

FINLAND



FOREIGN RELATIONS: Finland's basic foreign policy goal from the end of the Continuation War with the U.S.S.R. in 1944 until 1991 was to avoid great-power conflicts and to build mutual confidence with the Soviet Union. Although the country was culturally, socially, and politically Western, Finns realized they must live in peace with the U.S.S.R. and take no action that might be interpreted as a security threat. The dissolution of the Soviet Union in 1991 opened up dramatic new possibilities for Finland and has resulted in the Finns actively seeking greater participation in Western political and economic structures. Finland joined the European Union in 1995.

U.S.-FINLAND RELATIONS: Relations between the United States and Finland are warm. Some 200,000 U.S. citizens visit Finland annually, and about 5,000 U.S. citizens are resident there. The United States has an educational exchange program in Finland which is comparatively large for a west European country of Finland's size. It is financed in part from a trust fund established in 1976 from Finland's final repayment of a U.S. loan made in the aftermath of World War I.

Finland is bordered on the east by Russia and, as one of the former Soviet Union's neighbors, has been of particular interest and importance to the United States both during the Cold War and in its aftermath. Before the U.S.S.R. dissolved in 1991, longstanding U.S. policy was to support Finnish neutrality while maintaining and reinforcing Finland's historic, cultural, and economic ties with the West. The United States has welcomed Finland's increased participation since 1991 in Western economic and political structures.

Following the dissolution of the Soviet Union, Finland has moved steadily toward integration into Western institutions and abandoned its formal policy of neutrality, which has been recast as a policy of military non-alliance coupled with the maintenance of a credible, independent defense. Finland's 1994 decision to buy 64 F-18 fighter planes from the United States signaled the abandonment of the country's policy of balanced arms purchases from East and West. The final aircraft rolled off the assembly line in August 2000.

In 1994, Finland joined NATO's Partnership for Peace; the country also is an observer in the North Atlantic Cooperation Council. Finland became a full member of the EU in January 1995, at the same time acquiring observer status in the Western European Union.

Finland welcomes foreign investment. Areas of particular interest for U.S. investors are specialized high-tech companies and investments that take advantage of Finland's position as a gateway to Russia and the Baltic countries.

PEACE AND SECURITY: Finland's defense forces consist of 35,000 persons in uniform (26,000 army; 5,000 navy; and 4,000 air force). The country's defense budget equals about 1.3% of GDP. There is universal male conscription under which all men serve from six to 12 months. As of 1995, women were

permitted to serve as volunteers. A reserve force ensures that Finland can field 490,000 trained military personnel in case of need.

GOVERNING JUSTLY AND DEMOCRATICALLY: Finland's proportional representation system encourages a multitude of political parties and has resulted in many coalition governments. Political activity by communists was legalized in 1944, and although four major parties have dominated the postwar political arena, none now has a majority position. In March 2007 parliamentary elections, the Center Party (Keskusta), traditionally representing rural interests, kept its position as the largest party, getting 23.1% of the votes. The Conservative Party's support increased by 3.7 percentage points, the most of all parties, and it received 22.3% of all votes, making it the second largest political party in the country. The Social Democratic Party (SDP) suffered a defeat in these elections and fell to third position among the larger parties, receiving 21.4% of the votes. Of the other parties, the True Finns, the Green League, and the Swedish People's Party were able to gain seats in parliament. The Center then formed a four-party governing coalition with the Conservatives, the Swedish People's Party, and the Greens. The Conservative Party received the portfolios of foreign minister, finance minister, and defense minister, among others, and became an important participant again after a long absence. Finland has a mixed presidential/parliamentary system with executive powers divided between the president, who has primary responsibility for national security and foreign affairs, and the prime minister, who has primary responsibility for all other areas, including EU issues. Under the constitution that took effect in March 2000, the established practice for managing foreign policy is that the president keeps in close touch with the prime minister, the minister for foreign affairs, and other ministers responsible for foreign relations. Constitutional changes strengthened the prime minister--who must enjoy the confidence of the parliament (Eduskunta)--at the expense of the president. Finns enjoy individual and political freedoms, and suffrage is universal at 18. The country's population is relatively ethnically homogeneous. Immigration to Finland has significantly increased over the past decade, although the foreign-born population, estimated at only 2.2% of the total population, is still much lower than in any other EU country. Few tensions exist between the Finnish-speaking majority and the Swedish-speaking minority.

President and cabinet. Elected for a 6-year term, the president:

- Handles foreign policy, except for certain international agreements and decisions of peace or war, which must be submitted to parliament, and EU relations, which are handled by the prime minister;
- Is commander in chief of the armed forces and has wide decree and appointive powers;
- May initiate legislation, block legislation by pocket veto, and call extraordinary parliamentary sessions; and
- Appoints the prime minister and the rest of the cabinet (Council of State). The Council of State is made up of the prime minister and ministers for the various departments of the central government as well as an ex officio member, the Chancellor of Justice. Ministers are not obliged to be members of the Eduskunta and need not be formally identified with any political party.
- The president may, upon proposal of the prime minister and after having heard the parliamentary groups, order parliament to be dissolved, and a new election held.

Parliament. Constitutionally, the 200-member, unicameral Eduskunta is the supreme authority in Finland. It may alter the constitution, bring about the resignation of the Council of State, and override presidential vetoes; its acts are not subject to judicial review. Legislation may be initiated by the president, the Council of State, or one of the Eduskunta members.

The Eduskunta is elected on the basis of proportional representation. All persons 18 or older, except military personnel on active duty and a few high judicial officials are eligible for election. The regular parliamentary term is 4 years; however, the president may dissolve the Eduskunta and order new elections at the request of the prime minister and after consulting the speaker of parliament.

Judicial system. The judicial system is divided between courts with regular civil and criminal jurisdiction and special courts with responsibility for litigation between the public and the administrative organs of the state. Finnish law is codified. Although there is no writ of habeas corpus or bail, the maximum period of pretrial detention has been reduced to 4 days. The Finnish court system consists of local courts, regional appellate courts, a Supreme Court, and a Supreme Administrative Court.

Administrative divisions. Finland consists of five provinces and the self-ruled province of the Aland Islands. Below the provincial level, the country is divided into cities, townships, and communes administered by municipal and communal councils elected by proportional representation once every 4 years. At the provincial level, the five mainland provinces are administered by provincial boards composed of civil servants, each headed by a governor. The boards are responsible to the Ministry of the Interior and play a supervisory and coordinating role within the provinces.

The island province of Aland is located near the 60th parallel between Sweden and Finland. It enjoys local autonomy and demilitarized status by virtue of an international convention of 1921, implemented most recently by the Act on Aland Self-Government of 1951. The islands are further distinguished by the fact that they are entirely Swedish-speaking. Government is vested in the provincial council, which consists of 30 delegates elected directly by Aland's citizens.

INVESTING IN PEOPLE: The origins of the Finnish people are still a matter of conjecture, although many scholars argue that their original home was in what is now west-central Siberia. The Finns arrived in their present territory thousands of years ago, pushing the indigenous Lapps into the more remote northern regions. Finnish and Lappish--the language of Finland's small Lapp minority--both are Finno-Ugric languages and are in the Uralic rather than the Indo-European family.

Finland's nearly 700-year association with the Kingdom of Sweden began in 1154 with the introduction of Christianity by Sweden's King Eric. During the ensuing centuries, Finland played an important role in the political life of the Swedish-Finnish realm, and Finnish soldiers often predominated in Swedish armies. Finns also formed a significant proportion of the first "Swedish" settlers in 17th-century America.

Following Finland's incorporation into Sweden in the 12th century, Swedish became the dominant language, although Finnish recovered its predominance after a 19th-century resurgence of Finnish nationalism. Publication in 1835 of the Finnish national epic, The Kalevala--a collection of traditional myths and legends--first stirred the nationalism that later led to Finland's independence from Russia.

In 1809, Finland was conquered by the armies of Czar Alexander I and thereafter remained an autonomous grand duchy connected with the Russian Empire until the end of 1917. On December 6, 1917, shortly after the Bolshevik Revolution in Russia, Finland declared its independence. In 1918, the country experienced a brief but bitter civil war that colored domestic politics for many years. During World War II, Finland fought the Soviet Union twice--in the Winter War of 1939-40 and again in the Continuation War of 1941-44. This was followed by the Lapland War of 1944-45, when Finland fought against the Germans as they withdrew their forces from northern Finland.

During the Continuation War (1941-1944) Finland was a co-belligerent with Germany. However, Finnish Jews were not persecuted. Of the approximately 500 Jewish refugees who arrived in Finland, eight were handed over to the Germans, for which Finland submitted an official apology in 2000. Also during the war, approximately 2,600 Soviet prisoners of war were exchanged for 2,100 Finnish prisoners of war from Germany. In 2003, the Simon Wiesenthal Center submitted an official request for a full-scale investigation by the Finnish authorities of the prisoner exchange. It was established there were about 70 Jews among the extradited prisoners. However, none was extradited as a result of ethnic background or religious belief.

Treaties signed in 1947 and 1948 with the Soviet Union included obligations and restraints on Finland vis-a-vis the U.S.S.R. as well as territorial concessions by Finland; both have been abrogated by Finland since the 1991 dissolution of the Soviet Union (see Foreign Relations).

ECONOMIC GROWTH: Finland has a highly industrialized, free-market economy with a per capita output equal to that of other western economies such as France, Germany, Sweden, or the U.K. The largest sector of the economy is services (65.4%), followed by manufacturing and refining (31.6%). Primary production is at 3.0%.

The Finnish economy has made enormous strides since the severe recession of the early 1990s. Finland successfully joined the euro zone and has outperformed euro-area partners in terms of economic growth and public finance. Following a period of sustained and robust growth, the Finnish economy has suddenly slowed. As the downturn has worsened in the wake of the international financial crisis, the outlook for 2009 is exceptionally uncertain. GDP growth is estimated to slow from 1% in 2008 to -6.0% in 2009. Unemployment will begin to rise, from an estimated 6.4% in 2008 to 9.0% in 2009. A relatively inflexible labor market and high employer-paid social security taxes hamper growth in employment. Labor bottlenecks are becoming more common in certain sectors, and this will increasingly restrict growth in output in the future. The main constraint to medium-term economic growth will be the drop in the population of working age once the post-war baby boomers reach retirement age.

Exports of goods and services contribute over 40% of Finland's GDP. Metals and engineering (including electronics) and timber (including pulp and paper) are Finland's main industries. The United States is

Finland's third most important trading partner outside of Europe. With a 3% share of imports in 2008, the United States was Finland's ninth-largest supplier. The total value of U.S. exports to Finland in 2008 was \$2.6 billion. Major exports from the United States to Finland continue to be machinery, telecommunications equipment and parts, metalliferous ores, road vehicles and transport equipment, computers, peripherals and software, electronic components, chemicals, medical equipment, and some agricultural products. The primary competition for American companies comes from Russia, Germany, Sweden, and China. The main export items from Finland to the United States are electronics, machinery, ships and boats, paper and paperboard, refined petroleum products, telecommunications equipment and parts. In 2008, the United States was Finland's fourth-largest customer after Russia (11.6%), Sweden (10.0%), and Germany (10.0%), with an export share of 6.3%, or \$6 billion. However, trade is only part of the totality: the 10 biggest Finnish companies in the United States have a combined turnover that is three times the value of Finland's total exports to the United States. About 2.0% of the Finnish GDP comes from exports to the United States.

Except for timber and several minerals, Finland depends on imported raw materials, energy, and some components for its manufactured products. Farms tend to be small, but farmers own sizable timber stands that are harvested for supplementary income in winter. The country's main agricultural products are dairy, meat, and grains. Finland's EU accession has accelerated the process of restructuring and downsizing of this sector.