

CHANGES MAY OCCUR DURING THE SPEECH

Esteemed ambassadors,

Last Friday in Turku two people died and eight were injured when, with no warning, a man with a knife attacked them. I am heartbroken over this incident and offer my deepest condolences to the victims' families and loved ones.

Thanks to the highly professional actions of the police, the attacker was quickly apprehended. My heartfelt thanks go out to the Finnish police force. Help from bystanders may also have saved several lives. I can only admire the courage of the people who helped and thank them on behalf of those who were spared from becoming victims due to the actions of these brave people.

The threat of terrorism is not a new thing, and we feared that something like this might also happen in Finland, because our country is a part of Europe and the rest of the world. Now we need to be able to engage in constructive discussion, investigate the course of events down to the smallest detail and appraise thoroughly what measures will be required to prevent these kinds of incidents in the future. The Government will have to analyse the occurrence closely and intervene purposefully in matters that need to be rectified.

The threat of terrorism was and continues to be high. That is why the Government has already taken action and increased its funding for the police, the Finnish Security Intelligence Service and the Finnish Border Guard. After the events in Turku have been investigated, and if it turns out that there is still a critical shortage of resources in some areas, this will have to be addressed. The Government will have to ensure faster processing of asylum applications and the efficient integration of immigrants.

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Only legitimate residence is allowed in Finland, and we will do everything in our power to make sure that this is realised in practice.

An important law reform is the Act on Gathering Intelligence. The Government will propose new legislation on intelligence gathering with the purpose of increasing the Finnish Security Intelligence Service's authority to expose undertakings that threaten the security of Finland's residents. I hope that the proposal will be passed as quickly as possible.

The shocking events in Turku are still fresh in all our minds, but we will not allow this to paralyse us. My home town has shown a strong will to beat terrorism and violence. We Finns are known for our strength to pull through a crisis. In archbishop Kari Mäkinen's wise words: "The more we can ensure that everyday life continues as normal, the quicker we can deal with this."

Esteemed ambassadors,

Despite the terrible incident in Turku, life must go on. First, I will present to you my interpretation of what has happened to the Finnish economy and what I expect from this autumn; and secondly I will share with you my assessment of the global economic situation and what may be expected to happen in the European Union this autumn. I will also ask from you a small something. And finally, I hope you will engage in lively discussion.

Last time we were gathered to discuss the economic conditions of our country and the world, Britain had just voted to leave the EU and the United States were in the middle of their presidential election campaign. Within the European Union, there

was a perceptible lack of faith in its future and the US election was causing uncertainty all over the world.

Over the year, politics has brought on, in turn, disbelief and optimism. The USA and North Korea are threatening to use force against each other, the French rejected their anti-globalist presidential candidate and the European Union has proven its negotiating skills and unity in the Brexit negotiations. Last summer, the prospects for the Finnish economy were much less positive than they are now, which of course delights me, as Minister of Finance.

Finland is no longer the sick man of Europe, because our economic recession is officially behind us. According to the economic forecast of the Economics Department at the Ministry of Finance, the Finnish economy will grow by 2.4% this year. Exports are increasing, unemployment is declining, companies are investing and people have increased confidence in the future. The political decisions of the last few years are paying off.

Finnish exports are on a growth path. The improving cost competitiveness is good for exports and the competitiveness pact and wage moderation are producing results. We are regaining our international competitiveness. Now we have to make sure that it keeps getting stronger. Investments and private consumption have also increased. I'm particularly glad to see that the six-year-long downward spiral of research and development investments has ended.

Although Finnish exports are on a growth path, we are still vulnerable in this regard. In the long term, we need to get more and more small and medium-sized enterpris-

es to export products and services. The Government is working towards this goal, for example, by strengthening the operations of Business Finland.

The intense growth of the Finnish economy is an excellent starting point for next week's budget negotiations, but we must not let this mislead us. The economic growth is far from halting the debt exposure of government finances. Even though we have reason to be happy about the recession taking an upward turn, current forecasts are predicting a slowdown of growth as early as next year.

As Prime Minister Sipilä already said this morning, Finland has had "a lost decade". In terms of gross domestic product per capita, Finland has still not quite recovered from the financial crisis of 2008. Despite the current economic boom, the GDP growth rate is only expected to gradually recover to approximately 1–1.5% in the long term.

An economic upturn often leads to a discussion about the margin of distribution, but in my opinion, we should be talking about the danger of distribution in a boom instead. Too often in situations like this we have made decisions that, in bad times, we cannot afford. The great structural challenges of our economy are still there. We have a skills deficit, an employment deficit and a sustainability deficit.

Rigid labour markets, high structural unemployment, the diminishing working population caused by aging, and the severe government deficit, will continue to eat away at our welfare unless we are able to repair the damage. We need employment and reforms that will improve know-how, such as the family-leave reform.

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Although there is a great deal we can do to improve our economy, the truth is that Finland is strongly affected also by what is happening in the global economy.

The economic outlook for Europe has improved this current year. Economic growth is getting stronger and unemployment is falling in the EU and euro-zone countries. The external balance of the euro-zone countries has improved and budget deficits have diminished. This is good news for us in Finland, because almost 40% of our exports go to euro-zone countries. The reduced risk level of euro-zone countries is also reflected in the decrease of the states' financing costs. Tightening the monetary policy in a controlled way poses a great challenge.

Even in the former crisis-affected countries of the euro-zone, economic growth has strengthened, unemployment has fallen and deficits have declined. The appreciation of the euro relative to other major currencies over the current year can be seen as a reflection of the general optimism on the Continent: the crisis in the euro zone seems to have eased off, economic growth is even more wide-ranging than before, especially in terms of domestic demand, and unemployment is on a falling trend.

Despite the positive developments, we must not be lulled into the false belief that Europe's economic woes are over. Countries that have received financial assistance are more stable, but they have little room for fiscal manoeuvre and their debt level is high. Their ability to endure new shocks is still low. In certain countries, the crisis has left the banking sector weighed down by defaulted loans which, throughout the euro-zone, still total almost EUR 900 billion.

The competitiveness of the euro-zone is strained by the aging population, rigid market structures and other structural weaknesses. A key question is, how to finally de-

crease the disparities in productivity and income in euro-zone countries. The desired convergence has not taken place in cross-border trade, labour mobility and the movement of capital. The implementation of structural reforms has progressed slowly. There is a danger that even the slightest zeal for reform will fizzle out with the start of economic growth.

The truth is that all these things are at the discretion of each member state. As long as we are unable to reform the structures of our own economy, the reforms concerning the Economic and Monetary Union (EMU) are secondary. Finland cannot wag its finger at others either.

The positive development of the global economy is threatened by political disputes and their potential culmination in a trade war, fluctuations in capital movements and exchange rates, the risks related to China's debt burden and geopolitical tension reflecting on the economy, for example, as cautious investments.

In the United States, the economic cycle is farther on than in Europe and they have already started the normalisation of monetary policy there, which in practice means raising key interest rates. However, the United States' prospects are overshadowed by the political uncertainty that is reflected in its economy. Lately, consumers have lowered their expectations for economic development. This is significant because the US economy is largely driven by private consumption.

The growth of the Chinese economy has long been extremely debt-based, and especially the debt burden of their companies is a cause for concern. The economic growth at the beginning of the year was very strong, but the longer-term trend of economic slowdown over the coming years seems unavoidable. The aging of the

population will reduce economic growth in China too, but the country will also face challenges brought on by environmental problems and the industrial structure becoming more service dominated.

No significant improvement has been seen in Russian economic structures, nor are there any indications of improvements in the near future. The direction of economic development in Russia has been clear for years and no improvements are anticipated in its politics for some time. We must converse with Russia, but we also need to have a clear target in these discussions: Russia must be made to observe international law and to respect European security structures. Finland has an opportunity to act as a bridge-builder between the west and Russia.

The rapid development of automation and robotics has brought the global economy to a crucial turning point. Artificial intelligence, automation and robotics are revolutionising production and working methods. Current production value chains may change substantially as the percentage of work that utilises artificial intelligence increases, in the same way as in previous technological revolutions.

Some of the work will disappear, but new opportunities will replace it. In the end, it will all depend on companies' willingness to adopt new technologies and find new potential niches. Finland is in a good position to accept these changes, but we must stay alert and consider the challenges brought on by the changes in work and society with an open mind.

We will need development and technology to help us overcome, for example, the fight against climate change. Combating climate change and transferring to a car-

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bon-neutral society is as significant a structural change as the need for a more flexible labour market.

A better future requires us to continually improve our society's ability to adapt to, and benefit from, technological developments. The future belongs to the curious and the adaptable. This does not mean that the future cannot be secure, but we must not freeze and only look to the past. If we do that we will surely fall by the wayside.

Esteemed ambassadors,

My summary of the past year in EU politics is this: we have moved from desperation and disillusionment to faith in, and optimism about, the future and have returned back to earth and our everyday toil.

The prospects of the European Union have improved over the past year, despite the Brexit process. There were several elections last spring that were like a breath of fresh spring air after a long and dark winter. In their presidential election, the French said 'no' to populism, racism and a closed France and 'yes' to developing the European Union. But now that the people have returned to their everyday routines they expect Macron to fulfil his election promises.

There is no doubt that Brexit will change the European Union. In my opinion, controlling this change will require Finland to reinforce the resources of the Ministry of Foreign Affairs in Brussels.

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In the EU, we are now eagerly discussing ways to develop EMU and build on the European defence cooperation in order to make Europe better equipped to prevent the economy reaching a crisis, and to protect its citizens. Talk about referendums has declined and slipped down the agenda.

According to the latest Eurobarometer, Finnish people's confidence in the European Union has grown. We have previously made it clear that there will be no EU referendum in Finland, and I am glad that Finns do not seem to want one. A unitary and strong EU is advantageous for Finland, and we are committed to its development. That is why talk about potential referendums is contrary to our country's interests.

However, EU-scepticism has not disappeared. The pro-European result of the Austrian, Dutch, French and soon the German elections has only given us more time to answer the justified questions of frustrated citizens. The EU needs bold changes that will be achieved through assiduous work every day. Muddling through while building on watered-down compromises is no longer enough. In practice, this means the willingness to proceed at different paces. Finland must be prepared for this in as far as it is in our interest.

The European Union must act in a consistent manner both externally and internally. We cannot turn a blind eye to the disregard of shared values, such as fostering the rule of law. Migration to Europe will not diminish in the next few years. The EU states must find a common arrangement to guarantee that no individual member state's responsibilities are too much to bear.

The EU must direct money and resources to security, immigration and economic reform.

Security refers to deepened defence cooperation and to strengthened obligation to provide assistance. In 2006, when processing the Treaty establishing a Constitution for Europe, the Parliament expressed its view that “an attack against one EU member state would be a sign for other member states to intervene in various ways, including military support”. It is in Finland’s interest in particular to reinforce this interpretation. The EU will also need to do more to battle hybrid influence. The European Centre of Excellence for Countering Hybrid Threats in Helsinki is an excellent investment towards this goal, but not enough on its own.

Security also means closer anti-terrorism cooperation outside the EU, at its outer borders and inside its borders. The attacks in Turku and Barcelona only emphasise the importance of common measures. Good cooperation between various authorities, for example in the exchange of information, is essential for repelling security threats.

Controlling immigration requires creating stability and jobs in countries neighbouring the EU, especially in Africa and the Middle East. This will require EU member states to have a common asylum policy, efficient processing of asylum applications and integration of immigrants, a well-functioning forced return system and measured resourcing of immigration officers, the police and the judicial system. It makes no sense that asylum seekers receive different treatment in different EU countries.

The economies of the EU states must be reformed in such a way that we are able to fare well in global competition. Stronger incentives are needed in the euro area for reforming working life and economic structures. Alongside monitoring and rules, market pressure is needed.

At the same time, the EU budget has to be used more efficiently to support new initiatives, instead of protecting old ones. In financial framework negotiations, Finland must take a strong stand and boldly plead the case of transferring focus to the support of reforms, control of immigration and strengthening security. We must also get rid of the old transfer way of thinking between EU states.

The development of EMU will be one of the most interesting EU subjects of the autumn and winter. Finland has habitually emphasised the simplification of processes and structures. Finland's basic policy has been that problems cannot be solved with money or by increasing solidarity. If anything, deepening solidarity causes splits rather than uniting the euro area.

The German election will take place in a month. After that we can probably expect more concrete proposals on developing EMU. The Government and Parliament will take a stand on potential proposals in the autumn. Before that, we will have to start formulating our stand in the light of the available information.

Consequently, I ask you to pay special attention to the various positions prevalent in your host country in relation to the development of EMU and that you deliver up-to-date reports on this issue by the time of the German election. I highly value your views and expertise.

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Esteemed ambassadors,

Current global politics is best described by the idea of living in the middle of constant and powerful change. In today's world, change is more a rule than an exception. Finland must be able to act in this world of constant change in such a way that the position, security and welfare of our country are as strong as possible.

Although we are a small country, we must not submit to be carried by the tide. When we understand the nature of the change, know exactly what we want and have the courage to address essential issues at the right moment, we will be able to strongly influence our own fate. Finland is not, and must not be, driftwood. It is not the goal of our foreign and security policy to maintain the best possible relations with other countries, but to safeguard the security and welfare of our country's citizens.

Thank you.