

FINNISH INSTITUTE OF INTERNATIONAL AFFAIRS

INAUGURATION 7 February 2008

Speaker of the Parliament Sauli Niinistö

Esteemed President Koivisto, Ladies and Gentlemen!

It is a pleasure for me to take part in this official entry of the Finnish Institute of International Affairs into the Eduskunta community. I want to wish the Institute every success.

The official inauguration of the Institute of International Affairs, or more precisely the revamped institute, is an important step in research into Finnish politics and international relations. The Institute was transferred to the aegis of the Eduskunta at the beginning of last year, and the connection must be understood here as an external circumstance. Also the Eduskunta has consistently emphasised the Institute's independence. I believe that the Institute acts as a link to the surrounding society in the borderland between academic research and decision making, thereby positively promoting research work. Indeed, I want to encourage the Institute to place its competence at the disposal of various branches of administration and, reciprocally, ministries to feed the Institute with their own ever-changing needs.

The beginning of the millennium has brought forth two mega-trends, the end point of which is not yet in sight. One is the rapid expansion of the market economy, globalisation if you want to use that word, and the other is climate change. A "new deal" has gotten under way in the world economy, and its effects reach deep into the sectors of money and power or the economy and politics. With this transformation, structures and interaction relationships that we regard as established are undergoing a fundamental change as a result of which China, India, Russia and why not even Brazil have made, as it were, a new coming as actors in international politics and the global economy. Let us take the example of the distribution of global GDP, in which we are going back about 500 years in time. The countries that we have become accustomed to calling developing countries then controlled two-thirds of global GDP and are returning to that position. And correspondingly, the countries that we call developed are returning to the narrower share of one-third of global GDP that was theirs five centuries ago.

We have also already made the transition to the second wave of globalisation, the stage in which developing countries are no longer just attractive investment objects for western capital, but whose own indigenous capital seeks enticing investment opportunities in the western industrial-technological world. In this, also protectionism could rear its head. Here in the West we have already heard voices which, invoking an important national strategy, have wanted to reject efforts by foreigners to acquire companies or projects. From the perspective of the market economy, of course, it is paradoxical if that economy must shield itself from one of its own key principles, free trade and capital mobility.

As their prosperity grows, new actors that are increasing their influence and in several cases have great-power backgrounds, are having to make strategic decisions the effects of which will extend to the entire international system. The matter can be expressed in concrete terms with the aid of a few exemplary questions: Will China choose an orientation towards Eurasia or the Pacific? How will Russia orient itself in the triangle formed by China, India and the EU, or will a new motor of the world economy come into being in South America under Brazil's leadership? In reality, the choices that are made and the way questions are formulated will certainly not be as clear as that, but what is essential is that all choices will have system-wide effects. For example, closer cooperation than at present between Russia and China in the energy field would certainly affect Russia's ability to supply oil and gas to the EU market. China's and India's dependence on raw materials, in turn, brings them into the raw materials market as rivals, and in a way that not only affects market prices, but is also reflected in their political relations.

Questions about the international financial system are likewise being voiced. Derivatives on subprime debt and derivatives on those derivatives have jeopardised the development of the entire global economy to such an extent that ultimately they could be reflected in the lives of everyone and are the latest concrete demonstration of the world financial system's vulnerability. Similarly, one French rogue trader can endanger the entire future of a major bank. When the developing countries' quite substantial concentrations of currency and money enter the global market on a larger

scale, it will inevitably lead to a situation in which demands on the financial system's risk management will have to be stepped up.

Climate change is a new experience for humankind. For the first time we are in a situation where every ordinary person understands that what someone on the other side, who is equal to and like them does, also affects their own life. This means a huge challenge for humankind: Will a sense of community emerge to redress our shared problem, or will a dispute arise about who might still have the right freely to use our shared air to satisfy their economic needs?

The appearance on the scene of new powerful actors will inevitably also affect the future of existing multilateral arrangements. Things that come to mind here include the future development of the UN system, the future of the transatlantic relationship and the status of the EU and the United States as individual actors in the field of international relations. Where the UN system and actually also the Bretton Woods Institutions are concerned, a redistribution of money and power is already a reality. It seems clear that safeguarding the credibility of the UN presupposes reform, as a result of which, for example, the structure of the Security Council will change over time to the advantage of others besides the western or developed countries. As regards the transatlantic relationship, we have an interesting year ahead of us against the background of the American presidential election. Emphasising themes of hope, opportunities and change in the election campaign is in and of itself thoroughly American. It may be, however, that we Europeans are expecting far too much too soon of the new president, such as in relation to combatting climate change, although I believe the United States is taking the matter completely seriously.

From the perspective of the United States, the burgeoning strength of China, India and Russia does not necessarily look like a particularly dramatic change. In the same way as the United States, these countries will continue to act within the international system as sovereign states, which have of course committed themselves to a network of various cooperation relationships and alliances. It may even happen that the Americans will heave a sigh of relief when it is easier for them to outline international relations more from the perspective of great-power politics. From the Americans' point of view, the European states are still the most natural friends and

allies of all. With the growth of Asia's economic and political importance, however, the cohesion of cooperation within the transatlantic relationship will be the focus of constant pressures in the future. The issues that are most decisive from the perspectives of the United States and Europe relate to the future of NATO, relations between the United States and the EU as well as the development of economic relations.

With respect to NATO, it would seem that the most central question relates to the European members' ability to step up modernisation of their defence forces and their willingness to use their military capability to manage crises. If I wanted to go into the business of punditry, I could say that the next American administration will warmly encourage the Europeans to develop the EU's defence dimension, just as long as the motive for development is a desire to do more things together or at least supporting one another.

French politics is another important factor that will significantly influence transatlantic relations in the near future. The return of France to NATO's integrated military structure, as President Sarkozy has hinted will happen, will raise certain very delicate questions concerning a reshuffle of the NATO command structure. What will be the most essential factor over the short term from the perspective of transatlantic relations will be whether the Europeans and the Americans can, after the US presidential election, assess the state of their mutual relationship and arrive at choices that will again make these relations closer.

The Finnish security policy debate is nowadays lively and its scope extends further than we are accustomed to. Climate change, development cooperation and improving the condition of the Baltic Sea are themes that many citizens regard as having effects that are at least as significant as, for example, the development of the military situation in the Baltic region.

However, a narrower traditional security policy debate will gain strength during the annual parliamentary session that has just begun. In addition to dealing with several separate reports, the Eduskunta will decide next autumn on the Government's report on security and defence policy. At the same time there will also be a major debate in

the European Union on security policy, which the coming holder of the Presidency, France, has made one of its key objectives. This linkage is quite obvious and also useful to us. Namely, the other EU countries' views on our common security must be taken into consideration here, and it should also influence our national solutions. Membership of the Union is an important part of our country's security policy solution and its importance in this respect will grow with the new constitutional treaty and development of the Union's crisis management. In the development of the Union's common foreign and security policy we are proceeding in a direction that opens the door also for cooperation concerning regional security. It lies in Finland's interest to avail of this opportunity and influence development. The precise content and significance of the security guarantees that the Lisbon Treaty contains are not unambiguous, for which reason the study of them currently in progress is very welcome indeed.

An especially important question for Finland is how the prerequisites for cooperation between the Member States in and outside NATO are created so that the security guarantees could have real meaning. In this respect I want to emphasise the importance of the cooperation in the field of defence policy that is already in progress. Cooperation within the framework of EU battle groups, intensifying cooperation with the other Nordic countries as well as participation in international crisis management will together create a concrete foundation for interoperability, one that can be availed of in all situations.

What I have been trying to do here is outline some ideas about how the field of international politics is changing, especially from the perspective of small states, at an amazing pace. However, I would like to conclude by pointing out for specifically small states the change is more an opportunity than anything else. True, availing of it will demand a lot of courage to set our own goals and swiftness and resolution to achieve them.

Once again, may I wish the Institute of International Affairs success in its research work.