

Mr. Petteri Orpo

Minister of Finance of Finland

Leader of Kokoomus, the National Coalition Party

Your excellencies, ladies and gentlemen, good morning!

First of all, I would like to thank you, Mr. Emmanouilidis, and your team for the report Re-energising Europe. It is a great contribution to an important discussion on the future of Europe, to which president Juncker, president Macron and many others, including the still conditional Grand Coalition deal in Germany, have also contributed during the last six months.

The report states that European cooperation is not an ideology, but a necessity. Many of us Finns can agree with that statement, since we are here at the far end of Europe. Our economy is very dependent on exports. Isolation is not an option for us.

In fact, none of the European countries can flourish on its own. None of us is big enough. We need each other. European Union is far from perfect, but its future direction is up to its member states and citizens.

Brexit has forced the remaining EU Member States, the EU27, to think about the vision and mission of the EU after the UK has left. Against all odds, Brexit has pulled us together. Difficulties with Brexit have shown us how bad a choice it is to exit the EU. The future of the UK is unclear; investments and its trade relationships are on hold.

Fortunately, the negotiations took a turn for the better in December. We can now move on to talk about the future relationship. The UK is a very highly valued partner for us, not least in the fields of trade and security co-operation, so it essential that we get the future relationship right. At the same time, the UK cannot be granted better terms than other third countries have on, for example, access to the Single Market.

The rise of populism, growing challenges to the rule of law in some Member States as well as UK's decision to leave the Union are loud alarm bells warning us not to take the peoples support to the European integration for granted. People will support and believe in the EU as long as the EU does things that seem relevant to them, but this support is not cast in stone. This is something that we, the politicians, must always keep in mind.

According to recent studies, Europeans' trust to the EU has increased. I firmly believe we should focus on areas in which the EU can provide more added value to the EU citizens and member states by acting together. From my point of view, those areas include security, defense, trade, single market and climate change, to name a few.

Immigration from Africa to Europe is not going to slow down in the near future. Controlling immigration requires creating stability and jobs in countries neighboring the EU, especially in Africa and the Middle East. This will require EU member states to have a common European asylum policy. We need efficient processing of asylum applications and integration of immigrants plus effective and credible return policy.

We also need sufficient resources for immigration, border control and police authorities and judicial system.

It makes no sense that asylum seekers receive different treatment in different EU countries. In addition to common migration policy, common EU and bilateral measures are also needed in countries of origin and transit to tackle the root causes of migration. Development cooperation also plays a key role.

The recent decisions to develop EU's defense cooperation have had a strong support in this country. However, I believe we should soon start to talk about the next steps taking EU defense cooperation further.

The mutual assistance clause of the Lisbon Treaty has been activated once. It was after the 2015 terrorist attacks in France. I find it important to further develop our abilities to assist each other in any possible crisis and in particular military aggressions as referred by the Treaty. This in mind, only last year Finland adopted a new law enabling us to give and receive military assistance.

Another practical way would be to organize joint exercises where Member States are practicing the use of mutual assistance clause in different situations from hybrid activities to conventional military operations against one or several Member States. Joint exercises can serve as means to find weaknesses, to develop processes and finally to increase EU's credibility as a security entity.

For a long time, many regarded EU defense cooperation overlapping with NATO. Crisis in Ukraine, recent terrorist attacks and hybrid threats have shown that both,

the EU and NATO are needed and that they can complement each other. Furthermore, there is a great demand for closer EU-NATO cooperation.

EU budget has to reflect these new priorities. That brings me to the Finnish position on the next Multiannual Financial Framework (MFF).

The next MFF should prepare Europe for the future and be significantly modernized. It should respond to new priorities and policy challenges, such as migration, internal and external security, and defense. At the same time it must keep on boosting economic growth, jobs and skills. A key principle must be that all EU spending generates real EU added value. More effective use of common funds and the ability to react on changing circumstances are all in our common interests.

MFF of 27 EU Member States must reflect the reduced financial capacity of the Union. We cannot ignore the financial impact of Brexit. In the MFF negotiations, we must ensure that Member States contributions are reasonable and fair. One of the key questions is therefore the overall level of expenditure of the next MFF. Smaller EU means smaller EU budget.

We need to reprioritize to balance the situation of new priorities and reduced financial capacity. For example, in Cohesion policy the allocation criteria should be reformed to better support our common response to challenges linked to migration. One other option is to increase the Member States ownership of the funds by emphasizing more strongly the national co-financing in suitable EU policies.

Some have proposed that we should just fulfill the “hole” the UK leaves with increased contributions from the Member States in addition to reductions in some

areas. Now I speak for myself but I strongly feel that we cannot automatically fulfill the hole in the EU finances just to maintain the level of expenditure of old areas in the budget.

However, if we would like to invest more on new areas such as migration, security and defense, I am open to discuss increasing the level of national contributions to EU budget. Having said this, it will be important in any case to reprioritize our common budget even if UK's "hole" is not filled at.

To sum up, we need more efficient use of our resources and we need a shift towards more results-oriented and influential EU-budget that serves our citizens best.

When it comes to another topical debate, developing the European Monetary Union, the report is a very welcome contribution. It proposes forming a package deal for the future of EU, a deal that brings something to everyone. This is a worthy goal. We do indeed need a balanced solution. But it is also an ambitious and difficult goal, partly because the nature and the time frame of the elements are so different.

Realistically, one grand package will probably be too complicated to handle. But perhaps we will have a number of smaller, but still useful, packages. Of the smaller packages, the most important is the Banking Union.

Now let me be clear here: Finland wants a full Banking Union. It is a key element of our EMU vision. A no-bailout Europe will never work without a true Banking Union. But the process of completing the Banking Union must be fair. The Banking Union must not be used for shifting the cost of past mistakes to others. Those legacy risks must be tackled first, through national measures. This is a question of basic fairness.

Ending big sovereign bailouts is a key priority for the Finnish government. This is partly about money, but not only. It is also about Europe. The euro crisis and the big rescue packages were very damaging to the European idea. They fueled anti-European forces in the North and South alike. To stay united, we need a different approach to sovereign crisis management, one that does not split us into creditors and debtors for many decades.

Crisis mechanisms will still be needed in the future, but the scale and duration of program financing must be different. Short-term assistance should be available to help countries to get back on their feet. But if debt relief is needed, it must come from the private investors, the bondholders, not from the taxpayers of other countries. For that purpose, we need to develop further the European Stability Mechanism. The ESM needs better tools to ensure debt sustainability and, if necessary, orderly restructuring of debt.

To me as the Finance Minister of Finland, developing the EMU and the MFF negotiations are the must-win battles of EU politics this year. However, they are still secondary to a much more fundamental issue: Finland's position in relation to other EU member states.

This year can be a landmark for Finnish EU position. It is possible that we come in to crossroads in which we have to choose, if we want to deepen the European integration or if we want stay put. It might come in the form of permanent relocation mechanism, Eurozone budget or something else we cannot anticipate yet.

Finland might face a choice. Should we take the road to deepening integration or should we put on the brakes? To me, the answer is absolutely clear. We have to choose to be in the group that takes the road to deepening European integration despite the possible short term pinch. In any case, our voice counts and we have the chance to steer the direction of the EU as much as any other member state. We have like-minded countries in different issues.

The global challenges facing the EU are substantial. Issues such as migration, climate change, inequality of wealth and opportunity and the inability of fragile states to respond to those challenges effectively are on the political agenda in most EU Member States. It should be the EU who takes the lead in addressing these global challenges, for example in the G20 work.

The political situation in the United States calls on Europe to take more responsibility also on the international arena. For instance, the climate issues will remain on the agenda despite the US decision to abandon the Paris climate deal. Here the EU should take the lead.

Delivering on the Sustainable Development Goals and COP21 commitments as well as fighting the root causes of the refugee crises in a financially constrained environment, means finding ways of doing more with less and mobilizing the private sector. In order to share the risk, less should be spent on grants and subsidies and more on loans and guarantees.

The EU institutions should play an active role in solving global challenges. The EU should ensure that its own governance is efficient and show global leadership. The Commission and the European Investment Bank are key players in implementation.

But good coordination and co-operation is needed by all EU Member States to ensure that we share common goals. Finland can also contribute to this goal, particularly in 2019, when we hold the EU presidency.

To conclude, let me be clear. Finland needs the European Union and its European friends. We will not manage on our own, nor does any other EU member state. Together we are and we can be so much more than each of us alone. Strong commitment to the EU membership maximizes our global influence. Thus, it is vital that Finland shapes the future of the EU in the tables where the decisions on European Union's future are made. United and strong Union is in our interests and we need to work towards that.