's political volatility has been replaced with surprisingly clear leadership, especially in matters concerning the Ukrainian conflict. Populist confrontations with the EU have given way to more constructive dialogues with both the European Commission and other member states. Meloni's popularity and trust among the public have also remained high, which is quite unusual in Italy's political culture. Thanks to Meloni's policy choices, Italy has become unexpectedly one of the most predictable states within the EU.

There was once an assumption that the support for right-wing populists would erode once they come to power and are forced to backtrack on their often-unrealistic goals and promises. However, this does not necessarily hold true anymore. Orbán's party is a prime example of this, but perhaps the most intriguing case among parties in this political category is the Brothers of Italy, as mentioned earlier, and Poland's Law and Justice Party, which has solidified its position as one of the leading parties in Poland. Recent events in Sweden also seem to align perfectly with Jimmie Åkesson's Sweden Democrats, with a change in immigration policy occurring on their terms, and their popularity as a government-supporting party continues to grow.

What explains the success of right-wing populism?

Why then, in Hungary, Sweden, Poland, Italy, and many other European countries, has right-wing populism surged from one election victory to another? The reasons for their success are often traditional. In many cases, the rise of these parties has mobilised passive voters to go to the polls, the generally light and skillful argumentation of populist parties, their appeal to voters' emotions, and their ability to highlight issues that are uncomfortable for mainstream parties have, at least in part, contributed to their electoral success.

The position of established parties has become increasingly challenging in the grip of right-wing populists. Parties and politicians have often struggled to provide solutions or explanations for the politicised issues raised by right-wing populists, such as immigration, gender issues, or questions related to national identity.

Secondly, it is interesting how right-wing populists have managed to present a clear alternative to cultural polarisation. Right-wing populists offer clear answers, for example, on gender issues, and they do not internally grapple with value questions like many other centre-right parties. Those who vote for right-wing populists recognise and understand the party's positions, no matter how unrealistic or unconventional they may seem to other parties. The situation is even paradoxical: right-wing populists, previously characterised as political opportunists, now appear to ordinary voters as representatives of stability.

The value and dynamics of democracy are reflected in election results

Elections are a fundamental component of a democratic system, and they provide a way for citizens to express their will and choose their representatives. The outcome of elections reflects the collective preferences and priorities of the electorate, and it has a significant impact on the direction and policies of a democratic government. The dynamics of democracy are evident in the competitive nature of elections, the exchange of ideas, and the responsiveness of elected officials to the needs and desires of the people. A healthy democracy thrives on the free and fair expression of the public's will through elections.

In Finland, before the "earthquake" victory of the True Finns (Perussuomalaiset) in 2011, there had been a couple of decades dominated by the three traditional major parties. The principle of forming governments revolved around the "two out of three" idea, meaning that governments were composed of a rotating coalition of the Social Democratic Party (SDP), the National Coalition Party (kokoomus), and the Centre Party (keskusta).

During this time, the True Finns emerged as an alternative for voters who were looking for something different from the three major parties. They specifically focused on opposing these "old parties." Timo Soini, the leader of the True Finns at the time, emphasised the concerns and emotions of ordinary people, particularly those related to immigration, economic issues, and EU policies. This messaging, combined with the party's opposition to the "elitism" and the "old politics," resonated with many voters. The historic electoral victory of the True Finns in 2011 and their subsequent participation in the government reshaped the political landscape in Finland. It demonstrated that the traditional parties

no longer held a monopoly on political power and that the political scene was open to change. This is part of a broader phenomenon in Europe where many right-wing populist and protest parties have risen to become significant political actors.

In the 1990s and early 2000s in Finland it was possible to tell a narrative that downplayed the significance of election results. At that time, the three largest parties alternated in different government formations and there were no major changes in policy. The credibility and functionality of democracy as a system were questioned. This same questioning of the importance of election results would have continued if the True Finns had not been included in the government, first in 2015 and again in 2023.

For some parties, categorical refusal to cooperate with, for example, the True Finns, is indeed a stance that questions the fundamental principles of democracy. It is pertinent to ask to what extent these parties were committed to respecting the election results and their implications.

The phenomenon mentioned above also occurred in Sweden over the past decade. Swedish mainstream parties long categorically refused any government cooperation with the Sweden Democrats. At the same time, they disregarded both the policies of the Sweden Democrats and the opinions of a significant portion of the citizens who voted for them. The current situation in Swedish society is not particularly flattering.

With power comes responsibility, and every group that achieves success in elections should have the opportunity to demonstrate their abilities through government cooperation. This principle is essential to keep in mind in Finnish politics in the future as well. Finland can set an example in Europe of how to deal with populist or right-wing populist movements and parties. At crucial moments, the question is always about both the government programme and the credibility of the democratic system.

Russian aggression marks the end of an era in Europe

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The development of the European security system after the Second World War can be characterised as a unique success story against the backdrop of a history marked by conflicts on the continent. Over the decades, common institutions and alliances such as the EU, NATO, and the OSCE have contributed to the fading of mutual hostilities and mostly stabilised European security.

In particular, the end of the Cold War was seen as putting an end to the threat of a major war in the continent. Although the wars in the Balkans, Georgia, and eastern Ukraine created cracks in that peace, it was not until Russia's attack on Ukraine in the spring of 2022 that the idea of a stable Europe was shattered. Inevitably, there are developments ahead that challenge Europe's ability to shape the rules of international politics and threaten to reverse the positive trends in European security that have taken place in the past decades.

A declining Russia remains a threat to Europe

Russia's complete turn away from a treaty-based security system represents the most volatile change in European security since the end of the Cold War. In response to Russia's aggression against Ukraine, both the EU and NATO have so far shown sufficient unity to form a counterforce. The EU's economic sanctions, as well as the rapid reduction of dependence on Russia and NATO's enlargement with the membership of Finland and Sweden, have been a clear strategic loss for Moscow.

However, the challenge for Europe will continue even after the war in Ukraine ends. It is possible that Putin's era will come to an end in the aftermath of the war. Regardless of the country's leadership, it is likely that Russia's foreign policy will remain centred around an expansionist and anti-Western worldview.

To avoid future catastrophes like the war in Ukraine, Europe must also reflect on itself. In the future, we cannot simultaneously use both the stick and the carrot in our relationship with Russia, as we did after 2014. At that time, Russia was mainly hit with nominal economic sanctions, while major energy projects such as Nord Stream 2 and Hanhikivi 1 continued without obstacles. Strategic

communication towards Russia must be much more consistent; imperialist behaviour leads to reinforcement of deterrence and the decline of cooperation, while constructive action and refraining from power politics open up opportunities.

The best response to containing Russia's corrupt influence and power-political impulses is a combination of nurturing a vibrant democracy at home, strengthening defence capabilities, and applying geo-economic tools. Russia's best play against the EU's and NATO's containment policy would be to drive a wedge between the member countries.

Ultimately, even a minimal level of unity – isolating Putin's Russia while it pursues an aggressive war policy – is necessary. The establishment of exceptionally strong economic sanctions by the EU in the spring and summer of 2022 is an undeniable proof of the Union's ability to be a geopolitical actor, especially in the economic field. Despite this, there are also member states within the EU where dissenting voices and various political movements strive to get rid of the sanctions and return to cooperation with Russia. To secure the unity and resilience of the EU's Russia policy, one option could be to move into qualified majority decision-making regarding foreign policy and sanctions.

In NATO, on the other hand, a decision on an obligatory investment in capabilities could guide member countries to meet the minimum level of defence spending (2 % of GDP). NATO remains the best guarantor of Europe's military security against authoritarian and expansionist regimes. However, as the war in Ukraine has shown, the role of the United States in the defence of the continent continues to be irreplaceable. On the one hand, it has shown Washington's commitment to Europe amid the growing focus on China, and on the other, it speaks of the unsustainable security gaps created by the Europeans. Strengthening a more European NATO is therefore a necessity, and this starts with the development of capabilities.

Not another Berlin wall

Notably, the EU's enlargement policy has a security policy dimension, where Ukraine's integration – and reconstruction – into European institutions is decisive. The faith of Ukraine will define the continent's stability far into the future. Since the EU is already on one side of the conflict, as a geopolitical actor it must be able to ensure that Russia does not win the war. The actions also signal to countries like China and Iran whether the EU is willing and able to be a real geopolitical actor.

Europe must also look at the situation from not just the security of Ukraine but from the perspective of the continent's stability in the long-term. Fundamentally, the war is about preventing the formation of a new Berlin Wall – the size of Ukraine – in Europe. It remains essential how we prevent Russia's potential desires for revanchism, when it seeks to strengthen itself militarily as a result from the losses it has now suffered in Ukraine.

If the result of this war leads to circumstances where Ukraine is excluded from Western integration and has to accept a contested neutrality status, this would be a loss for the country and the security of Europe as a whole. In this case, Russia would consider that it has the right to act militarily anywhere, if necessary.

The Europeans' support for Ukraine has so far been effective. However, differences of opinion are significant when Ukraine's future as part of the EU and NATO is being discussed. In June 2022, EU leaders granted Ukraine the status of a candidate country, but NATO has not yet reached this far, even though a path to membership was outlined at the NATO summit in Vilnius in the summer of 2023. As the war continues in the foreseeable future, it seems that there is no timetable or real potential for Ukraine's EU or NATO membership available, due to lack of unity concerning the matter. However,

not everyone within these alliances sees Ukraine's joining as a desirable component. Hence, it seems that Kyiv still has a rocky road ahead towards the West. Preferably, the Europeans should prefer a proactive and strategic approach to Ukraine's role in European security over a reactive and rather negligent one.

Finland at the forefront of the West

For Finland, the spring of 2022 initiated the biggest security policy upheaval in its relation to Russia since the collapse of the Soviet Union and applying for EU membership in 1995. Like most of the EU, Finland has made national decisions to support Ukraine with arms deliveries, in the form of tough economic sanctions and by joining NATO. Every one of these three decisions themselves would have represented a significant departure from Helsinki's previous Russia policy of dialogue.

Ultimately, the NATO decision is part of Finland's long continuum of efforts to overcome the imbalance between a smaller state and a regional power that exists between it and Russia. Nevertheless, Finland now has to learn alliance-based strategic culture and decision-making as well as to manage Russia through active deterrence. The change is historic and far-reaching, especially in a long development arc.

In the coming years, the most important task for Finland's security starts with securing the defence of Northern Europe and stabilising the European continent. Finland joins NATO while the alliance is in flux as it adapts to deter Russia, which requires Helsinki to learn the ABCs of alliance policy and how to promote its national interest in the Brussels in a rather short time.

Due to its defence capabilities and geographical location, Finland is set to be politically influential in NATO. However, without active efforts to build functional regional defence plans, fair defence burden sharing in Europe, or alliances within NATO, results will not be achieved. In NATO Finland is not a small-state, and the sooner it adopts this approach, the clearer its national action plan in the Alliance will become.

Deterrence, not dialogue - Until circumstances change

In terms of European stability, it is essential whether both the EU and NATO succeed in simultaneously strengthening their defence capabilities, revitalising the transatlantic relationship and adapting to the changing great power relations in the coming decades. In other words, to succeed, Europeans must learn to speak the determined language of geopolitics fast. Europe can grow and develop through surviving crises, but the world order cannot be defined reactively.

It is not yet time for a dialogue with Russia, but coping with the dangers requires investment in deterrence and crisis resilience. Despite this, peace also needs its advocates and vision. We will probably still have to assess what role we see in Russia in European security and which institutions or agreements will the peace rest on in the future. An opportunity may quickly open up to guide Russia away from the war path, but the decisive push for this starts in Ukraine. Importantly, the Russians themselves must want to go in the other direction, yet we have limited means – and desires – to change the country's overall course.

In the end, Europeans should keep in mind that the seeds of the next crisis are sown in a sour peace. The EU and NATO possess an opportunity to steer development towards a stable solution for Europe. Ultimately, it is about what kind of arrangements between Russia and the West are deemed optimal for the post-war period. As in all wars, the framework for negotiations and future security arrangements are formed on the battlefields. Therefore, it is also in Europeans' interest that Russia wears itself out as much as possible now, so that its desire and ability to create threats elsewhere is significantly weakened.

Visions for the future of European integration in the shadow of Russia's aggressive war against Ukraine

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Policies and concepts of European integration can be viewed from two perspectives. First, we can consider integration as a manifestation of the prevailing social, political, economic and cultural context. In this case, integration is both a mirror of its time and a structure enabling and limiting activities of the actors involved in integration. This kind of perspective emphasises the *status quo* of institutions, processes and mechanisms and offers an opportunity to observe and analyse how integration works and how it influences current affairs.

A second viewpoint is somewhat less present in current research. It approaches integration as a goal, a vision for the future that the political community strives towards. Maybe the best-known vision for the future of the current stage of European integration is the idea crystallised in Robert Schuman's declaration on the 9th of May, 1950, which guided the construction of the European Coal and Steel Community, the initial structure of the current EU. During the past decades, many other concepts have been introduced to steer European integration. For example, the "Pleven plan" (1950) outlined a European defence union, the Single European Act (1986) consolidated a path to the establishment of an internal market, the "Schäuble-Lamers report" (1994), in turn, outlined a multi-speed integration concept, and, most recently, the failed proposal for a constitution for Europe (2004) sought to foster state formation of the EU.

Puzzled integration after Russia's aggressive war against Ukraine

Most future-oriented integration concepts can be seen as answers to the most significant current challenges and problems. Seen from this perspective, the deafening silence around visions for the future in the EU is irritating. This is even more irritating if one takes the amount of internal and external multi-crisis of the present into account.

A common explanation for this silence is Russia's aggressive war against Ukraine. According to this explanation, the war would have destroyed the very foundation of the European peace order that European integration has been built on. Although there is a certain logic to this, we are, fortunately, still quite far away from

such a civilisational break that, for example, Nazi-Germany and Fascism caused in Europe. Despite the horrible legacy of Nazism and Fascism in the 1940s, political leaders of that time were able to look into the future, to draft structures for sustainable peace and concepts to implement these. It is worth remembering that these visions for the future were significant sources of hope for Europe, as it was being ravaged throughout Second World War.

Populism and fogginess of global politics as European challenges

The fact that the EU is currently stuck in a period of multi-crisis tells us something essential about the EU's changed operational environment. Until the beginning of the 1990s, the common method to react on changes in global or local environment was to apply the logic, tools and means of economic integration.

During the last three decades, the integration agenda has been dominantly determined by issues and questions non-primarily related to economics. This also applies to the financial crisis, which revealed the fragility and thinness of the current political union. This fragility makes it difficult to intervene in negative developments of single member countries, even when such a negative development threatens the stability of the whole union.

Combined with the increasing weight of global networks and interdependence, as well the growing impact of wicked global problems – most importantly climate change, global refugees, pandemics, and regional conflicts – the EU's endogenous development is facing growing expectations that do not fit in the current framework of European integration.

Single nation states, regardless of their size, are increasingly forced to cooperate in order to find sustainable solutions to global challenges. In this regard, the long historical path of European integration could provide political tools and maps for how to navigate in the complex network of international cooperation.

Further, the authoritarian populism that is rising and growing in different parts of the world already has its tentacles deep inside the EU as well. Various studies have shown that the growth of populist support makes democratic political forces more cautious about their visions for the future. A possible explanation for this is the fear that a public disappointment caused by unfulfilled expectations would further fuel the support for populists. At the same time, however, the foginess of the future can further increase the attractiveness of populist programmes glorifying a past world.

Uncertain times ask for a proper political compass

Even today, the core goal of European integration should still be seen in the establishment and strengthening of peace and stability through democracy, freedom and the market economy.

We can think of future concepts of European integration along a scale with two extreme poles defining a minimum and a maximum for integration. The first pole, the minimum, consists of economic integration based on the internal market. In this concept, political integration is reduced to the minimum, to decisions necessary for the internal market, and political stability is secured by economic well-being.

The other pole is European federation, where the EU is responsible for supranational, i.e. federal policies, while the member states are responsible for regional and local policies. The main task of such a federation is to secure, defend and protect community members against external threats. These can be military threats, but they also include economic shocks, pandemics, and many other challenges consistent with the broad concept of security. Further, leaning on a politically enriched definition of ordoliberalism, the federation has the important task to ensure that the actions of individual members of the community do not endanger the existence of other members, let alone the entire community.

In my opinion, finding sustainable and realistic concepts for the future of European integration is one of the most acute tasks in 2023. Deep-seated uncertainty, the complexity of the global situation, as well the democratic regression, all bear the risk to erode the EU as an “imagined community” based on shared values. In order to counterbalance negative trends and developments, European leaders should provide visions for the future of European integration that a majority of Europeans would consider important and desirable to be pursued. However, such visions for the future must be realistic and the countries participating in European integration must also be ready to guarantee sufficient resources for the concrete realisation of the visions.

When drafting concepts for tomorrow’s Europe, we should look at the present in the light of the past in order to be able to find paths and tools to build a better future.

Conclusion

- Finland in the European Union
- What next?

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Our publication, "Finland in the European Union – What next?" has offered a glimpse of the future across three overarching perspectives; that of Finland, the EU, and the world. The angle of this work is geopolitical in nature, situating Finland's importance as a key member of the EU and the West in response to the evolving global environment.

A second element to be observed is that of Finland and the EU. Here, the importance of countering Russia in the short and long-term is paramount. Protecting Finnish and European values against a backdrop of populism is also prominent. The final aspect of this publication is of Finland in the EU. The question of European inte-

gration is discussed from both European and Finnish viewpoints in terms of security, ranging from military security as a political bloc to demographic security as a regional population group.

As our authors state, global systemic change is taking place, perhaps comparable only to the changes that took place after the Second World War. The world order is evolving towards a more scattered power balance between the global West, global East, and global South. Amidst this geostrategic shift, Finland and the EU need to stand strong, position themselves as leaders, and preserve their values while being more realistic vis-à-vis other global powers.

From external events to domestic challenges

Countering the Russian threat is crucial both for Finland and the EU. Finland needs to lead the EU in strengthening its defence capabilities and ensuring that adequate support is given to secure Ukraine's victory. In defence, Finland's importance is greater than its size. It needs to take that responsibility seriously and lead the West against the Russian threat.

At the European level, previous optimism about globalisation and China has turned to pessimism and distrust after the Global Financial Crisis (GFC) which started 2007, and the subsequent rise to power of President Xi in 2012. The war in Ukraine and the rising threat from China have revitalised the West and provided EU-US co-operation with new momentum. These global events have forced a Finnish re-evaluation of its relations with Russia and China, with economic and security policy becoming increasingly linked.

All this is setting new challenges for European integration. European integration is a long-term and desirable trend initially grounded in economics but that, in recent years, has assumed

an increasingly political character as well. Failure to successfully implement integration risks provoking a backlash from the European populist right.

External impact derives from domestic strength, and there are many challenges, the most challenging being the ageing of populations within both Finland and wider Europe. Demographics are a concern across the bloc, with a rapidly ageing population, increasing life expectancy, and declining birth rates. As a result, the working-age population is decreasing steadily, inducing significant labour shortages. Labour migration is key to addressing this issue. While internal migration from European countries to Finland is important, labour immigration cannot only come from the EU; it must also come from the rest of the world for labour shortages to be adequately tackled.

The 2024 European Parliament elections will set the political landscape for the next five years at the European level. The existence of a seemingly unchanging "eternal grand coalition" in practice between EPP and S&D reduces citizen engagement with European Parliament elections, as little appears to obviously change. A potential increase in support for the ECR and Greens could partially alter this landscape. At the national level in Finland, national elections appear to have much greater relevance and direct impact, leaving the European Parliament elections seeming remote and opaque, making it all the more essential to convince Finns of the democratic opportunity which the European Parliament elections offer to impact EU policymaking. The debate for these looming elections and the new policy cycle of 2024 to 2029 has already begun, for example, with the 175 proposals published by the Martens Centre and its members¹.

¹ <https://www.martenscentre.eu/publication/the-7ds-for-sustainability-175-proposals-for-the-next-legislature/>

In an era of global turbulence, Finland has an important role to play

As Alexander Stubb states, the world is entering a period of disorder. Political power traditionally has been seen to have two major verticals, the economic power and military power. One could argue that in Francis Fukuyama's 'end of history'² world, the EU was could seek a global role relating mainly to its economic power, due to the fact that the US operated as a global police, and backed up Europe's security.

In this new world of disorder however, security and military power matter more. In Ukraine and in conflicts like the one between Israel and Hamas, the size of the economy matters, but much less than military capability. While the EU as an entity has little to offer in terms of security and military power, it poses a challenge for the EU's ambitions to be a geopolitical power.

Furthermore, one can ask if one can be a global power without being a regional power. Is the EU a regional power? Economically, surely it is, but when it comes to security and defence challenges, even on a regional level, there seems to be a long way to go: North-African and Middle East developments have the EU playing a side role, as violent conflicts appear, while individual EU member states might play an important role. The developments in the war in Ukraine have a huge impact on how the EU's global role develops. Resolving the regional war in its favour will largely define if it has credibility in global fora.

Due to the war in Ukraine and, before that, the COVID-19 epidemic, the European Union has been forced to change and upgrade

² Fukuyama, Francis. 2012. *The End of History and the Last Man*. Harlow, England: Penguin Books.

itself. While there has been a new sense of unity, many big questions related to the European Union need to be resolved for the direction of the EU's development to be clarified.

EU membership was the most significant foreign and security policy decision in Finland's history, facilitating NATO accession and seating Finland at the table with major Western powers. Current and future governments ought to recognise the significance of European integration and present a more tangible political vision for the future of the EU.

The world system is changing, and the EU needs to adapt externally but also internally. In the debate on possible reforms, Finland should not shy away from integration but needs to also look after its interests. Due to the war in Ukraine, the questions related to the American commitment to Europe's security as was the case previously, and global developments in security and defence will play a stronger role.

Finland has joined NATO, which gives it new perspectives, possibilities, and responsibilities. While NATO will be a major platform for security and defence cooperation, the EU will have increasing importance. Finland, as a country on Russia's border, has a crucial role in leading that debate and is also a driver of EU defence cooperation within the NATO framework.

Security in all its dimensions will play a more important role in the future, and not least due to the cloud that US domestic politics are casting over transatlantic defence cooperation, there is a strong interest to develop the EU as a security provider. As the articles in this publication point out, Finland's border with Russia is not only a border of two states but a border of two global systems and views which are challenging one another. As a result, increasingly, what comes next for the European Union is no longer for Finland to find out but for Finland to define.

Finland joined the EU in 1995, and is soon approaching 30 years of being member of the Union.

This book of Toivo think tank and Wilfried Martens Centre for European Studies process the current issues that affect Finland, Europe and the whole world. Experts from different fields present their views from the green transition to the shortage of manpower. The texts also discuss about the change in the security situation, global economy and the changes in political movements.

This book gives many answers to the question: Finland in the European Union – What next?

