

Erkki Liikanen: Finland and EU

Speech by Mr Erkki Liikanen, Governor of the Bank of Finland, at the College of Europe, Warsaw, 8 December 2006.

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On the evening of 9 May, 56 years ago, French and foreign newspapermen assembled at the Quai d'Orsay for the foreign minister's weekly press conference. Instead of the routine event which the journalists were expecting, the foreign minister, Robert Schuman read out in a "dull, hesitant" voice a two-page declaration that hit them like a bomb.

"It is no longer a time for vain words, but a bold, constructive act. France has acted, and the consequences of her action may be immense... She has acted essentially in the cause of peace. For peace to have a real chance, there first must be a Europe. Virtually five years to the day since Germany surrendered unconditionally, France has made the first decisive step towards building Europe hand-in-hand with Germany". This was how Schuman started his speech, which culminated in the proposal to set up the Coal and Steel Community.

Schuman wanted to bring the raw materials of war under the umbrella of a Coal and Steel Community. This Community was to be the first step towards creating a European federation, which was indispensable for safeguarding peace. And Schuman made this point explicitly: *"The solidarity in production thus established will make it plain that any war between France and Germany becomes not merely unthinkable, but materially impossible".*

France's initiative received considerable attention in various parts of Europe. The Finnish embassy in Paris did not notify Helsinki of the May initiative until September, by which time the negotiations on setting up the Coal and Steel Community were well advanced.

The Treaty establishing the European Coal and Steel Community was finally signed in April 1951. And six years later it was on much the same basis that the European Economic Community or EEC was built.

Robert Schuman became prime minister of France in 1947, by which time J.K. Paasikivi had taken up office as President. Schuman's government lasted only a year, after which he was minister of foreign affairs in eight successive governments.

Paasikivi and Schuman steered their respective countries' foreign policies in the late 1940s and early 1950s, although Paasikivi did so longer and from a stronger position.

Finland and France's political agendas differed dramatically from each other. Paasikivi's concern was how to develop a relationship of trust with the Soviet Union while safeguarding his country's position as a democratic market economy. Schuman's big problem, on the other hand, was Germany: how to operate so that war between Germany and France would be permanently ruled out. On the domestic political scene both men were anxious to prevent the Communists from gaining too strong a position.

The author of Schuman's initiative was Jean Monnet, a cosmopolitan Frenchman, who headed his country's Planning Commissariat.

Finnish autonomy in the debate over Alsace-Lorraine

There are, however, similarities between Schuman's and Paasikivi's respective careers and outlooks. Schuman was a native of Alsace-Lorraine, which was part of Germany up to the time of the First World War. He attended school in Metz and studied law in Munich and Berlin. Naturally Schuman was well acquainted with Germany and even served as a clerk in the German army during the war.

Paasikivi was an influential figure in Finland when it was an autonomous Grand Duchy within the Russian Empire. He was renowned as an expert on Russia. He began his studies specializing in Russian language and literature and even spent half a year in Novgorod. Later on he too was to end up as a lawyer.

In the 1910s there was serious controversy in Alsace-Lorraine over the relationship with Germany. Political opinion was sharply divided. One group wanted the region to be a fully-fledged German state, whereas the other group aspired to a return to the French sphere. They wanted to see an autonomous

Alsace-Lorraine with its own constitution and government independent of the *Bundesrat*. Interestingly enough, the example of Finnish autonomy within the Russian Empire was occasionally brought up in the debate as a sort of yardstick.

Cognac entrepreneur Monnet

Jean Monnet's origin was in the region of Cognac. It was in fact Jean Monnet's father who made Monnet a brand name in 1901. The cases of cognac were dispatched from the Monnet business to Berlin, New York, St. Petersburg and London.

The thought of the world awaiting these packages fired the young Monnet's imagination. The restless schoolboy eventually left school at the age of 16 and set off into the wide world. He first spent two years in London, from where he made for Canada and then continued on to the United States. By the age of 20 he had already seen a fair amount of the world.

Monnet returned home to Cognac just before the First World War and began working in the family business. He was exempted from military service on account of a lung condition.

However, Monnet's mind was constantly on the bigger issues of war and peace. He was perturbed that the Allied purchasing and supply organization was so badly run, having observed the lack of cooperation between France and England in this area.

Monnet managed to get to speak to the French prime minister and put his ideas to him. This unknown 26-year-old son of a Cognac dealer made a profound impression on the prime minister. He sent Monnet to talk with the minister for war and before long Monnet was in London putting together the Allied combined supply organization.

Monnet came to occupy a key position in Anglo-French cooperation arrangements. With this as his background, in 1919 - when he was still only 31 - he became Deputy Secretary-General of the League of Nations. But just a few years later bad news from Cognac began to filter through. The market had collapsed and Monnet's sister made a special visit to Geneva to beg her brother to return and look after the family business.

Monnet did not hesitate for a moment and much to his colleagues' astonishment he went back at the age of 36 to head the family cognac business. By this time, in 1924, Paasikivi had already been chairman of the private bank, *Kansallis-Osake Pankki*, for ten years and he was to remain there for a further ten. Meanwhile in 1919 Schuman had become a member of parliament in the French National Assembly, where he was to remain in that capacity without a break until 1940.

Once he had put the cognac business back in order, Monnet did not stay for long. He also got involved in the world of banking. He began working for an American investment bank in Paris. In 1927 he headed the zloty stabilization negotiations in Warsaw. In 1929 he moved to the United States and pursued a banking career in San Francisco.

Monnet later summed up his time in San Francisco, which ended in 1932, in the following words: "*In San Francisco, I made and then lost a great deal of money; experience was all I added to my capital.*" At the same time the family received some good news. J.G. Monnet had a new client, for in that same year the Finnish State alcohol monopoly, ALKO, began buying cognac from the Monnets.

Monnet switched continents to become an investment banker in Shanghai, China, where he was involved in devising a way of financing the enormous railway network.

Although of limited professional interest, Monnet's Moscow contacts were altogether more rewarding from a personal point of view. In 1929 he had fallen in love with an Italian lady at a dinner party in Paris. But the lady also had a husband on the scene and it was not possible for Catholics to get divorced. Eventually after some rather intricate manoeuvring Monnet traveled with his beloved Silvia to Moscow, where Catholic marriages were not recognized. They got married there in 1934 with the assistance of the Russian authorities.

At the same time J. K. Paasikivi retired from the post of chairman of the *Kansallis-Osake Pankki*. It was not until six years later that he was sent to Moscow to become ambassador together with his wife Alli. In contrast Robert Schuman remained unmarried for his whole life.

Outsiders on the inside

In 1936 Monnet returned to Washington, where his family lived until the end of the war. He developed an extensive network of contacts in the city. He was a friend of leading newspaperman Walter Lippman, and John Foster Dulles was the lawyer who worked on many of Monnet's banking operations.

Monnet was an influential figure in President Roosevelt's close circle. It would only be a slight exaggeration to say of him what Max Jakobson said of Paasikivi's position during the war: that he was a sort of "outsider on the inside". In any case, it was an exceptional position for a Frenchman to be in.

When war broke out, member of parliament, Robert Schuman was involved in the evacuation of his constituency of Thionville. In 1940 he was appointed France's under-secretary of state for refugee affairs. He was the high-ranking government official first to be notified of the massive German offensive in May 1940. The French government was transferred to Vichy and Schuman with it. But when all constitutional powers were conferred on Marshal Petain by decision of the National Assembly, Schuman realized that he had been caught in a trap.

Schuman left Vichy and returned to his constituency in August 1940. There he was soon to be arrested by the Germans and was dispatched to Germany. He managed to escape two years later and lived out the war in the Underground movement in France.

Paasikivi was ambassador in Moscow from April 1940 until the end of June 1941, although in fact he was already back in Finland by March. He did not live in "internal exile", as was sometimes claimed, but kept up extensive contacts with the political and economic leadership of Finland during the war.

Monnet, on the other hand, was involved in a variety of international operations during the war, with the confident backing of President Roosevelt. I shall relate just one historic episode from Monnet's wartime activities.

In July 1940 the French government was wavering between continuing the war and ceasing hostilities. Monnet was in London at the time, doing his utmost to encourage the French government to continue the war. De Gaulle too had already settled in London. Monnet proposed that the British government should do something dramatic to galvanize the French government. The proposal was to create a close union between England and France. The union would have a common currency, it would form a customs union and its nationals would have common citizenship rights.

Winston Churchill hesitated, but nonetheless forwarded the proposal for his government to discuss. To his surprise, the government received the proposal enthusiastically and approved it on 14 July 1940.

Charles de Gaulle did likewise and became a historic figure the very next day with the speech he made on the BBC. De Gaulle did not like the federal tone of Monnet's text, but being a pragmatist he understood that needs must steer where the devil drives.

The reaction in France was one of astonishment. It was quite simply not possible to put up a roof before the walls of the house were built. It was, however, hoped that this would give the French prime minister some extra time. But it was not to be. Petain came to power and began to negotiate an armistice with Germany. France was lost.

National sovereignty and raison d'etat as problems

Monnet discussed the need for European integration on several occasions during the war. He was not an idealistic federalist, but above all a practical man.

At the League of Nations Monnet had been disappointed in the organization's failure to act in practice. He was convinced that mutual dependence between nations was a fact of life and that rampant nationalism was the main cause of war. Monnet was convinced that political stability and economic prosperity in Europe called for the creation of a common free trade area. But it was not enough just to do away with Customs duties, since union was necessary in other areas too. His list included currency, prices, industrial and agricultural production and communications.

Monnet stressed that there could be no peace in Europe, if states continued to be structured around the sort of national sovereignty that leads to the politics of privilege and economic protectionism. If the states of Europe again cut themselves off from each other, it would again be necessary to amass huge armies. And before long we would be back at war.

Coincidentally, in the summer of 1944 Paasikivi was discussing the fate of small countries. His reading of history had made him a pessimist: "States act for *raison d'état*, i.e. in the interests of the State. It is frightful, blood-red". He went on: "*To date no system has been devised that would constrain *raison d'état* and protect other countries from them.*"

Where Monnet spoke of nationalism and national sovereignty, Paasikivi wrote about *raison d'état*. Ultimately, they were both talking about the same thing. Paasikivi saw the key issue as how to limit *raison d'état*, whereas Monnet saw the basic problem as how to limit national sovereignty. Paasikivi's starting point was the lot of the small country, but his thinking went further than this: "*Solving the problem of limiting *raison d'état* and its relationship to morality is an issue that, although primarily affecting the future of small countries, will ultimately also determine the future of larger countries and the whole of mankind.*"

History had made Paasikivi not only pessimistic, but also cautious. When Monnet was accused of being over-optimistic in connection with his numerous initiatives, he always replied: "*I am not an optimist, I am determined.*"

For his part, Schuman summarized his own thinking in his unpublished memoirs: "*The harsh lessons of history have taught me, as a man from a border area, that I should be wary of hasty improvisation and over-ambitious projects, but they have also taught me that when an objective judgment, founded in mature reflection and based on actual facts and the overriding interests of mankind, leads us into new or even revolutionary endeavors, we should remain steadfast and persevere with them.*"

The birth of a great idea

The paths of the cautious foreign minister from Alsace-Lorraine, Robert Schuman, and the bold man of action, Jean Monnet, crossed in the post-war years. In February 1950 Monnet went on a two-week cross-country skiing trip in the Alps. Although having a guide to mark out the ski route, Monnet was on his own in blazing the conceptual trail that led to the pioneering thoughts he put down on paper each evening.

By the time he returned his proposal was ready: France should take the initiative on setting up a coal and steel union. This would resolve the difficult dispute over the management of coal and steel and normalize relations between France and Germany.

Another statesman also had his best ideas while out skiing and jogging, our president after Paasikivi, namely Urho Kekkonen.¹

In March 1950, Monnet began indirectly conveying his ideas to Schuman and eventually at the end of April he presented his complete plan. On May Day Schuman sent a message to Monnet: "*I've read the proposal. I'll make it my own.*"

The core of Schuman's initiative was that the member States would agree to pool their national sovereignty in the area of coal and steel under the umbrella of a community. The community was to be run by a High Authority (the forerunner of the European Commission) that would be independent of the member countries' governments. The Community would be set up on the basis of a Treaty to be ratified by the parliaments of the member countries. Schuman thought it important that the make-up of the High Authority should ensure balance between the smaller and larger countries.

Schuman's initiative was enthusiastically welcomed by the public. The reaction in the political world was more mixed. It cleared up many issues for Germany and Adenauer. The Christian Democrats supported the plan unreservedly. The opposition Social Democrat party conference was against it. Only one young little-known Member of Parliament spoke out strongly in support of the plan. His name was Willy Brandt.

It was not an easy ride in France. The centre, which Schuman represented, and the Socialists supported the plan. The Communists were against it, as were the Gaullists, since they did not approve of transferring national sovereignty to a High Authority. The reaction in Italy was immediately positive. In the Benelux countries it took somewhat longer for the idea to become established. Britain's negative stance hardly came as a surprise.

¹ President of Finland 1956–82.

Schuman entrusted Monnet with the task of leading the negotiations on establishing the Community, which was also given an Assembly and a Court. The Assembly was to monitor the High Authority and the Court of Justice was to supervise the implementation of the Treaty.

However, as so often happens, at the political level and for the then foreign minister, Schuman, there was still some tricky negotiating to be done: decisions had to be reached on where the Community's headquarters were to be based, the official language and the composition of the High Authority.

The compromise that was negotiated by Schuman is now standard Community practice: instead of just French, as had been proposed, the languages of all the member countries were made official languages and the headquarters were split in two. The Assembly went to Strasbourg and the High Authority and Court of Justice to Luxembourg. The Treaty finally came into force in July 1952 and the High Authority opened for business in Luxembourg a month later with Jean Monnet as its President.

At the same time Schuman's position as France's foreign minister was under threat. He was particularly targeted by the Gaullists and the Radicals because of his policy on Europe. Pinay's government eventually fell in December 1952. The formal reason was budget controversy, but behind this there were also disagreements over European policy.

Schuman stepped down as foreign minister in January 1953. He offered to give up his post so that he could support Rene Meyer, who represented the same policy on Europe, as the choice for prime minister. That was the last time Schuman was to serve in a French government.

"An intelligent and charming guest in Finland"

Several weeks later the Finnish Foreign Trade Association was trying to find a speaker to its meeting. Heikki Brotherus, the press counselor to the embassy in Paris, knew Schuman, since he had met him at Quaker functions. And now that Schuman had left the government, Brotherus thought that he would be an ideal candidate.

The leadership of the Foreign Trade Association were delighted. But then the difficulties began. Brotherus received a letter from Mr Tarjanne, permanent secretary of Foreign Ministry, accusing him of arbitrary conduct. Brotherus responded to the charge in writing. Everyone knew about the affair, except the ambassador, Johan Helo. But that was how many things were dealt with at the embassy in Paris at the time. Helo had been appointed ambassador in the new wave after the war as one of the so-called Six.² Helo's relations with the foreign minister were difficult, but Paasikivi protected Helo right until the end of his period of office.

According to Brotherus, the foreign minister even went as far as asking the French ambassador in Helsinki to cancel Schuman's planned visit to Finland. Paasikivi does state in his diaries that the foreign minister, Törngren, said on 24 March, in connection with his weekly visit, that the Foreign Trade Association wanted to make a big event out of Schuman's visit, but that the government was not interested in organizing any dinner reception or in devoting any other particular attention to Schuman.

Despite the awkwardness of the arrangements, Schuman came to Finland on a visit in April, three months after he had left the government. Schuman's visit was given enormous coverage in the press.

In his presentation Schuman stressed that all wars had had their beginnings in precisely six states. *"By defusing this hotbed of war, we have done something really fundamental for peace in Europe,"* he stated.

The government did not in fact organize a dinner or devote any particular attention to Schuman, unless one counts the supper invitation by social affairs minister, Vaino Leskinen, at the Helsinki community hall, where Schuman was to meet some trade union people.

President Paasikivi was, however, present at Schuman's presentation and also had an audience with him. Paasikivi wrote in his diaries about the pleasant impression Schuman had made on him. Schuman believed that the antagonism between France and Germany would gradually be removed and that the Coal and Steel Community would be a step towards this. Paasikivi went on: *"I explained*

² The Six is the name given to an opposition group of Social Democrats who left the party and allied themselves with the Communists in the elections after the war.

my own view and the position of Finland. He understood it well. Schuman is indeed an intelligent and charming man".

It was typical of the period that Pravda reported on the visit a week later. According to Pravda, Schuman's visit was undeniably connected with the discussions, which the right-wing socialists had launched, against stepping up trade between Finland and the Soviet Union. So Leskinen did not escape criticism. The article had been put together by Stefan Smirnov, a great expert on Finland.

Jean Monnet never met Paasikivi. However, in October 1962 in connection with President Kekkonen's visit to France the newspaper *Helsingin Sanomat* wrote a one-column news-in-brief item on Kekkonen's meeting with the "father of Europe". The item said that the President had visited Carré's house outside Paris.

Louis Carré was a distinguished Parisian gallery-owner and prominent admirer of Alvar Aalto, the Finnish architect. Aalto had, in fact designed Carré's home. Carré was a neighbour of Monnet's, which is why Monnet was also invited to meet the important guest.

According to the newspaper, despite being 74, "Mr Europe" came across as being extremely alert and sprightly. Monnet and Kekkonen had a long talk in English, although the newspaper did not report about its content.

President Kekkonen was visiting France, at that time, upon the invitation of President Charles de Gaulle. This was a time when de Gaulle and Monnet were in deep disagreement over European issues. President de Gaulle considered national sovereignty untouchable while Monnet considered its limitation to be the key to European integration. Monnet believed that independent European institutions were the corner-stone of Europe, de Gaulle was, on the other hand, a strong opponent of their independence.

So President Kekkonen had an opportunity to hear both views. Unfortunately, we have no records about his discussions with Jean Monnet.

Finland's long road

Europe managed to fit in a lot between Paasikivi's meeting with Schuman and Kekkonen's meeting with Monnet. France's plan for a European Defence Community (the EDC) had collapsed under opposition from the French National Assembly. However, at the instigation of the Benelux countries negotiations were launched on setting up a European Economic Community (the EEC).

The negotiations culminated in the conclusion of the Treaty of Rome in 1957. Under the terms of this Treaty the member states pooled their national sovereignties together in certain clearly defined areas, namely customs policy, trade policy, competition policy and agricultural policy. The bottom line for the states that founded the EEC was that together the countries of Europe would be greater and stronger than alone. With Community backing the member states would derive economic and political 'value added' which they could not achieve individually.

Finland was far away from all of this. The Soviet Union saw the EEC as a western alliance and not as a partner. Finland had little room for manoeuvre and every move was closely scrutinized and watched. In Finland European integration was little known – if at all.

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Finland had a long road to go until, in 1992, our country applied membership in the European Union.

A turning point came in 1991, which altered the basic issue of how to reconcile Finnish foreign policy with EU membership. At that time the whole context, in which our foreign policy operated, turned upside down. The "putsch" in Moscow did not succeed. The Baltic States became independent. A new agreement was negotiated redefining Finland's relations with its neighbour Russia. The EU went from being a threat to Russia to becoming a partner.

Today, Finland has been 12 years a member of the EU. Finland is having the EU presidency for the second time.

This week the Finnish Parliament has ratified the constitutional treaty. The constitutional treaty does not give new powers to the Union, but sets out to improve its efficiency and openness. Streamlining decision-making procedures is the best way of protecting the EU institutions' effectiveness.

In the EU, the guiding principle is law – not force. Legitimacy and the rule of law govern relations between the member states. The task of the Commission as the guardian of the treaty is to monitor the legality of all activities and compliance with the treaties on which the EU is based. The Independent European Court of Justice solves the disputes which concern legality of the actions.

EU is non-hegemonic and it must be efficient in decision-making. There have been efforts to unite Europe under one hegemony. They have created huge sacrifices and destruction. To be non-hegemonic, you need a majority decision-making. No one country can rule or dominate and no one country can prevent the majority from making a decision, not a big, not a small, not an old, not a new. Only a qualified majority as the dominant decision making procedure guarantees this.

We must safeguard the European Union's capacity to act in the spirit of the founding fathers.