

EU legal framework, internal and external policies

Finland and the European Union

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Abstract: Finland joined the European Union in 1995 and is a member of the Eurozone. The country uses the Euro to trade as a member of the Economic and Monetary Union. This paper analysis Finland – EU relations, focusing on different fields and highlighting how the membership had influenced Finland, how the European integration process has worked and is working in case of this Nordic country.

Keywords: European Union, European integration, European politics, Finland.

INTRODUCTION

The actions of the European Union (EU) in the international scene are guided by principles embedded in the international law and the United Nations Charter. The major concerns of the EU in external relations include cooperation on health, energy, environmental and climate issues, and negotiation of trade agreements. In all its dealings, the EU is concerned about promoting human rights and democracy as its key goals. Finland joined the European Union in 1995 and is a member of the Eurozone. The country uses the Euro to trade as a member of the Economic and Monetary Union. It also enjoys free travel within the Schengen region as a party to the Schengen Agreement. Through external relations with other countries, organizations, or civil societies, the EU benefits the members states by promoting social and economic development as well as fair globalization for the economies. The EU has always had an interest in building strong partnerships with all its neighbors, and Finland is one such country.²

FINLAND INTEGRATION INTO THE EUROPEAN UNION

Finland is among the latecomers to the European Union together with Austria and Sweden. Finland's EU membership has contributed significantly to its process of re-identification on the international stage.³ Prior to joining the EU, Finland's western identify was quite blurry, and joining the EU was not just a norm just like any other European country. Upon joining the EU, Finland had little time to adjust because of the tight schedules and the EU agenda that was considered very important at the time. It was also at a time when Finland was recovering from a period of economic recession hence there was an imposed strict budgetary discipline on the people. Despite the challenges posed by the EU membership, Finland has adapted well and fits in the EU fine.

Finland uses a pragmatic and constructive approach in its integration into the EU. Within a short period, the country has changed from a non-aligned country to a full EU member through

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² Ramiro Troitino, D., "EU enlargement to Austria, Finland, and Sweden". *MEST Journal*, 2018, 6 (1), 97–104.

³ Raunio, T., Tiilikainen, T., *Finland in the European Union*, 2003.

the strategic approaches.⁴ Finland realized early enough that to secure its place among the western European countries was one of the ways of protecting its national economic and political interests.⁵ Thus, it has played an active role in committing to integration with the European Union. According to Hanf and Soetendorp, decision-making in the member states of the EU is fast becoming more Europeanized meaning national policy-making is highly influenced by happenings at the EU.⁶ The member states ensure that the outcomes from the EU level align with the national interest which may sometimes be intertwined with EU interests. Therefore, every country, in developing their policies put into consideration the stake of the EU to ensure both are aligned.

EU COOPERATION ON HEALTH IN FINLAND

Although the European Union does not directly make health policies, other policies regarding its operations affect healthcare.⁷ While most countries within the EU like to maintain their independence in healthcare, the policy decisions made by the European Union often impact them more often in a negative manner. This has forced them to reconsider the role of the EU in healthcare of such countries. For a long time, Finland has had a Health in All Policies approach towards its healthcare systems before seeing a need to improve healthcare policies. The country developed intersectoral health policies on smoking, nutrition, accident prevention in collaboration with the World Health Organization (WHO). Upon joining the EU, Finland's national intersectoral work got complicated because of the delegation of some competencies to the EU.⁸ The EU is majorly concerned with the economic situations of constituent countries like Finland; however, it is constitutionally mandated to protect the healthcare systems as well, hence its involvement in healthcare.

The EU has little mandate on individual health policies of countries. Although the EU wants to be seen as actively involved in health matters of its member states, it has faced constant opposition from political leaders because of the high pedestal on which healthcare is placed in individual countries. Nonetheless, the EU still makes its impact felt indirectly in healthcare systems of its member states, something Finland considers a complication of its systems. The EU encourages cooperation between the member states and offers support for their actions related to healthcare. The EU can financially support the health actions of the member states like Finland but is not allowed to interfere with the health laws in place. However, the Amsterdam Treaty of 1997 strengthened the mandate of the EU in matters relating to healthcare in the member states since it was now tasked with ensuring a high level of protection of human health. To support the EU in its mandate, Finland has shifted focus to government intersectoral programs as well as others not in the administrative sector.

The European Union legitimized the Health in All Policies (HiAP) for its healthcare approach in 2006.⁹ After long deliberations and active efforts to streamline healthcare with other EU policies after the recognition of the fact that EU policies affect health systems. Nonetheless, implementation of the HiAP remains a challenge because the new procedures do not strengthen

⁴ Raunio, T., Wiberg, M., *Parliamentarizing Foreign Policy Decision-Making: Finland in the European Union*, 2001.

⁵ Dutt, P.; Ferraro, S.; Chochia, A.; Muljar, R., *Using Patent Development, Education Policy and Research and Development Expenditure Policy to Understand Differences Between Countries – The Case of Estonia and Finland*, *Baltic Journal of European Studies*, 8 (1), 2018, 123–153.

⁶ Hanf, K., Soetendorp, B., *Adapting to European Integration, Small States and the European Union*, 1997.

⁷ Duncan, B., *Health policy in the European Union: how it's made and how to influence it*, 2002.

⁸ Melkas, T., *Health in all policies as a priority in Finnish health policy: A case study on national health policy development*, 2013.

⁹ Koivusalo, M., *The state of Health in All policies (HiAP) in the European Union: potential and pitfalls*, 2010.

the efforts of the EU to use health impact assessments for the benefit of the public and their health systems. HiAP is a broader approach to healthcare and the EU hoped narrowing down to health impact assessment (IA) would finally give them the much-needed breakthrough in health within the member states. Nonetheless, this increased push for the use of IA to push for policy decisions may undermine healthy public policy.¹⁰ Thus, the involvement of the EU in healthcare matters of its constituent states still remains a complicated issue.

FINLAND AND EU TRADE AGREEMENTS

Trade Agreements between the EU and the member states facilitate markets for the countries. Although Finland has benefited from free trade Agreements with the EU, the impact on the Finnish economy remains way below par. Globalization has played a bigger role in expanding Finland's trade affairs than the EU.¹¹ Nonetheless, there are key sectors in Finnish businesses that have greatly benefited from free trade agreements like the machinery and equipment manufacturing industry as well as the forest industry. Even greater is the indirect impact of free trade agreements on Finland through different value chains. Economic policies of the EU revolve around promoting open and predictable international trade.¹² To achieve this objective, the EU has free trade agreements (FTA) among its member states. Finland is a major beneficiary of these FTAs with increased exports to other countries with the FTAs.

Finland does not have an independent trade policy owing to it being an EU member state. The country, however, enjoys a stable political climate that encourages trade with other countries. The government invests a lot in infrastructure that supports Finland's engagement in trade under the EU. By virtue of being a member state of the EU, Finland shares in the Trade Agreements applicable to the EU. The EU is responsible for negotiating Trade Agreements on behalf of Finland, and once these get signed, Finland comes in to trade. The Agreements the EU has entered into are both bilateral and multilateral FTAs and always passes the same to the member states for ratification before implementation. These trade negotiations happen over a period of time, often for years, with the aim of negotiating the best deals for the member states.¹³ Finland applies interim rules on a case-by-case basis during the trade negotiations because the terms of each negotiation differ. Finland has always held trade arrangements with foreign trading partners in high regards from way before joining the EU.¹⁴ The country has had its trade framework in place from 1948 and used this to integrate and align with the trade policies of the EU. The interim rules during trade negotiations ensures the country signs up for beneficial trade terms that will boost the economy. Currently, the EU and Finland are negotiating the Trade in Services Agreement (TiSA). This will involve trade in services just like they have been trading in goods across the various trade platforms. Finland and other countries negotiating the TiSA have a high level of ambition to rise above the current liberalization level of the World Trade Organization (WTO) and encourage greater flow of trade in services.

Finland has a regulatory framework that guides its provision of financial services. The EU passporting regime where companies and banks that offer financial services have a single-license

¹⁰ Smith, K., *Is the increasing policy use of Impact Assessment in Europe likely to undermine efforts to achieve healthy public policy?* 2010.

¹¹ Hakkala, N. K., *Study: Finland has benefitted from free trade agreements but less than EU on average*, 2019.

¹² Hakkala, N. K., Kaitila, V., Kuusi, T., Lehmus, M., Wang, M., *The economic impact of EU free trade agreements on Finland and the EU*, 2019.

¹³ Dobrin, S.; Chochia, A. "The Concepts of Trademark Exhaustion and Parallel Imports: A Comparative Analysis between the EU and the USA", *Baltic Journal of European Studies*, 6 (2), 2016, 28–57.

¹⁴ Mettälä, K., Stahlberg, K., *Free Trade Agreements between Finland and Central and Eastern European Countries*, 1994.

principle promotes trade among EU authorized firms with minimal additional regulatory requirements. This means that as long as a firm has an EU license to trade, they can do so with any firms operating within the EU regions without requiring additional regulatory frameworks hence easing the trade process across the regions. For any entities to trade in financial services in Finland, they must have authorization from an appropriate body whether they are local or foreign entities. They can also provide the services if they are registered as service providers meaning they are subject to supervision by either the Finnish Supervisory Authority (FSA) or a foreign supervisory authority that compares to FSA. The EU has nine different passporting systems for those wishing to trade in Financial services within the member states and they are overseen by a specific directive or regulation of the EU.

Custom laws and regulations in Finland are enforced by the Finnish Customs authority. This authority is also a part of the EU customs system meaning that all the custom import and export operations in Finland form part of the larger EU customs operations. The customs are responsible for collecting custom duties, controlling imports and exports, investigating offences related to customs, and compiling statistics on foreign trade. If any legislation of Finland or the EU is violated during trade matters, then the Finnish customs is mandated to impose penalties and sanctions to that effect. Finland as a member of the EU benefits from free import and export of goods across its borders. However, for trade outside the EU membership, the EU has the European Community Common Custom Tariff applied. Although the tariff is common to all states, the EU sometimes regulates the tariffs depending on the economic sensitivity of the goods, the type, and their origin. The EU also imposes Value Added Tax (VAT) to the insurance, cost, and freight value of the goods imported. For Finland, the standard rate of VAT is 24% although medicines, books, and groceries attract lower VAT rates.

The EU legislation among its member states regulates non-tariff barriers to imports within these countries. The member states of the EU have a common foreign trade policy and this is what Finland borrows from when implementing import non-tariff barriers, although some restrictions are imposed by Finland at a national level. The EU has important requirements for imports, although these requirements have variations at national levels. For example, Finland has special requirements for public health and safety purposes on goods like alcohol, agricultural produce, nuclear and radioactive substances, waste, endangered species, and biocides and other chemicals. Sometimes traders may feel unfairly treated due to some regulations and customs decisions. There is an appeal procedure for such cases and is regulated by the Customs Act. The complainant is required to lodge a complaint to the customs office responsible for the decision in question. If not satisfied by the outcome, the decision can further be appealed at the Administrative Court of Helsinki or further to the Supreme Administrative Court.

The EU has a number of rules on trade remedies and these rules are set in the EU regulations and applicable to Finland. Both Finland and the EU are members of the WTO; and the EU has enacted several legislations to implement various Agreements with the WTO. For example, the EU has a regulation against dumping and subsidized imports from non-members of the EU. The EU has the Trade Commissioner who is responsible for conducting investigations and reviews on trade remedies. For those attempting to evade payment of conventional custom duties, the EU anti-fraud office is mandated to investigate and report to the national authorities. In this case, any traders suspected to conduct fraudulent trade activities, the European Union takes an initiative of investigating and upon confirmation, reports to the Finnish authorities to act on them. Non-compliance with export regulations set by the EU can lead to either criminal or administrative sanctions. Minor violations can pass off with warnings whereas major violations can result in custodial sentences.

EU ENVIRONMENTAL POLICY AND FINLAND

Prior to joining the EU, Finland had various environmental policies developed in various international forums. However, these international forums for development never achieved the central position as should be until when Finland joined the EU.¹⁵ The EU makes or collaborates with member countries in the making of their environmental policies. For this reason, therefore, many member states have had to adjust their policies to streamline with the requirements of the EU and at the same time project their preferred approaches on the European level. It is therefore a two-way for the policies where national policies become Europeanized and EU policies become domesticated. The policies for individual countries like Finland are so well harmonized with those of the EU that it is hard to refer to one without making a reference to the other.

Finland is a part of the EU's green bloc although it plays a passive role in environmental policy matters. Finland as a country enjoys a generally clean and great state of the environment because of clean technologies and low population density hence less pollution. However, the major challenge for the country is the cross-border pollution from the bordering member states. Finland has been a great player in the international scene on environmental matters. Finland has fairly strict environmental standards and this explains the roles allocated to it during EU negotiations. In Finland, environmental policy is managed in a similar manner to other policies. Finland has created a niche for itself in developing an Environmental policy for the European Union.

Finland has independent policies on climate with the Climate Change Act being its key pillar. This Act requires Finland to reduce its emissions of greenhouse gases by at least 80% by the year 2050. To this effect, Finland has climate objectives and well-laid out strategies to meet them. The climate policy decisions of the EU are also binding to Finland meaning that no matter the independent policies the country has, it has to abide by those set by the EU. The same way Finland has a target of reducing emissions by 80% by 2050, the EU has a target of achieving a climate neutrality by 2050.¹⁶ The reduction in emissions is some of the ways through which climate neutrality can be achieved hence the two policies are aligned towards the same goal. The EU has a target of improving energy efficiency by 32.5% which it allocates as 0.8% a year to individual member states from 2021 to 2030.

Finland is highly dependent on energy from Russia, a move that is highly controversial. Some quarters argue that it is because of an impending energy threat whereas other claim it is a mutually beneficial trade relation.¹⁷ Russia is known for its supply of nuclear weapons and one fuel type that is natural gas. Therefore, any trade relations that involve energy transfer are likely to raise issues, and this has been one of the major challenges the EU has to deal with. The European Union has also set a target for energy consumption for Finland at less than 290 TWh. This means that the EU ropes Finland in on its energy plan with the aim of addressing climatic changes. The EU's strategy to ensure clean, secure, and affordable energy for the European citizens is called The Energy Union.¹⁸ The Union vice president in his speech congratulated Finland for making significant steps towards the achievement of energy efficiency as outlined by the EU. The EU has targets for renewable energy production, most of which have been surpassed by Finland in a bid to achieve the 2050 target. Finland imports less energy and invests in research and innovation on a wider scale as compared to the EU in general. Member states of the EU have strategies developed to help them meet the 2030

¹⁵ Lindholm, A., *Finland in EU Environmental Policy*, 2002.

¹⁶ European Commission, *Assessment of Climate Change Policies in the Context of the European Semester*, 2012-2014.

¹⁷ Jääskeläinen, J.J., Höysniemi, S., Syri, S., Tynkkynen, V-P., *Finland's Dependence on Russian Energy – Mutually Beneficial Trade Relations or an Energy Security Threat?* 2018.

¹⁸ European Commission, *Focus on Finland: the Energy Union tour*, 2017.

energy target.¹⁹ After targets are set, individual countries set out to prepare individual national plans for the European Commission and follow up on the planning processes set up by the commission. The EU has a minimum climate policy target for Finland. This means that although Finland can create individual energy policies, the EU ensures it regulates the bare minimum of the same.

CONCLUSION

The European Union has a mandate to guide and create policies for its member states. At the same time, the EU is restricted by the UN and international law on the extent of its actions among member states and neighbouring regions. The major concerns of the EU in external relations include negotiating trade agreements, health, energy, climate, and environmental issues. While the EU plays an active role in legislation and policies regarding the environment, climate, energy, and trade issues, its powers are limited in matters relating to health. Health policies within the member states of the EU often have a political tag and are left to national legislators. Although the EU still influences health policies by extension, the major decisions are made by the governments of individual countries. There have been calls to streamline the same, but member states are hesitant about relinquishing their powers in health legislation, hence the policies remain enacted at national level. The major concern of EU for its member states is economic stability, hence its role in trade negotiations. The EU negotiates trade agreements for member states to increase their access to international markets and grow their economies. The EU aims to promote open and free trade, and this is why the member states enjoy Free Trade Agreements where they can move their goods and services freely across the member states. Although Finland has not reached its target for international trade, the FTAs signed by the EU give it the necessary boost to rise to the standards. Both Finland and the EU have a target to achieve neutral climate, reduce emissions, and increase energy efficiency by 2050. Both have strategies and policies in place to ensure they attain the set targets as part of the EU's responsibility towards the environment, energy, and climate agenda. While Finland may act independently in formulating some policies, the country highly relies on the input of the EU in aligning its policies. Being a member of the EU, the country would want to be in agreement with the other member states for a holistic approach towards integration. Finland may have joined the EU late, but it has quickly adjusted and is making strides towards achieving the agenda set forth by the EU. With proper support and leadership, the country will most likely propel the EU towards achieving its vision.

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¹⁹ Toivanen, P., Lehtonen, P., Aalto, P., Björkqvist, T., Järventausta, P., Kilpeläinen, S., Kojo, M., Mylläri, F., *Finland's energy system for 2030 as envisaged by expert stakeholders*, 2017.

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