

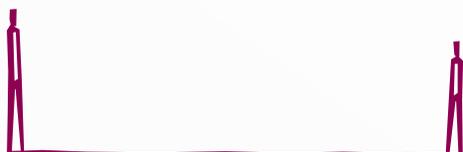
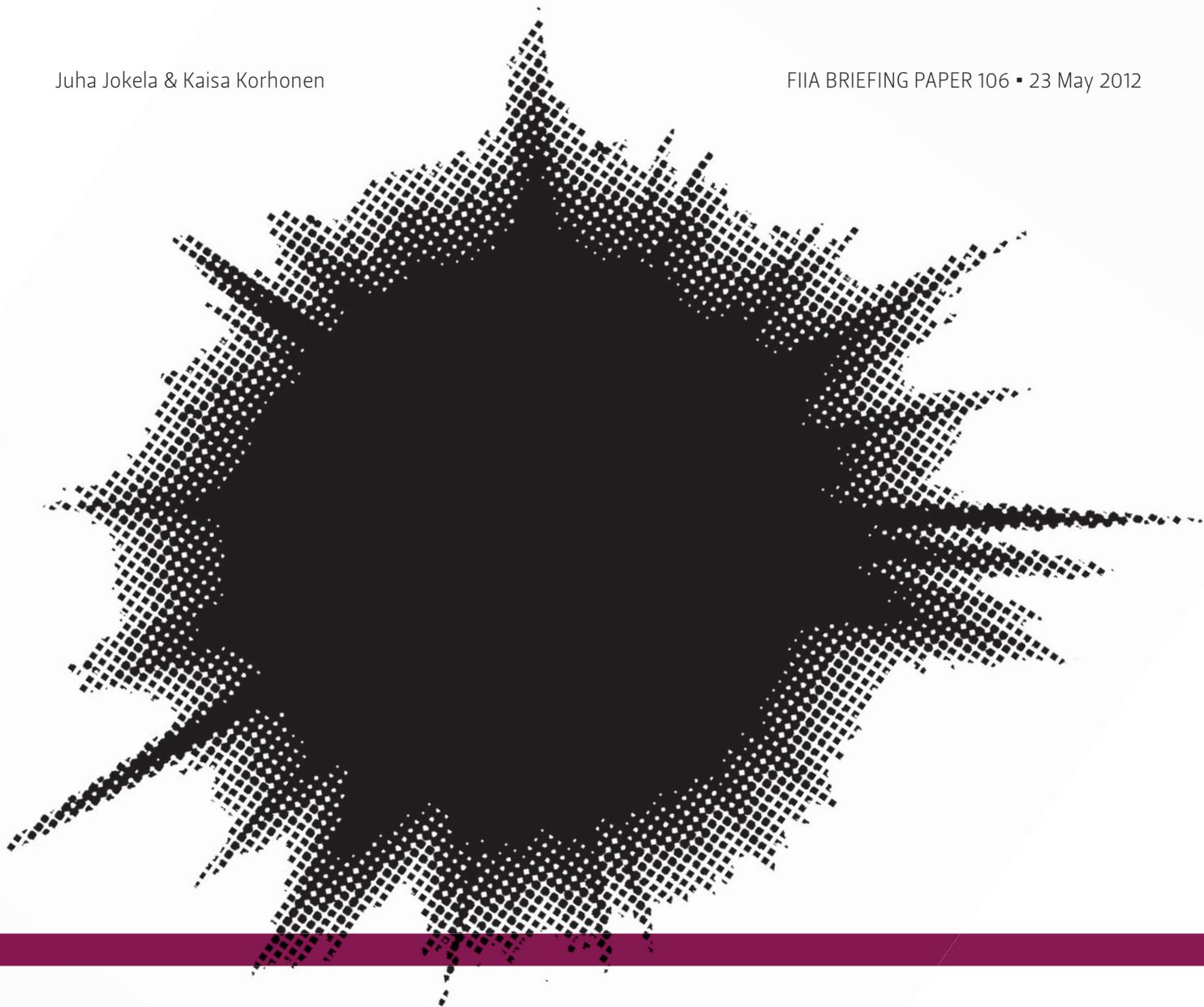
A EUROSCEPTIC BIG BANG

106

FINLAND'S EU POLICY IN HINDSIGHT
FROM THE 2011 ELECTIONS

Juha Jokela & Kaisa Korhonen

FIIA BRIEFING PAPER 106 • 23 May 2012



ULKOPOLIITTINEN INSTITUUTTI
UTRIKESPOLITISKA INSTITUTET
THE FINNISH INSTITUTE OF INTERNATIONAL AFFAIRS

A EUROSCEPTIC BIG BANG

FINLAND'S EU POLICY IN HINDSIGHT FROM THE 2011 ELECTIONS



Juha Jokela
Programme Director – The European Union research programme
The Finnish Institute of International Affairs



Kaisa Korhonen
Researcher
The Finnish Institute of International Affairs

FIIA Briefing Paper 106
23 May 2012

- The Finnish parliamentary elections in spring 2011 were marked by a landslide victory for the Eurosceptic (True) Finns Party. Such an unprecedented upswing for anti-integrationist voices was expected to reshape Finland's EU policy.
- The Finns Party did not join the government, however, and the party has mainly influenced Finnish EU policymaking while in opposition, and indirectly through public opinion-building.
- While outright anti-integrationist rhetoric remains on the margins of national public debate, more critical approaches to EU politics have become increasingly pronounced. Political parties have, to varying degrees, adapted their rhetoric and policies to the changing environment.
- Importantly, the broad consensus on EU affairs in Finland has broken down, at least temporarily. The EU has featured high on the agendas of the recent election campaigns as well as in opposition politics.
- This has affected Finland's official position too. It has moved in a more cautious and self-contained direction, although the country remains a pro-integrationist member state.

The European Union research programme
The Finnish Institute of International Affairs



Chairman Timo Soini of the Finns Party celebrates after hearing the election results on 17 April 2011. Photo: Martti Kainulainen/LEHTIKUVA

The landslide victory of the (True) Finns Party in the Finnish parliamentary elections in April 2011 was expected to affect the country's policy towards the European Union (EU).¹ A party which openly labelled itself as populist and was known for its anti-immigration and Eurosceptic tone had won 19.1 % of the vote.

The new government was formed after lengthy and difficult negotiations in mid-June 2011 without the major electoral victor. The Finns Party was not ready to compromise its no-further-bail-out policy. A six-party-wide majority government has now been running Finland and preparing its EU policy for nearly a year in a polarized political environment.

In hindsight after these historic elections, this paper reflects upon the Eurosceptic big bang in Finnish politics. It first discusses the role of Euroscepticism in the emergence of the Finns Party and then analyzes some of the key challenges that EU policymaking in Finland has faced during the past year.

The paper argues that Euroscepticism has been marginalized in EU policymaking to a larger degree than expected after the elections. It has, however, not been isolated in national public debates. As a result, EU criticism, but not outright

Euroscepticism, has become an important factor shaping the Finnish EU policy.²

The Finns Party's soaring take-off

The rise of the Finns Party to the league of the largest political parties in Finland is unprecedented in terms of speed and scale. In its first ever parliamentary elections in 1999, the party gained 0.99 % of the vote, which translated into one member of parliament.³ In the following elections in 2003 and 2007, they won three and five seats respectively. In 2011, they became the third largest party in Finland with 39 out of 200 seats in the Finnish parliament.

¹ After the 2011 elections the party changed their English name from *the True Finns* to *the Finns*.

² There is a difference in the way we use the concepts *Euroscepticism* and *EU criticism* in this briefing paper. Eurosceptics are against European integration in principle, that is to say they are anti-integrationists. EU critics may, however, support European integration as such, but they criticize the way the EU works or the kind of policies it produces.

³ The True Finns party was founded in 1995 after the decline and bankruptcy of the Finnish Rural Party, which was founded in 1959 by Mr Veikko Vennamo. The Finnish Rural Party made significant gains in the parliamentary elections in 1970 and 1983, in which it secured 18 and 17 seats respectively. After the 1983 elections, it participated in two consecutive coalition governments as a junior partner. Its decline started at the end of 1980s and early 1990s, and led to significant financial difficulties and finally to collapse in 1995.

Several reasons explain the Finns Party's historic victory in the 2011 elections. First, the party is known for its charismatic leader Mr Timo Soini. It has also been able to capitalize on the immigration debate in Finland, as well as on the increasing frustration over Finland's consensual political tradition and broad coalition governments with arguably very similar key policies. Importantly, the party was also detached from scandals linked to the 2007 election campaign funding.

It is nonetheless the Finns Party's approach to European integration in general, and the management of the sovereign debt crisis in particular, that above all explains their victory in the 2011 elections.

The Finns Party made major gains even before the Greek crisis hit Europe. Mr Timo Soini won the largest personal share of the vote in the 2009 elections to the European Parliament. His success translated into 9.8 % overall support for the party.

The 2009 campaign was distinctly Eurosceptic and showed that the Finns Party's political reasoning is nationalistic, in line with other populist parties in Europe. They prefer *a priori* national and local solutions to present political challenges and question the feasibility of the international ones, including advancing European integration.

Such a localist approach to politics has long been marginalized in Finland, as the country's political and economic elite have striven for the internationalization and Europeanization of Finland. It is, however, unclear to what extent the Finns Party would have been able to make the most of Euroscepticism without the global financial crisis turning into the European sovereign debt crisis.

After the European Parliament elections, the party's support was clearly on the wane, but rallied in spring 2010 when the first Greek loan package was under discussion in the Finnish Parliament. The Finns Party's popularity reached the 10 % mark in July of the same year and kept on rising up to and beyond the April 2011 elections.

Party political field in tumult

Despite its 19.1 % share of the vote, it was clear from the outset that the Finns Party would not find

sufficient support in the new parliament to form a Eurosceptic alliance and radically change the course of the Finnish EU policy. Indeed, a vast majority of the electorate lent their support to parties with a pro-European outlook.

Although the Finns Party entered into the negotiations, which aimed to set up a new government, their unconditional "no" to any further bail-out deals made it difficult to reach a compromise with fellow negotiators, the centre-right National Coalition Party and the centre-left Social Democratic Party. In the end, the latter two struck a deal with four smaller parties to form a majority government without the Finns Party.

As a result, the direct impact of the Finns Party was effectively neutralized. Their populist challenge had, however, already had an impact on Finnish EU politics. Importantly, the permissive consensus typical of Finnish EU policymaking for more than a decade broke down, and the EU policy was politicized in the run-up to the 2011 elections.

Before the 2011 elections, when the Social Democrats were in opposition, the party voted against the Greek and Irish loan packages. In the context of the approaching elections, they argued for greater private sector liability and stricter finance market regulations. They also supported the introduction of a financial transaction tax as well as collateral for any loans given. The possibility of receiving collateral was explored for the first time by the government in relation to the Irish package, but then seen as technically impossible.

The party's tougher line was a significant change compared to the past in terms of its EU policy. In addition to having led Finland into the Euro, the Social Democrats have traditionally argued that Finland must aim to be in the core of EU politics.

The Social Democrats' opposition politics did not turn the party into an election winner. Even if the party emerged from the elections as the second largest party, its result in terms of the number of MPs was among the lowest in the party's history.

The Centre Party was hardest hit in the 2011 elections and it settled for an opposition role after the elections. The party had held the prime minister's office for eight years, and it was deeply involved



The Katainen Government on the stairs of the House of the Estates on 22 June 2011. Photo: Prime Minister's Office

in the election funding scandals of the 2007 elections. In addition, it had to defend the unpopular programmes for Greece, Ireland and Portugal in the run-up to the elections.

It is noteworthy that the party's strongholds in the rural areas have remained critical if not outright sceptical towards the EU and the euro, and some of the most vocal EU critics in Finland have originated from its ranks.

Currently in opposition, the party voted against the second Greek package along with the Finns Party in February 2012. A few months later, the two opposition parties joined forces against the government and filed an interpellation. The interpellation concerned Finland's general liability in the eurozone's sovereign debt crisis.

Finally, and in order to discuss all the four largest parties in Finland, the centre-right National Coalition Party has not been significantly affected by the emergence of the Finns Party. Even if its chairperson was the finance minister of the previous government, and hence deeply involved in defending the loan programmes, the party emerged from the 2011 elections as the largest party in Finland, and now leads the government.

Although its EU policy has not substantially changed, the National Coalition has adopted rather tough political rhetoric on the eurozone countries in crisis. Instead of solidarity, it has highlighted every

country's own responsibility, for instance. It has also suggested that Finland's views are currently heard due to its triple-A credit rating. Accordingly, Finland can afford to be rather difficult in the EU negotiations.

All in all, these recent party political changes in Finland reveal attempts to respond to the populist challenge. During the 2011 elections, a more EU-critical rhetoric moved from the margins to the mainstream policy debates, and previously outright pro-integrationist parties have started absorbing this trend, particularly when they find themselves in opposition.

As a result, EU politics have increasingly been treated like domestic politics during the years of sovereign debt crisis. While a government-opposition divide is not unheard of in Finland in EU affairs, Finnish EU policymaking has been known for a rather broad national consensus.⁴ Against this background, the emergence of a clear government-opposition divide over the management of the sovereign debt crisis is a noteworthy development.

Since a government and its opposition play similar roles in EU politics to the ones they play in domestic policy decisions, EU affairs, at least in the field of Economic and Monetary Union, are no longer

4 In 1998, the Centre Party (then in opposition) voted against Finland's membership in the eurozone.

approached as a policy field in which Finland has a single voice without internal fractures, as might have appeared to be the case during the past decade of permissive consensus.

Cautious EU policymaking

In such a context, it is no surprise that the current government's EU policy has become more self-contained and cautious than has been the case with past governments.

Firstly, the new government made a political agreement that it would not participate in the future eurozone loan packages without having first received collateral. When it was time for the second Greek loan to be approved, Finland made a bilateral deal with Greece on the collateral.

This decision for strong conditionality was part of the larger EU political compromise between the National Coalition and the Social Democrats. This compromise took into account the concern that the Social Democrats had harboured in opposition, without jeopardizing the Finnish participation in the eurozone crisis management. Relatedly, the current government has supported the proposal for the EU-wide financial transaction tax and the coordination of taxation policies on the one hand, and emphasized the importance of developing single markets further and European competitiveness on the other.

Secondly, Finland, jointly with the Netherlands, vetoed the entry of Bulgaria and Romania to the Schengen area in autumn 2011. The Finnish government argued that there were strong grounds for its decision: it was in line with its previously expressed reservations, and it enjoyed broad political support in the government and in the Finnish parliament.

Nevertheless, the fact that Finland did not follow the Commission's recommendation and the clear majority of the EU members in decision-making can be seen as a shift in Finnish behaviour. Previously, Finland took pride in being a model student instead of a trouble-maker when it came to EU policymaking.

Thirdly, Finland has invoked constitutional reservations in terms of the set-up of the European Stability Mechanism (ESM). In late 2011, the proposal to allow

the mechanism to operate on the basis of qualified majority voting was referred to the constitutional committee of the Finnish parliament. This proposal was seen to be potentially problematic in terms of the parliament's position as the highest budgetary authority in Finland.

The proposal was revised, which quelled the immediate Finnish concerns. A shift in any budgetary powers from the Finnish parliament to the EU level still remains a highly unpopular idea in Finland, even if increased economic coordination in itself is supported.

Finally, the government has expressed its concern over the current intergovernmental trend in EU policymaking and institutional reforms. Politicians and officials have openly criticized the way in which the Franco-German leadership currently operates, and expressed concerns over the position of the smaller member states.

In the light of these developments, it is suggested in this paper that Finland's negotiation positions are more reserved than previously. Finnish negotiators are faced with different domestic constraints than before and hence there is less room for manoeuvre in Brussels. On the other hand, there is no reason to talk of a historic change when comparing the current and the past government's EU policy in substantive terms. Although EU-critical voices are increasingly pivotal in today's Finland, EU membership is not questioned by and large.

"Angry birds" forever?

Minister for European Affairs Alexander Stubb described the new Finnish negotiation style as "angry birds EU politics" with reference to a popular Finnish mobile game. The humorous remark should not be taken too literally, but there is more to it than an effort to promote the Finnish software industry. The state of European economies, together with the Finns Party's success, has certainly flown some increasingly angry Finnish negotiators to Brussels and the image of Finland as the "model pupil" among the EU members has been wrecked. But how long-standing will this change be?

The fortitude of Eurosceptic trends is linked to the ways in which the rest of the political establishment

reacts to the parliamentary success of anti-integrationist parties.⁵ Let us take the other two Nordic EU member states as reference countries. In Denmark, the Eurosceptic *Dansk Folkeparti* managed to play a pivotal role for a whole decade by acting as a support party for the centre-right minority government in return for getting its agenda heard. When the nationalistic *Sverigedemokraterna* enjoyed a successful election in 2010, gaining 5.7 % of the popular vote, the political establishment including the media largely isolated the party due to its alleged racist connotations.

In Finland, the Finns Party has not been able to become the government's associate for the above-mentioned EU political reasons. Nor was isolation an option in Finland as the party became the third biggest. The Finnish political establishment was left with a third option: it aimed to challenge the Eurosceptic party to a policy debate.

In so doing, EU criticism has, however, become more pronounced, even if the outright Eurosceptic and principally anti-integrationist voices still remain marginalized to a large extent. As other political parties have constantly needed to defend their pro-integrationist position, some of them have embraced more EU-critical positions. As in domestic politics, the depth of their criticism seems to depend on whether the party is in government or in opposition.

Now, if EU criticism is increasingly integrated into the mainstream political debates, the demand for a protest party that profiles itself as Eurosceptic might decrease. Among other reasons this could explain why the Finns Party's support has been diminishing in opinion polls since its peak in June 2011.

5 For further reading on the similarities and differences between populist parties and their success across Europe, see *Liikkeitä laidasta laitaan: Populismien nousu Euroopassa*, Ajatuspaja e2 / Ajatushautomo Magma / Vihreä Sivistysliitto, 2011.

An opinion poll published in March 2012 by the Finnish Business and Policy Forum EVA presented interesting results in this regard. Compared to the previous year, Finnish people took a much more positive stance towards Finnish EU membership *per se*, but at the same time, they considered that they had become more critical about the way the EU works. It seems that in line with the government's policy, Finns have become more EU-critical without becoming principally Eurosceptic and anti-integrationist.

Alternatively, this result may constitute a protest against a Eurosceptic protest party or reaction to the more polarized debate. The fact that the Finnish pro-European policy has been questioned might have renewed people's interest in expressing their support for EU membership.

In conclusion, EU policymaking in Finland has clearly become more polarized, but the famous Finnish "consensus machinery" is gathering pace. A new party political compromise is already being sought somewhere in between the positions of Eurosceptics and Euroenthusiasts. In the short term, Finland is likely to adopt a more critical and reserved EU policy, but the country remains pro-integrationist in principle.

The Finnish Institute of International Affairs
tel. +358 9 432 7000
fax. +358 9 432 7799
www.fii.fi

ISBN 978-951-769-345-5

ISSN 1795-8059

Cover: Tuomas Kortteinen

Language editing: Lynn Nikkanen

The Finnish Institute of International Affairs is an independent research institute that produces high-level research to support political decision-making and public debate both nationally and internationally. The Institute undertakes quality control in editing publications but the responsibility for the views expressed ultimately rests with the authors.