

Erkki Liikanen: Finland – “a land in between” but at the heart of Europe

Speech by Mr Erkki Liikanen, Governor of the Bank of Finland, at the dinner of informal Ecofin, Helsinki, 8 September 2006.

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Ministers, colleagues,
Dear friends,

This is the second time when European leaders are dining in this house.

The first time was in spring 1953, when Robert Schuman, the father of the European Coal and Steel Community and former French prime minister, was received here for a dinner. The host was the colourful and controversial cabinet minister, Väinö Leskinen.

Schuman had been invited to Finland by the Foreign Trade Association as a guest speaker. His visit created a strong negative reaction from the Soviet Union. A week later Pravda wrote that the visit was undeniably connected with discussions against stepping up trade between Finland and the Soviet Union. In this climate, the Government did not want to devote any official attention to Robert Schuman.

President Paasikivi, however, received him and wrote in his memoirs: "I explained my own view and the position of Finland. He understood it well. Schuman is indeed an intelligent and charming man".

Today, this episode seems to have been long ago. Europe was divided into two hostile blocks. Finland followed European construction from a distance, if at all.

The destiny of this country has always been linked to the relations between great powers. We have been "a land in between".

Also culturally, Finland shows many influences. We have got much through Stockholm, and from famous German university towns. Architecturally, the neo-classic centre of Helsinki resembles St. Petersburg.

As a political entity, Finland emerged as a result of the Peace Treaty of Tilsit, in 1807. Napoleon encouraged the Russian emperor to conquer Finland from Sweden. Alexander I succeeded and established the autonomous Grand Duchy of Finland, where he ruled as constitutional monarch – although he remained an autocrat in Russia.

Important institutions of this country were developed during the autonomy, long before independence.

For example, the Bank of Finland was established in 1811. It is the fourth oldest central bank. Finland obtained its own monetary system in 1860. It was seen as a means of integrating the country's monetary system with the European monies. The currency, markka, was defined as being equal to the French franc in metallic content.

The construction of this community hall was begun in 1906 by the Helsinki Workers' Association. In the same year, Finland became the first country in Europe to grant universal suffrage to all women and men.

Finland became independent in 1917. Independence was followed by three months of tragic civil war. However, the democratic institutions survived and did not cease to function, even during the Second World War.

This building has played a role in many events in our political history. It was severely damaged during the civil war, because it served as headquarters of the insurgent reds. Later, landmark meetings took place here in the struggle between the Social Democrats and the Communists over control of trade unions.

Now this wonderful art nouveau house is a major conference centre, where dinner is served by a French multinational company. Quite symbolic. And this even before the proposal for the services directive!

The second Finnish presidency takes place at a time when many say that Europe is in a crisis, due to the rejection of the constitutional treaty in two referenda.

Let us put things into perspective. Only two years ago ten new countries joined the EU. And only four years ago euro notes and coins replaced national currencies in 12 member states.

These are remarkable historic achievements. So crisis, what crisis?

But of course, there is a lot of work ahead of us. Our challenge is to revitalize the European economy. We should not allow the current recovery to make us forget that reforming product and labour markets is vital to increasing our growth potential.

Europe needs to increase productivity growth and to be better in innovation.

The integration of financial markets can have significant positive effects on employment and growth. It can also reinforce the resilience of the European economy by sharing risks between regions.

An integrated financial market needs a modern payments system. Therefore, the Single Euro Payment Area project deserves our full support.

And we need a truly unified securities market without excessive costs for cross-border trading. We should therefore remove any obstacles to its consolidation and streamlining.

Our financial supervision structure is also too fragmented.

EU has often been criticized for over-regulation. Actually the existence of 25 different sets of regulations with 25 different administrative and supervisory practices can be the worst kind of over-regulation.

Dear friends

During the war, Jean Monnet often repeated that there could be no peace in Europe, if the nation states continued to be structured around the sort of sovereignty that leads to politics of national privilege and economic protectionism.

Coincidentally, J.K. Paasikivi, our post-war president also wrote during the war that the limitation of *raison d'état* is the question upon which hinges the future of not only small states, but also the large states, and humanity as a whole.

Ultimately, Monnet and Paasikivi were talking about the same thing.

What is most essential in the EU? It is that the guiding principle is law, not force. Legitimacy and the rule of law govern relations between member states.

The task of the European institutions is to monitor legality and compliance of all activities with the EU treaties.

Finally, taking into account the history of Finland, a small country, so often shaken by the storms of our continent, it is no surprise that Finnish European policies have from the very first day been community-oriented and that it supports strong common institutions.

Thank you.