

## Grand Committee

### Government Report on EU Policy

#### INTRODUCTION

##### *Pendency*

Government Report on EU Policy (VNS 7/2020 vp): The matter has arrived at the Grand Committee for the purpose of passing a committee report.

##### *Opinions*

The following opinions have been delivered:

- Foreign Affairs Committee UaVL 4/2021 vp
- Finance Committee VaVL 4/2021 vp
- Administration Committee HaVL 21/2021 vp
- Legal Affairs Committee LaVL 6/2021 vp
- Transport and Communications Committee LiVL 14/2021 vp
- Agriculture and Forestry Committee MmVL 9/2021 vp
- Defence Committee PuVL 3/2021 vp
- Education and Culture Committee SiVL 6/2021 vp
- Social Affairs and Health Committee StVL 11/2021 vp
- Commerce Committee TaVL 19/2021 vp
- Employment and Equality Committee TyVL 6/2021 vp
- Environment Committee YmVL 9/2021 vp.

In addition, the Grand Committee has received notifications from the Constitutional Law Committee (PeVP 13/2021 vp, 26/02/2021), Audit Committee (TrVP 14/2021 vp, 18/05/2021), Intelligence Oversight Committee (TiVP 4/2021 vp, 09/04/2021) and Committee for the Future (TuVP 5/2021 vp, 05/05/2021) stating that these committees have decided not to take action on the matter.

##### *Experts*

The Committee has heard the following experts:

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| - Minister Tytti Tuppurainen  |       |           |
| - Minister Thomas Blomqvist   |       |           |
| - Minister                    | Tuula | Haatainen |
| Minister                      | Pekka | Haavisto  |
| Minister                      | Timo  | Harakka   |
| Minister Anna-Maja Henriksson |       |           |

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- Minister Krista Kiuru
- Minister Antti Kurvinen
- Minister Mika Lintilä
- Minister Jari Leppä
- Minister Krista Mikkonen
- Minister Maria Ohisalo
- Minister Aino-Kaisa Pekonen
- Minister Annika Saarikko
- Minister Jussi Saramo
- Minister Ville Skinnari
- Minister Matti Vanhanen
- Satu Keskinen, Head of Unit, Prime Minister's Office
- Johannes Leppo, Senior Ministerial Adviser, Legislative Affairs, Prime Minister's Office
- Heli Siivola, Senior Specialist for EU Affairs, Prime Minister's Office
- Harry Jansson, Deputy Head of the Government, Government of Åland
- Anna-Lena Sjöberg, Legal Adviser, Government of Åland
- Jukka Maarianvaara, Ombudsman for Equality
- Matleena Kniivilä, Research Manager, Natural Resources Institute Finland
- Jyrki Niemi, Research Professor, Natural Resources Institute Finland
- Mari Pantsar, Director, Finnish Innovation Fund Sitra
- Maria Vaalavuo, Research Manager, Finnish Institute for Health and Welfare
- Suvi Rasimus, Head of Centre of Expertise for International Affairs, Social Insurance Institution of Finland
- Samu Seitsalo, Director, Finnish National Agency for Education
- Markku Ollikainen, Chairperson, Finnish Climate Panel 2020–2023
- Liisa Kulmala, Senior Researcher, Finnish Nature Panel
- Mikael Hildén, Professor, Finnish Environment Institute
- Leena Sarvaranta, Vice President, EU Affairs, VTT Technical Research Centre of Finland
- Markus Lahtinen, CEO, Pellervo Economic Research PTT
- Ilkka Kiema, Chief of Forecasting, Labour Institute for Economic Research
- Teija Tiilikainen, Director, European Centre of Excellence for Countering Hybrid Threats
- Mika Aaltola, Director, Finnish Institute of International Affairs
- Pekka Ristelä, Head of International Affairs, Central Organisation of Finnish Trade Unions (SAK)
- Maria Häggman, Head of International Affairs, Finnish Confederation of Professionals (STTK)
- Markus Penttinen, Head of International Affairs, Confederation of Unions for Professional and Managerial Staff in Finland (Akava)
- Janica Ylikarjula, Chief Policy Adviser, Confederation of Finnish Industries (EK)
- Lauri Kajanoja, Advisor to the Board, Bank of Finland
- Mika Kuismanen, Chief Economist, Federation of Finnish Enterprises
- Jussi Ahokas, Chief Economist, SOSTE Finnish Federation for Social Affairs and Health
- Ulla Karvo, Director, Association of Finnish Local and Regional Authorities
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- Annukka Mäkinen, Development Manager, Association of Finnish Local and Regional Authorities
- Timo Vesala, Chief Economist, Municipality Finance Plc
- Veli-Matti Mattila, Director, Chief Economist, Finance Finland
- Timo Vuori, Director, Finland Chamber of Commerce
- Ahti Fagerblom, Manager, Energy and Climate Policy, Finnish Forest Industries Federation
- Akseli Koskela, Head of EU Policy, Technology Industries of Finland
- Tapani Veistola, Head of Environmental Policy Unit, Finnish Association for Nature Conservation
- Jussi Nikula, Conservation Advisor, WWF Finland
- Tanja Risikko, Executive Director, Universities Finland UNIFI
- Professor Hiski Haukkala
- Emilia Korkea-aho, Associate Professor of European Law and Legislative Studies
- Professor Päivi Leino-Sandberg
- Professor Elina Pirjatanniemi
- Professor Emeritus Matti Virén
- Professor of Practice Vesa Vihriälä
- Professor of Practice Martti Hetemäki
- Timo Miettinen, Acting Director of the Centre for European Studies
- Peter Nyberg, Doctor of Social Science
- Sixten Korkman, Doctor of Social Science
- Tuomas Malinen, Adjunct Professor of Economics
- Antti Ronkainen, doctoral student, University of Helsinki
- Jan von Gerich, Chief Analyst, Nordea

The Committee has received a written opinion from:

- Government of Åland
- MEP Alviina Alametsä
- MEP Laura Huhtasaari
- MEP Sirpa Pietikäinen
- MEP Henna Virkkunen
- Anna Quarshie, post-doctoral researcher, LUT University
- Simo Tiainen, Director, Central Union of Agricultural Producers and Forest Owners MTK
- Eurooppanuoret
- The Union of Upper Secondary School Students in Finland
- The Finnish National Youth Council Allianssi
- University of Applied Sciences Students in Finland – SAMOK
- Professor Janne Salminen
- Professor Tuomas Ojanen
- Professor Juha Raitio
- Professor Jukka Snell
- Professor Kaarlo Tuori

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The Committee has received the notification ‘no comments’ from:

- Human Rights Centre
- Ombudsman for Equality
- VATT Institute for Economic Research
- ETLA Economic Research
- Professor Jarno Linnéll

The Working Section of the Grand Committee has consulted:

Commissioner Jutta Urpilainen, European Commission

Marja Rislakki, Permanent Representative of Finland to the European Union, Ministry for Foreign Affairs

Minna Kivimäki, Deputy Permanent Representative of Finland to the European Union, Ministry for Foreign Affairs

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Director-General Timo Pesonen, European Commission

### *References*

This report has been prepared by the Working Section of the Grand Committee.

In addition to report VNS 7/2020 vp, the Grand Committee has taken into account the following government reports: E 3/2020 vp, EJ 1/2021 vp and EJ 5/2021 vp on the Conference on the Future of Europe; E 119/2020 vp on the EU Security Union Strategy; E 130/2020 vp on strategic foresight; E 152/2020 vp on the European Health Union and the Pharmaceutical Strategy for Europe; E 6/2021 vp on the intellectual property action plan; E 12/2021 vp on the European democracy action plan; E 13/2021 vp on the development of the Schengen area; E 15/2021 vp on the Counter-Terrorism Agenda for the EU; E 18/2021 vp on the Union of Equality; E 31/2021 vp on the review of the EU trade policy; E 14/2021 vp on strengthening the application of the Charter of Fundamental Rights; E 34/2021 vp on deepening the banking union; E 47/2021 vp on adapting to climate change; E 48/2021 vp on an approach to digitalisation; E 64/2021 vp on better regulation; E 68/2021 vp on rules-based multilateralism; E 86/2021 vp on the EU Data Act; and E 87/2021 vp on a strategy for the Schengen area.

The following previous opinions of the Grand Committee have been taken into account: SuVM 1/2009 vp, SuVM 1/2014 vp, SuVL 10/2011 vp, SuVL 1/2012 vp, SuVL 1/2013 vp, SuVL 3/2016 vp, SuVL 2/2017 vp, SuVL 9/2017 vp, SuVL 1/2018 vp, SuVL 11/2018 vp, SuVL 1/2019 vp, SuVL 2/2019 vp, SuVL 3/2020 vp, SuVL 4/2020 vp, SuVL 6/2020 vp, SuVL 8/2020 vp, SuVL 9/2020 vp, SuVL 1/2021 vp, SuVL 2/2021 vp.

At the meeting of 23 April 2021, the Grand Committee heard the following Finnish MEPs:

- Heidi Hautala
- Eero Heinäluoma
- Laura Huhtasaari
- Elsi Katainen
- Miapetra Kumpula-Natri
- Silvia Modig
- Ville Niinistö
- Mauri Pekkarinen
- Sirpa Pietikäinen
- Nils Torvalds
- Henna Virkkunen.

On 9 June 2021, the Grand Committee organised a joint seminar with the Constitutional Law Committee on the constitutional and EU law aspects of EU decision-making by Parliament and the Government. The following experts were heard in the seminar: Professor Tuomas Oja, Professor Janne Salmi, Professor Juha Raitio, Professor Jukka Snell, and Professor Emeritus Kaarlo Tuoria.

On 27 August 2021, the Grand Committee organised a public event with the Turku Europe Forum on the Conference on the Future of Europe, where members of the Parliamentary Delegation to the Conference, Eveliina Heinäluoma, Jani Mäkelä, Elina Valtonen, and Jouni Ovaska, were

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heard. Ninni Norra, the Finnish citizen representative to the Conference on the Future of Europe, was also heard.

### THE COMMITTEE'S RATIONALE

#### *1 INTRODUCTION*

(1) The Government has issued to Parliament the report 'Strong and united EU – towards a more sustainable European Union', which outlines the main multiannual guidelines for the development of the EU and Finland's role in the EU, including Finland's participation in the Conference on the Future of Europe. The report is based on the EU policy priorities set forth in the Government Programme. The main theme is enhancing the EU's ability to act and its crisis resilience. The report links the EU's action to global issues, the most important of which are the changing relations between the major powers, the fight against climate change, and the achievement of the UN Sustainable Development Goals (2030 Agenda). Finland strives for a socially, economically and ecologically sustainable EU, which is the most competitive climate-neutral economy in the world.

#### *1 The importance of the EU policy report*

(2) The Grand Committee welcomes the fact that the Government has returned to the practice of issuing the EU policy report every parliamentary term.<sup>1</sup> It considers it important that Parliament has the opportunity to discuss Finland's EU policy as a whole once every parliamentary term. The Grand Committee reiterates its assessment (SuVM 1/2014 vp) that the most appropriate time for the EU policy report is the first half of the government term before the transition to the new EU institutional cycle, which begins after the European Parliament elections, or whenever significant changes occur in the functioning of the EU. The Grand Committee notes that by adopting the Grand Committee's report on the EU policy report, Parliament will set out the multiannual strategic objectives of Finland's EU policy. The Grand Committee's report guides Finland's EU policy by prioritising issues. It also provides Finland's European partners with information on Finnish EU policy and strengthens the dialogue between the Government and Parliament on EU matters. The Grand Committee agrees with the assessment of the Legal Affairs Committee (LaVL 6/2021 vp) that the positions set out in the EU policy report should be supplemented, where necessary, by sector- and project-specific annual EU policy strategies, which are presented to Parliament in the form of E communications in accordance with section 97 of the Finnish Constitution. It is essential that Parliament's ability to actively steer Finland's EU policy is maintained under all circumstances.

#### *2 Relationship with the Conference on the Future of Europe*

(3) The Grand Committee considers it justified that the report is linked to the Conference on the Future of Europe, which was launched in spring 2021 to discuss Europe's priorities. The key objective of the Conference is to hear citizens' views on issues such as health, climate change

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<sup>1</sup> The previous EU policy report was presented to Parliament in 2013. In the 2015–2019 parliamentary term, Parliament discussed key projects for Finland's EU policy on the basis of annual EU policy strategies submitted as E communications in accordance with section 97 of the Constitution.

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and other environmental challenges, the economy, strengthening social justice and jobs, equality, solidarity between generations, digital transition, common values and the rule of law, migration and security, and education, culture, youth and sport. The conclusions of the Conference will be reported in spring 2022 during the French Presidency. The Grand Committee notes that the Conference will provide a good opportunity to strengthen public debate on the EU and to increase the involvement of citizens in EU policies. The Grand Committee considers it important that the Government actively participates in the debate on the future of the EU and contributes to the citizen-centred approach of the Conference. This is also the duty of Parliament.

(4) The positions presented by the Grand Committee in this report are part of the formulation of national positions for the Conference on the Future of Europe. In future, the Grand Committee will take a position on issues raised at the Conference primarily in accordance with the procedures set out in sections 96 and 97 of the Constitution. The Grand Committee notes that it will also participate in the activities of the Conference within the framework of the Conference of Parliamentary Committees for Union Affairs of Parliaments of the European Union (COSAC). In addition, the members of the parliamentary delegation appointed to the Conference are obliged to hold discussions with the Grand Committee or its section before and after the plenary sessions of the Conference (PmNP 55/2021 vp, 28/05/2021).

### ***3 Position of the Government of Åland***

(5) The Grand Committee has heard the Government of the Åland on the EU policy report and has received a written opinion on the matter. The Government of the Åland considers that the report covers a number of issues that are important to Åland. The Government of Åland draws attention to the fact that in the implementation of EU programmes and the use of funds, it should be ensured that they can also be used effectively in small autonomous regions such as Åland. As regards the Conference on the Future of Europe, the Government of Åland considers that the plenary session of the Conference should also include representation from all regional parliaments that implement EU legislation. In addition, the question of Åland's own representative in the European Parliament should be revisited in the context of a possible reform of the EU Electoral Act. Åland considers a separate representative necessary so that it can safeguard its interests.

(6) The Grand Committee considers it important that Åland is extensively heard on the development of the EU, that its constitutional position is taken into account, and that Åland's opportunities to contribute to the implementation of Finnish EU policy are otherwise safeguarded so that Åland can express its views at an early stage of the national drafting. The Grand Committee notes that, in the absence of uniform European electoral rules, the electoral constituency for Members of the European Parliament elected from Finland is regulated nationally in the Election Act (714/1998) and that matters related to amending the national legislation are outside the remit of the Grand Committee.

### ***4 Structure of the report***

(7) In this report, the Grand Committee focuses on the assessment of the national EU policy objectives outlined in the EU policy report (Chapter V). First, however, the Committee discusses the significance of Finland's EU membership and its development (Chapter II), as well as the external situation and internal EU trends which have been the starting point for this report

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(Chapters III and IV, respectively). Finally, the Grand Committee examines Finland's EU policy (Chapter VI) and the role of Parliament in outlining Finland's EU policy (Chapter VII).

### ***II FINLAND AS A MEMBER OF THE EUROPEAN UNION***

(8) The Grand Committee shares the Government's view that EU membership has anchored Finland in the European value community to which Finland belongs by virtue of its social structure, historical tradition and values, and has reinforced our place as part of the globally acting Union.

#### ***1 The basis for the membership***

(9) The Grand Committee believes that EU membership is the most important political decision in terms of Finland's international position. The priorities for the European integration are the promotion of international peace and cooperation and closer ties between the peoples of Europe (government proposal 135/1994 vp on Finland's accession to the European Union). The EU is a peace project and a community of values, whose fundamental values include democracy, human rights and the rule of law.

(10) The Grand Committee notes that EU membership is enshrined in the Finnish Constitution and constitutional foundations as one of the fundamental provisions. According to section 1 of the Constitution, Finland is a sovereign republic that participates in international cooperation for the protection of peace and human rights and for the development of society and is a Member State of the European Union. Expert hearings have highlighted that Finland's EU membership has become a well-established basis for interpretation of the Constitution. This applies in particular to the interpretation of Finland's sovereignty. For Finland, EU membership is an important and established form of cooperation between states. The Constitutional Law Committee has described the significance of EU membership in terms of sovereignty by stating that as an EU Member State, Finland exercises part of its sovereignty together with other sovereign Member States for the benefit of European cooperation (PeVL 14/1994 vp, PeVL 36/2006 vp, PeVL 9/2006 vp, PeVL 38/2001 vp, PeVL 13/2008 vp). Through EU membership, Finland made the decision to handle some of Finland's affairs through different forms of EU cooperation, in solidarity to promote jointly agreed objectives, and respecting the principle of sincere cooperation under Article 4(3) of the Treaty on European Union (TEU).

#### ***2 The importance of the membership***

(11) The Grand Committee reiterates its long-standing view (SuVM 1/2009 vp, SuVM 1/2014 vp) that for Finland, as for other Member States, the EU is an important level of cooperation and a provider of prosperity, stability and security. The EU plays a key role in Finland's economy, security and trade policy.

(12) The Grand Committee notes that being an open society and a small economy dependent on exports and investments, Finland has always had to adapt to developments outside its borders by adjusting its operations. Of the options available, no other arrangement than EU membership can offer Finland equally effective ways of safeguarding national interests, organising relations with the surrounding world, and developing European cooperation. EU membership enables Finland to promote its positions and to participate in negotiations which would in any case affect Finland,

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either directly or indirectly. As an EU member, Finland has more influence and better access to information, also on international matters. The EU is one of the largest economies in the world and a major global player and therefore has more leverage to influence global issues or to safeguard common interests than any individual Member State. The EU is also a security policy community that promotes comprehensive security. It is in Finland's best interest to be part of the EU in order to strengthen this security.

(13) The Grand Committee considers that the basis for Finland's EU membership is closely linked to the overall benefits it brings to Finland. These benefits cannot be assessed based on the net contribution to the EU budget but rather on the performance of the real economy and, more broadly, on the public goods provided by EU membership that cannot be produced as effectively through national measures or spending (SuVM 1/2009 vp, SuVM 1/2014 vp, SuVL 3/2016 vp, SuVL 2/2017 vp, SuVL 9/2017 vp, SuVL 6/2020 vp, SuVL 8/2020 vp).

(14) The Grand Committee considers that EU membership has enhanced Finland's standard of living and the wellbeing of its citizens and has supported the growth of the Finnish economy in a way that exceeds the costs of the membership. As a member of the EU, Finland benefits from access to an internal market with more than 500 million consumers, as well as from the removal of barriers to trade and investment between Member States. Around 60% of our exports go to EU countries, and the economies of Finland and other Member States are closely interlinked through value and supply chains. The EU also looks after our trade policy interests. Through a well-functioning internal market and a common trade policy, the EU brings stability to Finland by increasing our GDP by EUR 16–47 billion a year and our total trade by 9%–26% (government proposal 260/2020 vp on the adoption of Council Decision (EU, Euratom) 2020/2053 on the system of own resources). Uniform regulation at EU level also ensures a stable operating environment and a more level playing field for EU citizens, traders, public authorities and others, rather than separate national legislations and international trade and cooperation agreements.

(15) For Finns, EU membership has also meant low interest rates and the freedom to travel and work as EU citizens, and to study in the EU through the Erasmus programme, as well as significant funding for national research and innovation projects. Through the EU's Copernicus Earth observation programme, Finland has also gained independent access to strategic geospatial data, which is used to support various national and regional policies.

### ***3 The integration process***

(16) The Grand Committee notes that Finland and the EU are in many ways different today than they were at the beginning of Finnish membership. The application for membership in 1992 coincided with the deepest recession in Finnish history. Today, Finland is one of the most prosperous countries in the EU and one of the net contributors to the EU budget. The EU, on the other hand, has become a more integrated community in several sectors. This development has not been independent of Finland: as an EU Member State, Finland has been actively involved in decision-making concerning the EU. Throughout Finnish membership of the EU, the Finnish Parliament has played a key role in defining Finland's objectives, as required by the Constitution. Finland is represented in the EU by the Government, which is responsible to Parliament. In this, the activities of the Grand Committee have also played a key role.

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(17) ***Institutional changes.*** Until the entry into force of the Treaty of Lisbon in 2009, the first 15 years of Finland's EU membership, saw a series of reforms in the EU decision-making and institutional structures. The decision to make the Charter of Fundamental Rights of the European Union legally binding, the strengthening of the role of the European Parliament, the establishment of the common European External Action Service, the increase in qualified majority voting, and the extension of the EU's scope of activities can be seen as mainly meeting Finland's objectives. The Treaty of Lisbon also strengthened the role of the European Council, composed of the heads of state and government of the Member States, in setting the strategic guidelines for EU policy.

(18) ***Accession to the Schengen area.*** Finland signed the Schengen Accession Agreement in December 1996 and started applying the Schengen acquis in March 2001. The Schengen acquis, which has since been integrated into the EU Treaties, allows people to cross the borders of Schengen states without being checked at land borders, airports and ports.

(19) ***The single currency.*** Finland was one of the first countries to join stage three of the Economic and Monetary Union (EMU) on 1 January 1999, when the exchange rates between participating countries were fixed. The single currency, the euro, was introduced in Finland in 2002. Today, the euro is the official currency of 19 EU Member States. It is the second most widely used currency in the world. Some 340 million people use it every day.

(20) ***Managing the economic crisis.*** After the global financial crisis in 2009–2010 led to a banking and debt crisis in the euro area and the instruments available in the EMU proved inadequate to solve the problems, the EU developed mechanisms to support the economic policy coordination of Member States and the financial stability of the euro area (notably the European Stability Mechanism, ESM). The development of a banking union based on bail-in mechanisms and a related capital markets union is still under way. The objective of the development of a banking union and the capital markets is to strengthen bank supervision and crisis management, to separate the problems of the banking sector and the public sector in individual countries, to create a common deposit guarantee scheme, and to improve access to capital. The European Central Bank (ECB) has supported all these measures through its independent financial market operations and other activities. The crisis resolution measures have been seen as successful in supporting the stability of the euro area, but they have exposed divisions between Member States and have had negative social spill-over effects across Member States.

(21) ***The UK's departure from the EU.*** During Finland's membership, the EU enlarged to 28 Member States. There are now 27 Member States after the UK left the EU on 31 January 2020. The Withdrawal Agreement and the Trade and Cooperation Agreement, which entered into force in May 2021, will define the new relationship between the EU and the UK. The relationship is much more distant than it was when the UK was a member of the EU. Member States showed unanimity in the exit negotiations: the benefits of EU membership are not available to outsiders. However, not all issues concerning the withdrawal have yet been resolved, and it is expected that further negotiations will continue long into the future. The Grand Committee agrees with the assessment expressed in the expert hearing that the UK's departure from the EU was not favourable to Finland's interests. The UK's withdrawal weakened the EU's security and defence policy strengths. Finland also lost one of its key partners in internal market and trade policy, which has increased the need for more active engagement with new partner countries.

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(22) *The recovery package.* The European Recovery Instrument and the related legislation were negotiated in the summer of 2020 in a context where the COVID-19 pandemic had driven the economy into a global recession. No similar arrangement has been implemented in the EU before. In the expert hearings, the recovery package and the related EU multiannual financial framework was seen as an expression of solidarity between Member States and a demonstration of innovation ability and willingness to strengthen the EU in the midst of a severe crisis. In addition, expert hearings have estimated that plans for a recovery instrument alone have helped several Member States to implement more extensive support measures with national debt money that would not have been possible with central bank support alone. Failure to take joint action could have led to greater instability of the EU economy. The risk of a financial market crisis was obvious. Expert hearings have also seen that the recovery package will support the economic recovery of the EU area by accelerating the transition to a new era in which the EU's economic development and competitiveness will be based on green sustainable growth and the digital economy. If the funding offered by the recovery package is used effectively to modernise the economy and is accompanied by other reforms, the prospects of the countries benefitting from the funding could improve significantly.

### **III SITUATIONAL PICTURE**

(23) The Grand Committee considers the Government's approach of linking Finland's EU policy objectives to wider issues than internal EU development to be justified. The EU's short- and medium-term measures should be based on a longer-term perspective and a strategic and fact-based analysis (TuVL 3/2021 vp – E 130/2020 vp). The EU must also be able to meet the challenges of the future.

#### **1 Climate change and loss of biodiversity**

(24) The international scientific community (the Intergovernmental Panel on Climate Change, IPCC, and the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, IPBES) stresses the urgency and necessity of international climate action and ecosystem restoration. According to the IPCC, global warming is already well-advanced and is intensifying more rapidly than projected. Furthermore, global CO<sub>2</sub> emissions must reach zero around 2050, while for other greenhouse gases, achieving neutrality can wait a while longer but should happen as soon as possible during this century. The climate has warmed by an average of just over one degree Celsius since pre-industrial times, but the Arctic region is warming twice as fast. According to scientists at the Finnish Meteorological Institute, Finland is one of the fastest warming regions in the world. Changes in temperature due to climate change cause a negative chain reaction in the functioning of different natural systems. Loss of biodiversity and climate change are closely linked: as one deteriorates, so does the other. Loss of biodiversity and pollution have irreversible adverse effects on food security, access to clean water, health, and quality of life. Rising temperatures, intensifying weather events, and loss of biodiversity also cause huge economic costs to the EU. The World Economic Forum ranks climate change and loss of biodiversity among the most serious risks to humanity. These changes affect economic structures, international trade and production chains, making economic forecasting difficult.

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### *2 The security environment*

(25) Expert hearings have stated that international politics and the global economy are undergoing an extensive change that is undermining the multilateral and rules-based international order and tightening the security situation. The destabilisation of the operating environment is influenced especially by the intensifying geo-economic competition and geopolitical conflicts between the major powers, as well as the fragmentation of power politics. At the centre of power politics is the competition between the US and China for global political and economic leadership, which forces the EU to rethink its positioning in relation to the major powers. The focus of the US foreign and security policy is on China and more broadly on Asia, although the Biden administration aims to intensify transatlantic trade relations with the EU. China's objective, on the other hand, is to increase its political influence and set the rules of cooperation in line with its own interests through intensive global investment and lending. This has weakened the EU's global influence. At the same time, relations between the EU and Russia have deteriorated and China and Russia have become closer in some areas. China is both a partner and a competitor for the EU. The EU has not kept pace with China and the US, but is lagging behind them in the development of certain technologies and in technological competitiveness.

(26) The role of the EU is also challenged by terrorism, cyber threats, and increasing hybrid influencing, including using migration as a means of applying pressure on the EU and its Member States. The uneven distribution of the benefits of globalisation, societal instability, and conflicts in North Africa, the Middle East, and Eastern Europe, including Ukraine, as well as in Afghanistan following the Taliban's return to power in August 2021, are further destabilising the situation. The rapid escalation of the situation in Afghanistan following the quick and almost unilateral US withdrawal took EU countries by surprise, and the European concerted response to manage the situation was insufficient.

### *3 COVID-19 pandemic*

(27) The COVID-19 pandemic continues to have significant health, economic and social impacts in the EU and globally. It has increased social instability, economic and social inequalities, and poverty. The uneven distribution of vaccines between countries and continents has also been a problem. In some countries, the pandemic has also had a negative impact on internal stability and security, human rights, democratisation, and gender equality. The negative economic effects of the pandemic have been wide-ranging. According to the IMF, the COVID-19 pandemic has been the worst hit to the global economy since the Great Depression of the 1930s. The recovery has been uneven in the EU, but all Member States' economies are projected to return to pre-crisis levels in 2022. According to the latest estimates, the recovery in the euro area has continued to be strong. According to the OECD, Finland is among those countries that are recovering more rapidly from the COVID-19 crisis.

(28) The pandemic has boosted digitalisation and the use of new technologies in the EU. At the same time, it has highlighted vulnerabilities in the EU's digital environment, such as the dependence on technologies developed outside Europe or the negative impacts of the spread of disinformation on democratic societies. The pandemic has also disrupted global supply chains, for example, the availability of medicines, medical devices, microchips and semiconductors, and highlighted the need to diversify supply chains and strengthen strategic production capacities and

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strategic stocks. Restrictive measures introduced at the EU's internal and external borders on the grounds of health security have also caused serious disruptions to the functioning of the internal market and the Schengen area.

### ***4 Migration***

(29) Migration continues to be a globally significant and multidimensional phenomenon, involving issues concerning the wellbeing and security of individuals and societies. Some migration is regulated and predictable and meets the needs of the destination country, which can have a positive impact on the situation and development of both the country of origin and the country of destination. For example, immigration of skilled labour can contribute to maintaining the total dependency ratio in ageing societies. Some migration, on the other hand, is unregulated migration resulting from exceptional circumstances and can create instability within and between countries. The key challenges and crises discussed above, such as climate change, instability and conflicts, inequality, poverty, and human rights violations and persecution, all have an impact on migration. The number of refugees in the world is higher than ever before and humanitarian needs are growing rapidly. Expert hearings have estimated that the recent developments in Afghanistan and the deteriorating security situation are also likely to have an impact on migration to Europe.

## ***IV DEVELOPMENTS IN THE UNION***

(30) The Grand Committee agrees with the Government's view that the actual power relations and working methods of the EU institutions have been constantly changing since the entry into force of the Treaty of Lisbon. The Grand Committee notes that these changes should be taken into account in the strategic planning of national EU policies. The EU must also be able to respond to the needs and expectations of its citizens.

### ***1 European Council***

(31) The Grand Committee agrees with the assessment expressed in the expert hearing that the Treaty of Lisbon and the crisis resolution measures discussed above have highlighted the role and importance of the European Council as the EU's main centre of power and as the guiding force of EU policy. While the importance of German-French cooperation cannot be underestimated, building compromises among all Member States remains at the heart of decision-making. The European Council operates largely on the basis of the principles of consensual decision-making. As a result, individual countries, including Finland, play a key role in decision-making. This is seen to have increased the intergovernmental nature of the EU, rather than the Community method, which is based on the European Commission's right of initiative. Expert hearings have estimated that the increased role of the European Council has enhanced the EU's decision-making in situations where the coordination of national positions would not have progressed without negotiations between the heads of state or government. At the same time, increased intergovernmentalism has also increased unpredictability because decisions taken within the EU framework are now more dependent on individual EU countries' domestic policy.

### ***2 Strategic European Commission***

(32) The European Commission, which has the task of representing the EU's interests independently, has responded to the increased role of the European Council by adapting its

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working methods. The European Commission has exercised its right of initiative more judiciously by focusing on the strategic issues which it estimates to be most relevant in terms of the implementation of its work programme and to offer the greatest added value compared to measures at national level. For example, European Commission President Ursula von der Leyen's State of the Union 2021 address in the European Parliament revealed that the green transition to a climate-neutral society and sustainable growth, the digital transformation, and the strengthening of the EU's crisis resilience and security and defence policy will be the focus of the European Commission's work as horizontal themes that cut across policy sectors.

### ***3 The role of the European Parliament***

(33) The European Parliament is fully exercising the powers conferred on it by the Treaty of Lisbon and is an increasingly important player in defining the content of EU legislation and driving forward the integration process. Expert hearings have underlined that after the 2019 European Parliament elections, the European Commission can no longer rely only on the support of the two largest groups in the Parliament, the EPP and the S&D, because the weight of other political groups has increased.

### ***4 Council of the European Union and the unity of the Member States***

(34) The Council of the European Union (i.e., the Council of Ministers), in which the Member States are represented by members of their governments, remains the EU's central decision-making body. It decides on EU legislation, usually under the ordinary legislative procedure, together with the European Parliament. Decision-making among Member States in the Council is generally straightforward across policy sectors. Qualified majority voting, which is the main form of decision-making, ensures that even difficult issues can be solved. However, there are challenges in coordinating Member States' positions, especially on migration and economic and climate issues, and not all initiatives are moving forward swiftly. The Grand Committee considers it worrying that some of the issues that divide Member States concern commitment to the EU's fundamental values, such as respect for human and fundamental rights, basic democratic principles, the rule of law, equality, and the treatment of minorities. In the expert hearing, it was stated that the EU's external action has not been consistent or value-based. The EU's ability to respond to external challenges has been hampered by the fact that decisions under the EU's common foreign and security policy (CFSP) have to be unanimous, which sometimes makes it difficult for the Council to reach consensus on certain issues. The assessment is that the unanimity requirement has increased the attempts by third countries to influence EU decision-making through individual Member States. There are also challenges in trade policy in the implementation of trade agreements, although the EU has a stronger institutional autonomy in trade policy due to its exclusive competence in this area.

### ***5 Expectations of EU citizens***

(35) According to Eurobarometer (2021), a majority of Europeans in all Member States want citizens' views to be taken more into account in decisions relating to the future of the EU. Europeans think that the EU's main assets are its respect for democracy, human rights, and the rule of law and its economic, industrial and trading power. Climate change is seen as the main global challenge for the future of the EU. Health and safety issues are also seen as priorities. EU citizens expect the EU to show leadership in addressing global challenges.

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### *V FINLAND'S EU POLICY OBJECTIVES*

(36) The Grand Committee notes that three aspects should be taken into account in the setting of national EU policy objectives: Finland's national interest, the European values and objectives that Finland wants to promote as a member of the EU, and how Finland wants the EU to influence global development. The Grand Committee considers the EU policy report to be successful in this respect but feels that it is necessary to deepen and broaden the national objectives in sections 1 to 14 below.

#### *1 Priorities*

(37) The Grand Committee notes that the EU should respond to the changing operating environment described in Chapter III by strengthening its strategic capacity, relying on its common values and promoting determinedly its objectives. A stable, credible, and internally and externally coherent EU that is capable of action is in Finland's best interest. The Grand Committee agrees with the Government's view that the EU must be developed, its capacity for action enhanced, and its unity fostered primarily within the framework of the existing provisions of the EU Treaties and by making full use of the opportunities provided by the Treaties. Ensuring equality between Member States and an inter-institutional balance remain key principles in the development of the EU. For a smaller Member State like Finland, it is an advantage that the European Commission will have a member from each Member State also in the future. Maintaining the role and discretion of the European Council in the selection of the President-designate of the European Commission is also important from the point of view of Finland's influence. The President of the European Council must enjoy the confidence of both the European Parliament and the Member States.

(38) The Grand Committee believes that the EU should focus on issues where cross-border cooperation between EU Member States brings added value compared to national measures. EU action is also limited by the principles of subsidiarity and proportionality: the EU should not take action in issues that can be more effectively addressed at Member State level, and EU action should not go beyond what is necessary to achieve the objectives of the EU Treaties. The Grand Committee further believes that the EU should build on its own strengths, such as its open internal market, rules-based and responsible trade policy, and leading role in climate action. The EU also needs to strengthen its own crisis resilience, including its strategic autonomy, i.e., the EU's ability to manage interdependencies with third countries. The Grand Committee supports the strengthening of the EU's strategic autonomy horizontally in the various EU policy sectors, provided that the implementation will not lead to protectionism and does not jeopardise the functioning of the open internal market. The objective of strategic autonomy should be a cooperative and rule-based EU that is also capable of independent action in crisis situations. It is a parallel objective to the integration process and the internal market project, the goal of which is to make the EU a strong global player capable of meeting international challenges and promoting stability and prosperity in a sustainable manner.

#### *2 Value base*

(39) The Grand Committee considers that the effectiveness and acceptability of EU action is based on the common values of freedom, democracy, the rule of law, equality, and respect for human dignity and fundamental and human rights, as set out in Article 2 of the Treaty on

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European Union (TEU). The Grand Committee notes that the actions of the EU and the Member States must be in accordance with these basic values. Failure to comply with them increases the vulnerability of European societies and the EU and undermines the EU's credibility and influence as a global player. The Grand Committee stresses that Finland should actively strengthen the implementation of these values in EU action.

(40) **Democracy and transparency.** The Grand Committee notes that the EU is based on representative and participatory democracy. Therefore, all EU citizens must have the right and the means to participate safely in the EU's democratic decision-making process. They must be guaranteed the opportunity to influence EU action through their own governments and national parliaments and also through the European Parliament. This dual representation structure (national and EU level) provides a strong basis for EU action. Like the Government, the Grand Committee does not consider it necessary to change the electoral procedure for selecting the European Parliament by allowing the use of transactional election lists. The acceptability of the European Parliament would increase if it adopted a single seat for its work. The Grand Committee also agrees with the Government's assessment that transparency of the EU's decision-making and legislative work strengthens democracy, increases citizens' trust, and fosters good governance. At the same time, attention should be paid to clear communication and high-quality administrative language. This helps to explain the rationale and practical implications of EU decisions to citizens and to combat disinformation. Good governance and transparency should be promoted through EU legislation where appropriate (HaVL 21/2021 vp).

(41) **The rule of law.** The Grand Committee considers, as stated in its opinion SuVL 1/2019 vp, that the rule of law is an essential basis for cooperation between the EU and its Member States. There can be no effective democratic rule of law without fundamental and human rights and, at the same time, the protection of fundamental and human rights requires democracy and the rule of law. Furthermore, without the rule of law, there are no guarantees that the EU Charter of Fundamental Rights or Finland's constitutional values and the foundations of the Finnish welfare society are effectively protected and safeguarded.

(42) The Grand Committee is concerned and serious about the violation or risk of violation of the rule of law in Member States, especially in Poland and Hungary. The negative development of the rule of law is undermining the foundation of values on which the EU was built. In addition, it jeopardises the mutual trust between EU Member States, which is a key prerequisite for ensuring freedom, security and justice in the EU, for example. The Grand Committee considers it essential that the EU is able to react in a timely and proportionate manner in situations where national mechanisms fail and threats to the rule of law become a reality. A comprehensive range of measures is required to strengthen and protect the rule of law. The new mechanism to protect the use of EU funds against violations of the rule of law should be fully utilised and implemented. The Grand Committee agrees with the Legal Affairs Committee (LaVL 6/2021 vp) in that the EU's efforts to combat corruption are also important. The Grand Committee notes that it is essential that all EU instruments and actions are complementary in strengthening the rule of law in different forums and policy sectors.

(43) **Fundamental and human rights.** The Grand Committee considers that the legally binding nature of the EU Charter of Fundamental Rights has significantly strengthened the role of fundamental rights in EU action and has enabled the Union legal order to become a compass for

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the protection of fundamental rights. The implementation of the Charter of Fundamental Rights should be further enhanced both at the EU and at national levels, with appropriate consequences for breaches of its provisions. To ensure the external credibility of the EU, it is essential that the EU's internal and external measures to promote fundamental rights are coherent and mutually reinforcing. The Grand Committee reiterates its view (SuVL 2/2019 vp) that internal challenges relating to fundamental rights, such as the protection of the Roma and other highly vulnerable groups, need to be addressed more effectively. The Grand Committee considers it important to strengthen the role of the European Union Agency for Fundamental Rights (FRA) in EU decision-making and to promote the EU's accession to the European Convention on Human Rights.

(44) **Equality and gender equality.** The Grand Committee shares the concerns raised in the EU policy report that questioning of gender equality and the rights of sexual and other minorities has increased. Finland and the EU should determinedly support efforts to address violations of rights at global and national level. The Grand Committee agrees with the Employment and Equality Committee's view (TyVL 6/2021 vp) that promoting gender equality is one of the key priorities in Finland's EU policy. The Employment and Equality Committee welcomes Finland's commitment to an active equality and gender equality policy and stresses that the promotion of gender equality should also cover issues related to gender diversity (TyVL 6/2021 vp). The Grand Committee considers it important to avoid discriminatory effects and their accumulation in different groups. Like the Employment and Equality Committee (TyVL 6/2021 vp), the Grand Committee supports the objective of the EU's accession to the Council of Europe Convention on Preventing and Combating Violence against Women and Domestic Violence ('the Istanbul Convention'). Attention must also be paid to the implementation of the EU Gender Equality Strategy and the strengthening of the European Institute for Gender Equality (EIGE). In addition, expert hearings have considered that the rights of people with disabilities and the provisions of the UN Convention on the Rights of Persons with Disabilities should be taken better into account in EU measures.

### 3 Effective decision-making

(45) The Grand Committee believes that it is essential for the EU's unity, capacity, and acceptability that the EU is able to take effective decisions and that what is agreed together is implemented. It is also important for the EU's global influence that the EU works effectively.

(46) **The Community method.** The Grand Committee agrees with the Government's assessment that the Community method, which is based on the European Commission's right of initiative and joint legislative work by the Council and the European Parliament, plays a key role in ensuring effective decision-making. The Community method must also be respected when the European Council deals with individual policy issues. Like the Government, the Grand Committee believes that the Community method is the best way to ensure the stable and fair operation of the Union and equality between Member States. A key element of the Community method is an independent and operational European Commission, which also monitors compliance with EU law in the Member States.

(47) **High-quality regulation.** The Grand Committee's established position (SuVL 1/2018 vp) is that clarity, proportionality, and consistency must be ensured in all EU regulation. Avoiding

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unnecessary administrative burdens is also important. All EU regulation must be based on sound scientific knowledge and thorough impact assessments.

(48) **Qualified majority voting.** As stated in the EU policy report, the Grand Committee believes that the EU institutions must be able to make decisions effectively. Therefore, it is necessary to make use of the possibilities for qualified majority voting already available to the Council of Ministers. However, the extension of qualified majority voting in the Council should always be examined on a case-by-case basis to ensure the promotion of common objectives. Transition to qualified majority voting in a certain area or in certain cases requires a unanimous decision by the European Council.

(49) The Finance Committee (VaVL 4/2021 vp) considers that the adoption of qualified majority voting can be considered in limited sets of issues to combat shadow economy, harmful tax competition, tax evasion and tax fraud, for example, as regards information exchange between the Member States and other administrative cooperation. However, as regards the harmonisation of tax legislation, the unanimity requirement should still be maintained because such harmonisation measures have a major impact on the budgetary sovereignty of Member States. The Grand Committee believes that there is a need for closer cooperation within the EU on taxation and ensuring its comprehensiveness, especially in those areas of taxation where EU-level decisions offer greater added value than decisions at national level alone. These include, for example, the prevention of tax evasion and the promotion of sustainable development.

(50) The Foreign Affairs Committee (UaVL 4/2021 vp) has stated that increasing the use of qualified majority voting and the principle of constructive abstention and delegating tasks of the High Representative to Member States' foreign ministers on a case-by-case basis can strengthen the effectiveness and credibility of the EU's common foreign and security policy (CFSP) and protect the EU from outside influence. The Foreign Affairs Committee considers it important that the EU should be better prepared for situations in which one Member State blocks the adoption of common EU positions. The Foreign Affairs Committee considers that the intensified competition between the major powers and the unstable external operating environment underline the need to increase the swiftness and credibility of the CFSP (UaVL 4/2021 vp).

(51) **The work of the European Court of Justice.** The Grand Committee stresses the importance of the Court of Justice and understanding its role in the unity and capacity of the EU. Expert hearings by the Grand Committee emphasised that only the Court of Justice can give binding rulings to Member States on the interpretation of EU law or on the compatibility of a decision with the EU Treaties. The Member States and the EU institutions are committed themselves to the Court of Justice having the ultimate power to resolve any uncertainties in interpretation. This is the only way to ensure that EU law is applied equally and effectively in all Member States. This system has proven its effectiveness over the decades, and its core principles have remained intact despite the changes made to the EU Treaties.

### **4 Twin transition as a growth strategy**

(52) The Grand Committee supports the Government's goal of a socially, economically and ecologically sustainable and fair EU that is committed to the implementation of the Paris Agreement and the UN Sustainable Development Goals (2030 Agenda). The EU can be built into

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the world's most competitive and socially inclusive climate-neutral economy that uses natural resources in an ecologically, economically and socially sustainable manner.

(53) The Grand Committee reiterates its view (SuVL 3/2020 vp) that the objective of a carbon-neutral society based on the EU's Green Deal must be the guiding principle in almost all EU policy sectors. The Grand Committee notes that the programme can help to respond to the climate challenge, enhance resource efficiency, create new jobs and growth that takes into account the sustainability of natural resources, and promote new innovative industries and investments. The Grand Committee believes that the transition to a low-carbon society should be achieved in a socially and regionally equitable manner. A just transition should be supported with EU funds, and it is also important to ensure regional and local conditions and the conditions for business, employment and primary production (YmVL 9/2021 vp, SuVL 3/2020 vp).

(54) The Grand Committee notes that the horizontal objective of ambitious development of digitalisation presented in the report is closely linked to the green transition. While the green transition supports economic restructuring and the building of a carbon-neutral welfare society, the digital transition should be seen as a key driver of competitiveness and growth in the EU. The digital transition should be promoted by investing in innovative technologies and digital skills. The aim must be that everyone has equal opportunity to take part in the digital transition.

(55) The Grand Committee stresses that all sectors of society and the economy have a role to play in achieving a green and digital transition. Policy coherence and regulatory stability and predictability are prerequisites for a successful twin transition. Actions should aim at technology neutrality, cost-efficiency, coherence and long-term sustainability, as well as at creating a favourable investment environment. In particular, it concerns aligning climate, environmental, agriculture, industrial and trade policies with innovation, research and education, and data and digital economy objectives in a way that supports the twin transition. Achieving the twin transition will also require comprehensive actions that renew economic structures. The recovery package will play an important role in these efforts.

(56) The Grand Committee considers that the EU policy report has well identified the changes required to implement the twin transition in the different policy sectors. These issues are discussed in more detail in sections 5 to 12 below.

### ***5 Climate-neutral EU***

(57) The Grand Committee believes that the objective of a climate-neutral EU by 2050 must guide all decision-making in the EU. Here, the principle of 'do no harm' is a key guideline. In order to respond to climate change, the EU must maintain its role as a leader in global climate policy and promote the objectives of the Paris Agreement, especially the goal of limiting global warming to 1.5 degrees Celsius. This requires ambitious and coherent policy action across all sectors of the economy. As the Environment Committee (YmVL 9/2021 vp) has highlighted, Finland is a bigger actor in this work than its size would suggest because our national target of carbon neutrality by 2035 is one of the most ambitious objectives set.

(58) ***The Fit for 55 package.*** The Grand Committee considers that the sections of the EU policy report and this report on a climate-neutral EU and the sustainable use of natural resources relate to issues covered in the Fit for 55 package, which was adopted by the European Commission in

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July 2021. The main objective of the package is to implement the obligations of EU climate regulations, and it includes a number of revisions and proposals concerning EU climate, energy and transport legislation. The Grand Committee will take a position on the proposals on the basis of the U and E communications concerning them. In general, the Grand Committee agrees with the Government that Finland's priority should be to achieve ambitious and cost-effective reductions in fossil emissions, especially in energy production. Overall, it is important that long-term climate measures are implemented so that the EU becomes carbon neutral before 2050 and that the 55% climate target for 2030 is achieved and can also be exceeded (E 97/2021 vp Fit for 55 package).

(59) **Emissions trading.** Emissions trading is one of the issues covered in the Fit for 55 package. The Grand Committee will discuss this separately in its opinion on the package. In general, the Grand Committee notes that it agrees with the Government's assessment that emissions trading is the most important tool in the promotion of low-carbon solutions. A uniform and sufficiently high price for emission rights is the most cost-effective way to achieve emission reduction targets (TaVL 19/2021 vp, LiVL 14/2021 vp). At the same time, it is necessary to ensure the competitiveness of European industry.

(60) **Renewable power sources and transport.** The Grand Committee agrees with the assessment made in the EU policy report that in order to reduce transport emissions, the EU should promote electrification and the production of sustainable alternative fuels and power sources. In addition, the distribution infrastructure for all modes of transport should be developed. The Transport and Communications Committee (LiVL 14/2021 vp) has estimated that the electrification of road transport is progressing in the case of passenger cars but the use of liquid fuels will continue in road freight, air and sea transport for a long time to come. It is important that the EU effectively promotes the use of renewable and synthetic fuels produced with renewable energy, especially in air and sea transport and heavy transport. It is also necessary to improve the availability of low-emission and emission-free vehicles and to increase the production and use of renewable fuels in air transport. Electric public transport, bicycle and pedestrian traffic, and rail transport should be promoted across the Union.

(61) Like the Government, the Grand Committee believes that the transition towards sustainable and smart transport is an important objective. As the Government highlights in the report, hydrogen may play a key role in the future, for example, in reducing the emissions of industrial processes and transport. The Grand Committee agrees with the view of the Transport and Communications Committee (LiVL 14/2021 vp) that the EU should promote the development of technologies that enable replacing fossil fuels and products with hydrogen produced from clean electricity or with synthetic fuels (known as Power-to-X solutions). EU-level action is also required to promote the European battery industry.

(62) **Leadership in cleantech.** Expert hearings have stated that the global market for clean solutions is growing at an increasing pace as emission-reducing technologies develop and prices fall. The transition to a climate-neutral society offers European industry many opportunities to develop a market for new clean technologies and products. The Grand Committee states that the EU must be able to exploit the transition to a climate-neutral economy as a central competitive factor that opens up business and export opportunities. This requires more substantial investment in research, development, and innovations than presently. Ensuring viable conditions for business

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is important because climate change cannot be tackled with public funds alone but also requires substantial private investment in low-carbon technologies. In addition to possible economic instruments, incentives such as subsidies for low-carbon investments may be required. The Grand Committee believes that low-carbon technologies will be a major competitive advantage for Finnish companies in the future. At the same time, the carbon handprint can be strengthened. The positive climate impact of Finnish export companies' solutions could be much larger than Finland's national carbon footprint because such solutions can help to reduce customers' emissions worldwide.

(63) **Adapting to climate change.** The Grand Committee believes that, along with climate change mitigation, the EU should invest in adapting to climate change by preparing for impacts that can no longer be prevented. Such measures, if implemented early enough, can reduce the adverse impacts and costs of climate change. Expert hearings have considered that adapting to climate change should have been more clearly discussed in the EU policy report. The Grand Committee considers it important that climate resilience and resilience building, as well as identifying vulnerabilities and improving the knowledge base, are consistently integrated into sectoral policies. All actions must be in line with the UN Sustainable Development Goals (2030 Agenda) and the Paris Agreement and take into account national diversity.

### 6 Sustainable use of natural resources

(64) In line with the Government report, the Grand Committee believes that Finland's EU policy should aim at an ecologically, economically, socially and culturally sustainable use of natural resources, which not only ensures the preservation of biodiversity but also those livelihoods depending on it. Ensuring ecological sustainability should be set as a common objective for all EU policy sectors.

(65) **Biodiversity.** Like the Government and the Environment Committee (YmVL 9/2021 vp), the Grand Committee believes that the conservation, restoration, and strengthening of Europe's natural capital should be a central part of EU action to achieve sustainable growth and increase the EU's crisis resilience. Biodiversity in Europe must be on the path towards sufficient recovery by 2030. The EU Biodiversity Strategy is an essential instrument in achieving this goal. The Grand Committee shares the view of the Environment Committee (YmVL 9/2021 vp) that a binding global agreement is required in addition to EU action. In the international regulatory environment, it is important to find ways to support both biodiversity conservation and climate change mitigation and adaptation.

(66) **The circular economy.** The Grand Committee agrees with the view of the Environment Committee (YmVL 9/2021 vp) that the EU needs to accelerate the transition to the circular economy because this not only strengthens climate change mitigation but also increases sustainable use of natural resources and reduces dependency on critical materials. In particular, the considerable possibilities provided by the circular economy in the field of construction should be better exploited.

(67) **Sustainable agriculture.** The Grand Committee agrees with the assessment of the Agriculture and Forestry Committee (MmVL 9/2021 vp) that agriculture and forestry have a central role in achieving the goals of the Green Deal. The common agricultural policy (CAP) should be based on improving the position of producers in the value chain and ensuring that food

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production remains profitable in the whole EU territory. The Environment Committee (YmVL 9/2021 vp) believes that CAP support schemes must ensure that farmers have the best conditions for adopting new, more ecological production methods. Policy measures must be targeted so that they have the greatest impact on the condition of the environment. The Agriculture and Forestry Committee (MmVL 9/2021 vp) has stressed the need to simplify support schemes, reduce administrative burdens, and strengthen the crisis resilience of food security and food supply chains when developing the EU's security of supply.

(68) Like the Agriculture and Forestry Committee (MmVL 9/2021 vp) and the Environment Committee (YmVL 9/2021 vp), the Grand Committee welcomes the fact that the EU is shifting from traditional policy focused on agricultural production and markets towards a food policy that covers the whole food chain. In this context, perspectives related to the income level and the position of food producers in the food product chain, to environmental and climate issues, food safety and health perspectives, as well as to the wellbeing of animals should be considered in a balanced manner. It is important that the EU food system is developed in a more sustainable direction. Reducing emissions from agriculture, increasing sustainable land use and carbon sinks, good treatment of production animals, and combating antimicrobial resistance are becoming more important, and these goals should be pursued by means of an effective range of instruments. Uniform legal requirements in the EU food sector are important in terms of the export opportunities of Finnish food companies. In addition to high quality and new innovations, Finland's strengths include the limited use of antimicrobials and a high standards of animal welfare. The increasing popularity of plant-based diets also offers new business opportunities for Finnish producers and companies (YmVL 9/2021 vp).

(69) *Forests and the EU.* The Grand Committee notes that the EU Treaties do not include a common forest policy. Forest policy should also in the future remain within national competence. However, many EU actions, especially in the fields of agriculture, environmental, climate and energy policy, also have direct or indirect impacts on forestry and the forest-based industry. It is important that Finland, together with other forested Member States, will actively exert influence on the preparation of these actions and to the coordination of the economic use of forests, carbon sequestration, climate measures, and biodiversity aspects so that the policy actions as a whole are successful (MmVL 9/2021 vp). More scientific knowledge on forests is required in the EU to support decision-making. Forest use must also take into account the fight against the loss of biodiversity (YmVL 9/2021 vp).

(70) *Carbon sinks and land use.* The LULUCF Regulation on land use, land-use change and forestry is one of the issues covered in the Fit for 55 package. The Grand Committee will discuss it separately in its opinion on the package. In general, the Grand Committee notes that the Regulation should better encourage the strengthening of carbon stocks and sinks and allow for their consideration as flexibilities in the effort-sharing sector, as in the current system.

### ***7 The internal market and technological competitiveness***

(71) The Grand Committee agrees with the EU policy report's assessment that the internal market is a key source of productivity growth, prosperity, and welfare in the EU. A well-functioning internal market is a cornerstone of European competitiveness and sustainable growth and a

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precondition for companies and citizens to be able to take advantage of the opportunities offered by new technologies and services.

(72) ***The functioning of the internal market.*** The Grand Committee considers that the smooth functioning of the internal market is one of the central objectives of Finland's EU policy. Expert hearings have stressed that in order to ensure the EU's competitiveness, it is not enough to restore the functioning of the internal market to its pre-pandemic state but that its functioning should be significantly improved. This applies especially to the services market and the digital single market. The Grand Committee states that the internal market must be open and based on fair competition. Companies of all sizes must have a level playing field and equal access to the market. At the same time, companies from third countries operating in the internal market must comply with the same rules that European companies and industries are required to follow in their home market. The EU's internal market policy, including competition and state aid policy, cannot be based solely on the EU's internal needs but must be adapted to the intensifying geo-economic competition.

(73) ***Transition to digital economy.*** The Grand Committee agrees with the assessment expressed in the expert hearing that the EU needs to catch up with China and the US in developing innovative technologies, strengthening the supply and value chains that are important for EU competitiveness, and developing the EU's digital and technological independence. Innovative technologies such as artificial intelligence, quantum technologies, and 5G and 6G will enable sustainable growth and business innovation and will drive the digital transition. Expert hearings have especially drawn attention to the lack of standards in the internal market for the platform economy and related payment systems and data use. In addition, EU legislation has not sufficiently fostered a business environment that supports the development of European cloud services. The network effects of growth have also not been achieved, and new innovative companies have been slow to enter the market and grow. Furthermore, the focus of R&D is still too much on developing old assets rather than creating new ones. As the Commerce Committee (TaVL 19/2021 vp) and the Education and Culture Committee (SiVL 6/2021 vp) have highlighted, a strong EU approach to competition, innovation and industrial policy, as well as a strong research base and a comprehensive EU R&D funding programme are required to address the problems described above.

(74) The Grand Committee believes that the EU should be a global leader in the development of a human-centred data economy and promote access to and the sharing of data. A successful digital transition requires a strong European data economy and decentralised data sharing to support innovation. European businesses and citizens must be able to decide on the management of their own data and have the right to choose their service provider on an open and competitive market. Public and private services often use the same data. Therefore, the efforts of these sectors to use data should be coordinated. The Grand Committee stresses that any EU action concerning the digital and data economy should be flexible enough to adapt to technological development. They must also respect common European values and fundamental rights (SuVL 2/2021 vp). In addition, the Education and Culture Committee (SiVL 6/2021 vp) considers that the growing importance of new technologies is likely to require modernisation of the protection of intellectual property.

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### *8 Open and responsible trade policy*

(75) The Grand Committee notes that in addition to the internal market, the EU's common trade policy and open and rules-based international trade are central to the stability and prosperity of the Union. The Grand Committee agrees with the Government's assessment that the EU should improve its ability to use trade policy to promote its own goals and values and to defend its interests.

(76) **Trade relations.** The Grand Committee believes that the EU should be ambitious in developing its trade relations and to strengthen its network of international and regional trade agreements to diversify its value and supply chains. Trade policy resources should be directed towards key global growth markets, especially Asia. The aim should be to remove barriers to trade, ensure more balanced conditions of competition, facilitate the joining of Finnish and European companies in global value and supply chains, and promote the UN Sustainable Development Goals (2030 Agenda). At the same time, the implementation of trade policies in the EU should be strengthened. Bringing negotiated agreements into force in the EU and its Member States is essential for the EU's credibility. However, the enforcement of trade agreements must not lead to companies from third countries being able to challenge the development of labour, environmental and consumer protection standards in the EU.

(77) The Grand Committee agrees with the Government's assessment that it is justified for the EU to pursue strategic autonomy in trade policy, as long as its implementation does not lead to protectionism. This would not be in Finland's interest because we are a small, open country dependent on foreign trade. The EU must be able to make trade policy decisions based on its own needs and protect itself against unfair or unwanted competition from third countries, while remaining open to international trade and investments. It is important for Finland that the definition of strategic autonomy ensures the openness of the internal market, fair competition and free trade, as well as the operating conditions for small and medium-sized enterprises.

(78) **Regulatory power.** The Grand Committee stresses the importance of the EU's regulatory power for the global influence of the EU. The EU has geo-economic power because it regulates access to the internal market and is one of the world's leading trading powers. Its position allows the EU to develop global rules, which is a competitive advantage for EU companies. The Grand Committee agrees with the view of the Commerce Committee (TaVL 19/2021 vp) that the proposal included in the Fit for 55 package on the Carbon Border Adjustment Mechanism (CBAM) is an ambitious example of the EU's efforts to set an international standard to achieve its climate objectives and ensure its competitiveness. The aim of the mechanism is to prevent carbon leakage, to influence climate change solutions also outside the EU, and to level the playing field by compensating Member States for the higher costs arising from the transition to clean technologies and non-fossil raw materials. The EU must also play an active global role in setting the rules for digital trade, data governance, and new technologies. The rules defined at this stage could have long-term impacts on the digitalisation of the global economy and the economic environment.

(79) **Reform of the WTO system.** The Grand Committee agrees with the Government's assessment that the EU should have a role in strengthening the open and rule-based multilateral trading system and reforming the World Trade Organization (WTO). Restoring the two-tier WTO

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dispute settlement system and strengthening transatlantic cooperation are important priorities. Expert hearings have also stressed the importance of the EU working within the WTO to liberalise trade in environmental technologies and low-emission goods and services.

### **9 Socially sustainable EU and citizens' wellbeing**

(80) The Grand Committee agrees with the Government's assessment that the EU action must support the development of a welfare society and the strengthening of citizens' wellbeing.

(81) **The social dimension and the economy of wellbeing.** Like the Social Affairs and Health Committee (StVL 11/2021 vp) and the Employment and Equality Committee (TyVL 6/2021 vp), the Grand Committee welcomes the fact that the report highlights the development of the social dimension and the strengthening of the European Pillar of Social Rights as an important EU priority. This enables developing welfare and reducing poverty and inequality. The Grand Committee considers that the social dimension should also in the future be based on the diversity of national systems. However, national specificities of employment policy, such as a labour market system based on collective agreements, should be respected.

(82) The Grand Committee considers the Government's objective that social dimension initiatives should support the development of the Nordic welfare model to be justified. In addition, the Grand Committee considers it important that the economy of wellbeing perspective is also extensively taken into account in EU cooperation. The Grand Committee shares the view of the Social Affairs and Health Committee (StVL 11/2021 vp) that Finland should promote an approach where investments in the citizens' wellbeing are seen as a factor supporting economic growth and competitiveness. The Education and Culture Committee considers that sports and exercising, culture and the creative industries should be seen as an important part of the economy of wellbeing (SiVL 6/2021 vp).

(83) **Preparing for health threats.** The Grand Committee agrees with the Social Affairs and Health Committee (StVL 11/2021 vp) that it is essential that the EU's ability to respond to and prepare for cross-border health threats is strengthened in the framework of the European Health Union. The EU should especially strengthen the crisis response capacity of the European Centre for Disease Prevention and Control (ECDC) and the European Medicines Agency (EMA). Cooperation between Member States in the health sector can strengthen Europe's healthcare capacity and health security. While EU-level coordination is required to combat health threats, the organisation of health services should remain within the competence of Member States. The EU's health policy should contribute to and complement national action.

(84) The Grand Committee believes that the COVID-19 pandemic has underlined the importance of developing security of supply at EU level. The Social Affairs and Health Committee (StVL 11/2021 vp) considers that the EU should monitor the availability of critical medicines and medical devices and supplies even outside times of crisis. The EU's joint procurement mechanism should be developed so that Member States do not compete with each other for the same resources. However, Member States should retain the possibility of national critical procurement.

(85) **Children and young people.** As the EU policy report underlines, EU policy-making strives to improve the wellbeing of present and future generations. Consequently, EU actions must

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acknowledge the perspective of children and young people. Expert hearings have highlighted that the COVID-19 pandemic has increased youth unemployment and mental health problems among children and young people. The Grand Committee considers it important that EU funding programmes and other measures strengthen the inclusion of children and young people, support youth work, and ensure support for young people who are in a particularly vulnerable position. In addition, the diversity of young people should be taken into account in decision-making concerning young people. As the Education and Culture Committee (SiVL 6/2021 vp) has stated, Finland should also exploit EU funding instruments to promote youth mobility in higher education, vocational training, and volunteering. The Grand Committee considers the idea of ALMA, a new international work placement programme for young people, introduced by European Commission President Ursula von der Leyen in her annual State of the Union address, to be an interesting opening. It will complement opportunities for young people to move and gain experience within the EU.

*(86) Education and skills.* The Grand Committee agrees with the Education and Culture Committee (SiVL 6/2021 vp) that it is important that the need for coordinated EU action in the field of education is recognised within the EU. The Grand Committee recalls that the EU's global competitiveness and the implementation of the growth strategy based on the twin transition depend on a high level of knowledge and the availability of a skilled labour force. The EU needs to strengthen the level of knowledge due to the transformation of work and labour markets, education and the digitalisation of work. In line with the opinion of the Education and Culture Committee (SiVL 6/2021 vp), the Grand Committee considers that Finland should actively participate in the preparations for the European Education Area and European cooperation in education. Education and skills must be developed in parallel with the research and innovation policy. However, the effective decision-making on education policy should remain within the competence of Member States.

### ***10 Funding to support recovery and the twin transition***

*(87)* The Grand Committee agrees with the Government's view that funding to support economic recovery will help to accelerate the transition to a new stage where the development of the EU economy and competitiveness is anchored in green growth and the digital economy.

*(88) Implementation of the Recovery Instrument.* The Recovery Instrument aims to promote the economic, social and territorial cohesion of the EU, improve Member States' recovery from the COVID-19 crisis, and support the green and digital transition. The Grand Committee stresses the need for an efficient implementation of the Recovery Instrument. Expert hearings have considered that the Recovery Instrument provides a good opportunity to support longer-term growth potential of the economy, as well as climate policy and digitalisation. To achieve these objectives, the funds offered by the Recovery Instrument must be effectively directed at measures supporting the objectives, including research and development and strengthening the level of knowledge. It is also important to take into account the recommendations of the European Semester and to keep EU funding conditional and linked to the respect for the rule of law.

*(89)* As the Finance Committee (VaVL 4/2021 vp) has stated, the Recovery Instrument is an exceptional and one-off solution that does not serve as a precedent. The Finance Committee believes that Finland should not accept a repetition of the arrangement or any other arrangements

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that weaken Member States' incentives to rehabilitate their public finances and increase risks to financial and macroeconomic stability in the EU.

(90) **Sustainable financing.** The Grand Committee considers it important to promote sustainable financing as part of a just transition. Overall, the necessary investments to achieve carbon neutrality are large in scale for public finances, and therefore an efficient, technology-neutral, and transparent allocation of the funding would enable achieving the best possible outcome in terms of the set objectives.

(91) **Own resources.** The Grand Committee believes that Finland should actively participate in the debate on the EU's new own resources and assess future proposals concerning them, such as the digital tax and the Carbon Border Adjustment Mechanism (CBAM), from the perspective of the national and overall European interest, also taking into account aspects of budgetary sovereignty and the requirements of equal treatment of Member States. One possible source of financing mentioned was a financial transaction tax (SuVL 8/2020 vp). The reform should examine whether the EU's own resources could rely more on revenue sources that could be mobilised more effectively to support EU policies and collected more efficiently at EU level. The new own resources could be used to advance climate and environmental objectives and the competitiveness of the EU, for example. In addition, they could be used to decrease the contribution for the repayment of the Recovery Instrument (VaVL 4/2021 vp) and correspondingly decrease the Member States' GNI-based contributions and strengthen the financial position of the public sector through EU action (SuVL 8/2020 vp).

(92) **Regional and structural policy.** The Grand Committee agrees with the Government's view that it is important for Finland that the focus in regional and structural policy is on reforms supporting competitiveness, social inclusion, and the green and digital transition. The aim must be to create jobs, increase the competitiveness of businesses, promote sustainable growth and development, and improve the quality of life of citizens. The Administration Committee (HaVL 21/2021 vp) has stated that the regional and structural policy should encourage Member States to make structural reforms and support sectors undergoing structural change. There is a special need for air to the least developed regions in the EU. One important specific issue for Finland is support to the sparsely populated regions of eastern and northern Finland.

(93) **Fair taxation.** The Grand Committee agrees with the Finance Committee (VaVL 4/2021 vp) on the objectives of fair, effective and sustainable taxation set out in the EU policy report. Finland must actively participate in the development of taxation with the aim of limiting the erosion of the corporate tax base resulting from aggressive tax planning and tax competition between countries. Efforts to combat corruption, tax evasion and the shadow economy must also be determinedly continued. Finland should promote solutions that secure and strengthen the tax base of Finland and the EU region as a whole in a globally sustainable manner and promote fair competition between companies by tackling harmful tax evasion. The Grand Committee believes that Finland must be prepared to discuss the minimum level of international corporate tax in the EU, as proposed in various international contexts (VaVL 4/2021 vp), and assess the matter from the perspective of national interest and budgetary sovereignty.

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### *11 Economic and Monetary Union (EMU)*

(94) The Grand Committee agrees with the Finance Committee's assessment (VaVL 4/2021 vp) that in the changing global environment, a functioning Economic and Monetary Union (EMU) is crucially important with regard to the EU's common values, crisis resilience and political cohesion, as well as to the EU's and Finland's comprehensive security. The Grand Committee notes that the debate on the EMU reform needs has already started, although no actual proposals have yet been made. The Grand Committee considers it essential that national positions on the need for change in the EMU be determined beforehand together with Parliament in accordance with sections 96 and 97 of the Constitution.

(95) *The regulatory framework of fiscal policy.* It is clear that in the EMU, the Member States are themselves responsible for the economic policy. The Grand Committee agrees with the Finance Committee's view (VaVL 4/2021 vp) that the development of the EMU is in Finland's interest because our economy is dependent on foreign trade and other international economic interaction. The structures of the EMU must be such that various external disturbances do not seriously hamper general economic development or endanger public finances. A prosperous euro area economy also supports economic growth, employment and financial stability in Finland. The Grand Committee agrees with the assessment expressed in the expert hearing that the capacity of the EMU and the euro area needs to be strengthened even outside times of crisis. Development work must look beyond acute crisis management and also anticipate the future.

(96) Expert hearings have stressed that the key to the success of the EMU is to develop better-functioning fiscal policy rules. The Grand Committee shares the view of the Finance Committee (VaVL 4/2021 vp) that Finland should play an active role in the reforming, simplifying and strengthening of the credibility of the regulatory framework of fiscal policy, which has become overly complex. More emphasis should be given to the Member States' debt sustainability and any imbalances in current accounts. It is also important that the regulatory framework should continue to enable a fiscal policy that is proportionate to the cyclical conditions. In exceptional circumstances, the rules should allow flexibility, but in a predefined manner and in accordance with uniform criteria. The regulatory framework should be simple and commensurate and encourage the creation of buffers during economic upswings but also allow sufficient fiscal space in downturns.

(97) Expert hearings have also stressed that, in addition to new fiscal rules, the EU would need a credible sovereign debt restructuring mechanism to ensure that each Member State is responsible for its own debt and that market discipline works, provided it is implemented so that it does not increase the risk of a liquidity crisis or endanger public finances. Sovereign debt restructuring would create better conditions for the steering effect of market discipline, which in turn would encourage responsible fiscal management among Member States. At the same time, the European Semester, which is central in coordinating the Member States' economic policy, needs to be reformed to take better account of the interactions between economic, social, employment and environmental actions and policies, as well as to promote ecological reconstruction. Expert hearings have considered that this could help to promote and support a welfare economy approach in the EU and contribute to developing more sustainable economic structures.

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(98) **Activities of the European Central Bank.** Expert hearings have highlighted the central role of the European Central Bank (ECB) as the lender of last resort for the EMU. The Grand Committee regrets that this aspect has not been discussed in the EU policy report. The Grand Committee believes that Finland must also be prepared for a debate on the link between monetary policy and fiscal policy. The Finance Committee (VaVL 4/2021 vp) has also highlighted the insufficient coordination of fiscal and monetary policy and the ECB's growing monetary policy responsibilities, which makes the euro countries' financing increasingly dependent on ECB support measures. The Grand Committee considers it important that more attention be paid to the interdependence of the euro countries and the ECB when formulating Finland's EU policy.

(99) **Banking union and bail-in.** The Grand Committee shares the Government's view that the completion of the banking union is important to further financial integration and to improve the stability of the banking system. Progress in the banking union will reduce the risk that the problems of a single bank will spill over into a wider financial system crisis affecting several countries. As the Finance Committee (VaVL 4/2021 vp) has stated, the EU policy report justifiably emphasises the need of a comprehensive and effective implementation of bail-in to minimise the costs for taxpayers in the event of a banking crisis. Bail-in is the primary source of funding for crisis management, and a common banking crisis fund should be used as the last option.

(100) The Grand Committee believes that, if properly implemented, a common deposit guarantee scheme could increase financial stability if it is based on a fair, insurance-type mechanism where the contributions to the scheme reflect the risks involved. A prerequisite for the participation in the common deposit guarantee scheme would be a reduction of non-performing claims, primarily through market-based solutions. The Finance Committee (VaVL 4/2021 vp) considers that before deepening the bail-in mechanism, it is important to reduce risks and to remedy the current problems of banks in different countries. In line with the EU policy report's approach, it must be possible to deal with the problems of over-indebted Member States and banks without significant negative knock-on effects on the EU's financial and capital market. It must be possible to further weaken the sovereign-bank nexus, as well as banks' exposure to the risks of their home countries. In addition, substantial investments by central banks into government bonds should not prevent the implementation of controlled debt restructurings, which is why the collective action clauses in government bonds should be strengthened further. Furthermore, the measures should not increase the risk of a new financial crisis in the euro area or weaken the ECB's ability to ensure the stability of the euro area.

(101) **Capital markets union.** The Grand Committee agrees with the assessment expressed in the expert hearing that the development of a capital markets union is important for the development of the EMU. Like the Government, the Grand Committee believes that a capital markets union is necessary for creating a competitive and efficient financial market in the EU where market risks have been priced correctly and bail-in is implemented.

(102) **European Stability Mechanism.** The Grand Committee agrees with the Government that there is no need to reform the regulation concerning the European Stability Mechanism (ESM) at the moment. However, like the Finance Committee, the Grand Committee considers it important that the development of the ESM and its position in the EMU be regularly assessed

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(VaVL 4/2021 vp), especially taking into account the considerations above on sovereign debt restructuring and the development of banking union.

### *12 The EU's global role*

(103) The Grand Committee agrees with the Government's assessment that global challenges emphasise the relevance of international cooperation and the need to strengthen the EU's external capacity to react quickly to changes in the operating environment and to manage risks arising from great power competition, interdependencies between states, and threats such as climate change and pandemics.

(104) **Multilateral cooperation.** The Foreign Affairs Committee (UaVL 4/2021 vp) considers that strengthening international multilateral systems is strategically important for the EU's influence and requires active foreign policy action by both the EU and the Member States. Respecting and strengthening a fair and rules-based multilateral cooperation system is one of the most effective ways to tackle global challenges in a world of growing interdependencies. The UN-based multilateral and rules-based system should be strengthened, supported, and reformed. As an EU Member State, it is important for Finland that the EU is committed to maintaining and strengthening this system. This is especially important now that the system is being challenged more openly and the rapidly changing relations between the major powers are making it more difficult to cooperate.

(105) **A value-based approach.** Like the Government, the Grand Committee supports a more value-based external action so that the EU is also able to further its objectives in a changed operating environment (UaVL 4/2021 vp). The EU's international action should focus on the UN Sustainable Development Goals (2030 Agenda), measures to combat climate change and the loss of biodiversity, and issues relating to the management of natural resources and corporate social responsibility. Furthermore, it should promote universal values, such as human and fundamental rights, democracy and the rule of law, and peace and freedom. In line with the EU policy report, labour law issues and the promotion of social justice, equality, gender equality, and the rights of women and girls are also important issues where the EU should intensify cooperation with like-minded countries.

(106) **Sanctions policy.** The Foreign Affairs Committee (UaVL 4/2021 vp) considers that the EU sanctions policy should be effective, proportional, and coherent. When sanctions are imposed, the conditions under which they can be lifted should also be considered beforehand. The effectiveness of sanctions can be improved by a functioning dialogue between partners and by ensuring consistency of sanctions. Protection from harmful impacts of sanctions by third countries also requires EU-level action to improve the EU's resilience.

(107) **Development policy.** As the Foreign Affairs Committee (UaVL 4/2021 vp) has stated, the EU is the most important development cooperation actor in the world. By actively participating in decision-making concerning EU development policy, Finland has the opportunity to influence international development policy and further its own objectives, such as promoting human rights, democracy and good governance and increasingly targeting development cooperation to the least developed and fragile countries.

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(108) ***Africa policy.*** Expert hearings have stressed that the EU must aim for closer relations with the neighbouring and African countries. The EU's relations with African countries should be increasingly based on political dialogue, reciprocity, and trade. The Grand Committee agrees with these assessments.

(109) ***Arctic policy.*** The EU policy report stresses the importance of strengthening the EU's Arctic policy. The Grand Committee considers this to be justified. The Arctic region has long been at the centre of geopolitics. At the same time, the fragile nature of the region is at risk as competition for natural resources intensifies. As the Foreign Affairs Committee (UaVL 4/2021 vp) has stated, the EU should foster stability and sustainable development in the Arctic region. Central elements of the EU's Arctic policy include mitigating climate change, safeguarding the rights of indigenous peoples and the wellbeing of northern communities, as well as adequate EU funding. The capacity of the Arctic Council, the main forum for cooperation in the region, must not be jeopardised.

(110) ***Managed expansion.*** The Grand Committee agrees with the Government's assessment that the EU's enlargement and neighbourhood policies foster peace, wellbeing, and prosperity and stability in Europe. The membership perspective is one of the strongest instruments available to the EU to influence policy developments in neighbouring countries. The Western Balkans is a strategically significant region for the EU, and it is important to further strengthen the European perspective in the area.

(111) ***Relations with the United States.*** As stated in the EU policy report, the Grand Committee believes that promoting the partnership between the EU and the United States is important, especially with regard to the rules-based system, economic relations and security in Europe.

(112) ***Coherence in the EU's policy on Russia.*** In line with the report, the Grand Committee believes that the coherence in the EU's policy on Russia is important to Finland. Action is guided by principles established in the Foreign Affairs Council. At the same time, the EU must engage in dialogue and cooperation with Russia, for example, in climate and environmental issues.

(113) ***Responding to Chinese influence.*** The Grand Committee agrees with the Government's assessment that China's determined efforts to strengthen its global position require a coherent policy from the EU, as well as a stronger protection of European values and interests.

(114) ***Relations with the United Kingdom.*** As stated in the report, the Grand Committee believes that particular attention should be paid to an appropriate implementation and application of the agreements already negotiated on the UK's withdrawal from the EU. The Protocol on Ireland and Northern Ireland is an integral part of the Withdrawal Agreement and should not be reopened. In matters falling within the Member States' competence, Finland will seek to build a good and well-functioning bilateral relationship with the United Kingdom. The Foreign Affairs Committee also draws attention to the fact that the UK's withdrawal from the EU has increased the coordination of foreign and security policy between the largest EU Member States and the UK outside the EU structures. According to the Foreign Affairs Committee, Finland should actively seek to promote the integration of various non-EU cooperation structures into the EU because action outside the EU structures weakens the influence of Finland and other smaller Member States (UaVL 4/2021 vp).

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(115) ***The EU and Turkey.*** The EU's policy on Turkey must be sustained and consistent in all areas of the relationship. Diplomacy must be used to find lasting solutions to problems. There should be a united and strong response to actions that increase confrontation and instability.

(116) ***The situation in Afghanistan.*** The Grand Committee is concerned about the situation in Afghanistan, given its potential humanitarian, migration and security implications. The EU must find a common approach to respond to the situation. It should engage in extensive political and economic cooperation with other actors in order to prevent a humanitarian disaster in the region. Afghanistan must not become a source of uncontrolled migration or a platform for international terrorism. The EU must continue to strive to be a major player in issues concerning Afghanistan, including human rights, especially the rights of women and girls and minorities. The Grand Committee stresses that EU cooperation and coordination between Member States and the ability to act quickly are key issues in situations such as Afghanistan. The EU and its Member States should be able to act more effectively and in a more united manner in similar situations in the future.

### ***13 Approach towards migration***

(117) As stated in the EU policy report, the Grand Committee believes that migration as a multi-dimensional global phenomenon requires solutions that combine internal and external EU action. They must be solutions to which all Member States commit and which can respond both to the internal needs of the EU and to the root causes of migration.

(118) ***Managing migration.*** The Grand Committee believes that immigration and asylum policy must be based on a comprehensive and up-to-date picture. The Grand Committee reiterates its view that migration must be viewed as a cross-cutting policy issue. This includes the reform of the common asylum system, return policy, cooperation with third countries, and the development of legal channels. The functioning of the Schengen area and credible external border control and border security also require a more effective and coordinated migration and asylum policy in the EU (SuVL 9/2020 vp). Expert hearings have also brought forward the need to find solutions at EU level and to have discussions at global level on situations where migration is used as a tool of hybrid influence and pressure against another state.

(119) The Grand Committee considers it important that the Member States reach an agreement on the reform of the common asylum system (SuVL 9/2020 vp). The Grand Committee believes that developments in Afghanistan will increase the pressure to find solutions. The EU needs better functioning asylum and return procedures which can, respecting the obligations of international law, ensure that protection is provided quickly for those who need it and that those who do not are promptly referred to the return procedure. Well-functioning and high-quality procedures starting from the initial screening stage ensure that applicants can trust that their case will be handled properly and that a decision will be taken within a reasonable time. All action must respect the obligations of international law and fundamental and human rights treaties and safeguard the rights of persons in need of international protection, as well as the rights of children and other vulnerable persons.

(120) The system must continue to be based on the right to apply for asylum in the EU. It is in Finland's interest as an external border state the EU creates a solidarity mechanism that is binding on all Member States. It is also important for Finland that the functioning of the common asylum

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system is ensured both in normal circumstances and in times of migration pressure and crises. At the same time, it should be ensured that the procedures guarantee the realisation of fundamental and human rights, including the applicants' legal protection, as well as the individual processing of cases and compliance with the principle of non-refoulement. The provisions of Article 60 of the Istanbul Convention on gender-sensitive asylum procedures must also be taken into account.

(121) In the face of migration pressure, it is crucial that the EU and its Member States continue to address the root causes of migration in countries of origin. Similarly, action must be taken to increase the number and accessibility of regulated and safe routes into the EU, such as career and study pathways. Promoting labour migration has an important role in reducing the shortage of labour and skills in the Union. Promoting the right of EU citizens to free movement between Member States as workers is also important in terms of this objective.

(122) With reference to the opinion of the Administration Committee (HaVL 21/2021 vp), the Grand Committee considers that an essential part of the overall solution is to create an effective and sustainable return system that actually works and fulfils the obligations of the international law. It is important both to implement existing readmission arrangements and to conclude new ones. Similarly, voluntary return arrangements should be strengthened. Equal and sustainable partnerships with countries of origin and transit are essential. The protection of refugees and cooperation to prevent trafficking and smuggling are also important.

(123) The Grand Committee reiterates its view that it is also important to have a debate at EU level on integration issues in the Member States. Although integration falls under the national competence of the Member States, EU cooperation and EU funding can achieve significant benefits in the integration of migrants (SuVL 9/2020 vp).

(124) ***Development of the Schengen area.*** The Grand Committee supports the Government's aim to strengthen the Schengen area in a way that covers activities within the Schengen area, at external borders and in third countries, the use of technology, and in cooperation with neighbouring countries in order to effectively compensate for the lack of controls at internal borders. The Schengen acquis must be developed so that it can be used to combat global health threats and to ensure that goods and essential services can also move freely on the internal market in times of crisis.

### ***14 Strengthening comprehensive security***

(125) The Grand Committee agrees with the Government's assessment that the changing security environment requires a proactive and comprehensive approach to strengthen the security of the EU and its Member States. The concept of comprehensive security, combining aspects of external and internal security, is a major asset for the EU.

(126) ***Common security and defence policy (CSDP).*** The Foreign Affairs Committee (UaVL 4/2021 vp) and the Defence Committee (PuVL 3/2021 vp) support the EU policy report's proposals concerning the strengthening and developing the EU's common security and defence policy (CSDP). The EU must be able to bear responsibility for the security of its own area and for that of the neighbouring regions, for example, through EU crisis management. The Foreign Affairs Committee and the Defence Committee consider it important that Finland actively participates in the debate on issues relating to the application of the solidarity clause (Article 222

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TFEU) and the mutual assistance clause (Article 42(7) TEU), and stresses the importance of applying a broad understanding of the concept of security in these matters.

(127) According to the Defence Committee (PuVL 3/2021 vp), the development of EU defence cooperation must be approached without prejudice. Cooperation projects bring Member States closer together militarily and increase solidarity between countries, which is of high security policy importance for Finland. However, national defence planning must always be based on Finland's own needs. Cooperation must also be conducted in a way that guarantees the Finnish defence industry the opportunity to participate as an equal partner in EU defence cooperation.

(128) The Defence Committee (PuVL 3/2021 vp) also considers that although the majority of Member States base their territorial defence on their NATO membership, the EU also needs a certain level of military capability independent of NATO. Following the UK's withdrawal from the EU, the debate on strategic autonomy could gain considerable momentum and require more active participation from Finland than presently. The development of the EU as a military actor will also be boosted by the fact that the US is increasingly looking to Asia instead of Europe and sees China, rather than Russia, as its main challenger. In any case, this means that the EU must assume greater responsibility for the security of the continent itself, especially as regards hybrid threats that do not trigger NATO's Article 5 on collective defence. Similarly, Finland must promote the development of the military dimension of the EU's security of supply. The Defence Committee stresses the importance for Finland of the strategic compass defining the EU's common threat assessment and of effective cooperation between the EU and NATO. Cooperation is particularly beneficial in the fight against hybrid influence, in the development of cyber defence, and in issues related to digitalisation and new technologies, such as AI, as well as in the promotion of military mobility (PuVL 3/2021 vp).

(129) **Modern security threats.** The Grand Committee supports the objective of the EU policy report to promote the establishment of hybrid threats countering as part of the EU's preparedness to internal and external security threats. As stated by the Foreign Affairs Committee (UaVL 4/2021 vp) and the Defence Committee (PuVL 3/2021 vp), the European Centre of Excellence for Countering Hybrid Threats, located in Helsinki, is a central instrument for developing cooperation between Member States and strengthening their capabilities. The ability to identify and prevent disinformation, inappropriate election interference, and other forms of information interference is an essential part of countering hybrid threats. Threats to cyber security also need to be addressed in a comprehensive manner, and effective tools should be developed for the task (LiVL 14/2021 vp, UaVL 4/2021 vp). The objective should be a free, open and secure cyber environment, where the principles of democracy, human rights, and international law are respected.

(130) **Internal security and judicial cooperation.** The Grand Committee believes that the capacity of authorities in the field of internal security and judicial cooperation should be improved. Member States need effective forms of cooperation at EU level in order to be able to respond to changing security threats, to combat terrorism, and to prevent violent radicalisation and cross-border crime, such as trafficking in human beings and sexual abuse of children. In judicial cooperation, particular attention should be paid to crime prevention, the role of the victim, and the need to ensure that criminals are held criminally liable, including in the online environment and as technology advances. Cooperation between EU Member States must be

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based on the mutual recognition of judgments and decisions in both criminal and civil matters. Approximating national laws should be secondary to mutual recognition. This respects the differences between the legal systems and traditions of the Member States, which can be considerable especially in the field of criminal and civil law (LaVL 6/2021 vp).

### ***VI FINLAND AS AN EU INFLUENCER***

(131) In line with the EU policy report, the Grand Committee believes that the best results in EU policy can be achieved through solution-oriented action that supports the EU's capabilities and active influencing, taking into account the changes in EU-level actions discussed in Chapter IV above.

#### ***1 Basic principles***

(132) The Grand Committee notes that Finland's EU influencing is essentially based on a comprehensive, carefully coordinated national EU policy, and strategic guidelines on important issues drawn up in advance. In particular, the European Commission's wide-ranging, cross-sectoral projects require comprehensive and proactive cross-administrative preparation and thorough impact assessments. Situations in which Finland's influence is weakened because of delays in national position-taking must be avoided. Parliament also has a duty to schedule its activities so that its positions are available to the drafters in due time and at an opportune time in terms of influencing. Finland's negotiating objectives must also be advanced within the EU during the parliamentary debate, as long as the negotiating partners are informed that the national debate is still in progress.

(133) The Grand Committee believes that Finland, as a small Member State, can only achieve more weight in the EU than it has in terms of votes by being active, predictable and cooperative in presenting its national positions and its views on the overall European interest. It is important that Finland's positions are promoted at every stage of the preparation and on all levels from officials to ministers. Effective EU influencing always requires a good knowledge of the issues and good negotiating skills. In addition to substantive issues, the actors promoting Finland's positions must have a good command of the practices of the EU institutions and be able to utilise informal channels of influence.

#### ***2 Enhancing EU influencing***

(134) The Grand Committee stresses that EU influencing must start at an early stage and be forward-looking. In the expert hearing, it was stressed that Finland should enhance its proactive influence tactics. Practices of other Member States and other actors have shown that early influencing and national initiatives are the best way to steer the actions of the European Commission and other EU institutions in line with national interests. Only such initiative and strategic foresight can ensure that Finnish initiatives are taken forward into the EU agenda and that Finnish views and national special interests are taken into account in basic proposals from an early stage. Influencing is always more difficult at the later stages of the preparation of EU action. The Grand Committee believes that promoting Finland's interests and strategic steering in EU matters requires the development of appropriate practices and access to sufficient resources in the Government. The Committee therefore proposes that Parliament adopt a position according to which

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**Parliament requires that the Government has the capacity to influence in advance the content of future legislative initiatives, especially those by the European Commission, and that sufficient resources are allocated to this work.**

(135) The Grand Committee stresses the importance of active communication with all key EU institutions, Member States and other actors. Partners should be sought in an open-minded and context-specific manner. In addition to the European Commission, Finland should exert influence on the European Parliament, its key players and European political groups, and positions should also be promoted in bilateral relations between Member States. Finland should also participate in cases pending at the European Court of Justice. Success in the courts depends on the weight of legal arguments, and the number of votes a Member State has is not as important as in the Council. Participation in cases pending at the EU courts should be seen as supporting Finland's policy guidelines and should therefore be strategically coordinated with other influencing activities.

(136) The Grand Committee shares the Government's assessment that EU recruitments are also central to Finland's overall EU policy. The relative share of Finnish officials in EU institutions is in danger of decreasing as current Finnish officials retire. It is in Finland's interest to have experts in the EU staff who understand the special characteristics of Finland. The Grand Committee considers it important that the Government develops ways to attract more Finnish officials to EU institutions. In this context, as the Government of Åland considers, it is also important to promote the recruitment of Finns who are familiar with the autonomy of the Åland Islands.

### ***3 Representation of interests in specific national issues***

(137) The Grand Committee notes that Finland must maintain a high level of ambition as regards the representation of its national interests in the EU and be able to present our negotiating partners with well-founded information on Finland's specificities because our needs differ from those of other EU Member States in certain issues.

(138) ***Residence-based social security.*** The Grand Committee agrees with the assessment of the Social Affairs and Health Committee (StVL 11/2021 vp) that the most central question for the Finnish social security and services system in EU policy is how to maintain the Finnish tax-funded residence-based social security system and ensure its sustainability when changes to it have to be made as individual solutions linked to developments in internal market legislation. In EU negotiations, it must be made clear that the Finnish social security system plays an important role in maintaining social cohesion and equality in society. Similarly, it must be ensured that social and health policies and systems, such as pensions, remain within national competence also in the future.

(139) ***Finnish forests.*** Like the Agriculture and Forestry Committee (MmVL 9/2021 vp) and the Environment Committee (YmVL 9/2021 vp), the Grand Committee believes that forests have an essential significance for Finland in respect of economy and employment, biodiversity and recreational use. The Grand Committee agrees with the Government's assessment that the forest industry is important to Finland, and its significance may increase along with new products and raw materials that replace their fossil fuel counterparts. It is important for Finland to promote the opportunities for sustainable forestry in EU decision-making and the fact that Finland is

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characterised by its reliance on private forest owners for the supply of wood. In the preparation of actions, it is necessary to ensure the fair treatment of this group and to ensure that national sustainable forestry and bioeconomy investments can continue. Sustainable forestry emphasises the need for long-term action to ensure the economic viability and biodiversity of forests.

*(140) Sparsely populated areas and long distances.* In the expert hearing, it was highlighted that the EU institutions and other Member States are well aware that sparsely populated areas, long distances and northern location are important national special interest for Finland, especially in the context of the EU's regional and structural policy and agricultural policy. In regional and structural policy, it is important for Finland to ensure special support for sparsely populated areas in eastern and northern Finland. Support under the common agricultural policy and safeguarding current levels of yield are of key importance in ensuring that the competitive conditions of our agriculture and food production can be safeguarded and that production can be secured throughout Finland.

*(141) The Northern Dimension and the Baltic Sea.* The Grand Committee shares the view of the Foreign Affairs Committee (UaVL 4/2021 vp) that it is important for Finland to ensure the continuity of the EU's Northern Dimension policy. Partnerships based on this policy provide tools for promoting Finland's and the EU's objectives both in the Arctic regions and in the Baltic Sea region, as well as in the border regions between the EU and Russia, including in the areas of climate and environmental cooperation and nuclear safety.

*(142)* Like the Agriculture and Forestry Committee (MmVL 9/2021 vp) and the Environment Committee (YmVL 9/2021 vp), the Grand Committee supports the Government's aim to make saving the Baltic Sea one of the EU's key projects. The work to protect the Baltic Sea has already produced significant results, and it is important to continue this work. Measures to improve water protection in agriculture also play a central role in protecting the Baltic Sea. Fishery in the Baltic Sea area must also be promoted in the EU in an ecologically and economically sustainable manner through the common fisheries policy.

### **VII PARTICIPATION OF PARLIAMENT IN THE PREPARATION OF EU MATTERS**

*(143)* Provisions on Parliament's participation in the formulation of national EU policy are laid down in sections 93, 96 and 97 of the Constitution. These provisions assign to the Government the national power to prepare and implement EU matters and provide for the right of Parliament to participate in and contribute to the formulation of Finland's positions in the EU. As stated by the Government, the aim is to ensure a good cooperation with Parliament and Parliament's access to adequate and timely information.

#### ***1 The system in brief***

*(144)* The Grand Committee notes that the central purpose of the constitutional provisions is to ensure that the constitutional division of powers between supreme organs of state remains intact also in the national preparation of EU decisions. The Constitution requires the Government to seek the prior approval of Parliament for its policy on EU matters falling within the legislative or budgetary powers of Parliament (section 96 of the Constitution, 'Union' or 'U' communication). The Constitution also gives Parliament an unlimited right to obtain information from the Government on the preparation of EU matters. In this case, an EU matter is brought

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before Parliament when the Grand Committee requests information or when the Government deems it necessary to bring an EU matter to the attention of Parliament because of its importance (section 97 of the Constitution, ‘Europe’ or ‘E’ communication). The latter are essentially matters concerning the development of EU activities or national EU policy that require making commitments in advance which may later reduce the room for manoeuvre of Parliament.

(145) The Grand Committee considers the provisions of the Constitution governing the right of Parliament to participate and access information to be central to the democratic process of formulating Finland’s EU position. The system for dealing with EU matters is based on the Government being accountable to Parliament. This system ensures that Finland’s views enjoy sufficient political support domestically, making them sustainable in EU-level negotiations, and is an important part of Finland’s EU policy.

(146) The Grand Committee notes that through the U and E communications in accordance with sections 96 and 97 of the Constitution, Parliament takes a position on all legal and political issues related to EU proposals, including the principle of subsidiarity. For this reason, the Committee has occasionally proposed to the plenary that the plenary should send reminders to EU institutions regarding the violation of the subsidiarity principle. Parliament’s constitutional powers can be seen to safeguard Parliament’s influence on EU affairs more comprehensively and successfully than the system for monitoring the application of the subsidiarity principle (‘the subsidiarity procedure’) set out to national parliaments in Protocol No 2 to the Treaty on the European Union. Furthermore, the Committee considers the subsidiarity procedure to be ineffective in terms of influencing the content of proposed EU legislation. The procedure only provides a narrow subsidiarity assessment of the European Commission’s initial proposal at a stage when the legislation as a whole is already being amended by the Council of Ministers and the European Parliament. In view of the above, the added value of the procedure from the perspective of Parliament’s powers is limited, although it can be considered to complement those powers to a certain extent (SuVL 1/2013 vp, SuVM 1/2014 vp, SuVL 11/2018 vp). The Grand Committee considers that Parliament can most effectively ensure the compliance of proposals with the subsidiarity principle by guiding the Government’s action in EU negotiations.

### *2 The role of the Grand Committee*

(147) The main task of the Grand Committee is to contribute to the preparation of such EU legislation to which Finland will commit at the end of the negotiations. Unlike the other committees, the Grand Committee is a decision-making body and not just a body that prepares matters for the plenary.<sup>2</sup> In matters within Parliament’s competence, Finland’s negotiating objectives are established through dialogue between the Government and Parliament so that the position of Parliament based on the proposal by the Grand Committee is a politically binding guideline for the Government and a ‘guiding principle’ (EK–HE 318/1994 vp) in EU-level negotiations. The Grand Committee expresses Parliament’s position either in the form of a resolution entered in the committee minutes (SuVEK) or in the form of a reasoned opinion.

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<sup>2</sup> In matters relating to the EU’s common foreign and security policy (CFSP), the Foreign Affairs Committee expresses the position of Parliament instead of the Grand Committee. All other EU policy areas, including trade policy, development policy, external relations and internal enlargement, fall within the competence of the Grand Committee.

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(148) As a rule, the Grand Committee decides on Parliament's position after consulting the special committees, but in urgent cases it may also act without a preparation by a special committee (section 15 of the Rules of Procedure of the Grand Committee). The Grand Committee coordinates the positions of the special committees and the Government where necessary. This ensures both the unity in the formulation of Parliament's position and a sufficiently broad and democratic preparation of issues. Finland can have only one position, which is promoted in the EU institutions. Situations in which the negotiators are unclear about Finland's position should never arise due to Parliament's actions. The Government, for its part, has the obligation to keep Parliament informed of the progress of the negotiations throughout the negotiation process by means of follow-up U and E communications.

(149) The Grand Committee notes that according to section 97, subsection 3 of the Constitution, the Prime Minister must provide Parliament or its committee, as a rule the Grand Committee<sup>3</sup>, with information on European Council meetings and other top-level EU negotiations before and after such meetings. The Grand Committee also consults other ministers on last-minute negotiating positions before meetings of the Council of Ministers. Ministers are obliged to report on the outcome of such negotiations to the Grand Committee also afterwards. It is part of the system that in the event of unexpected negotiating situations where it is not possible to obtain an updated parliamentary position, the minister concerned must strive for an outcome that they consider to best reflect the will of Parliament and Finland's overall interest. The minister must then immediately inform the Grand Committee of the reasons for the chosen procedure.

### **3 Development needs**

(150) The Grand Committee is of the opinion that sections 96 and 97 of the Constitution must be assessed as a set of norms in which the main focus is on ensuring that Parliament has effective opportunities to contribute to the formulation of positions on matters within Parliament's competence (SuVL 10/2011 vp, SuVL 1/2012 vp). A key factor in terms of Parliament's powers and influence is that the national negotiating objectives described to Parliament in the U and E communications are coordinated within the Government. The information provided to Parliament must also be comprehensive and timely so that Parliament has effective opportunities to influence the national negotiating objectives and thus the outcome of the negotiations. Similarly, Council of Ministers documents must be delivered to Parliament in good time before the meeting of the Grand Committee so that the members and alternate members of the Grand Committee have sufficient time to familiarise themselves with the matters in question before a decision is taken. These basic principles should be the central guiding principles for those preparing EU matters. Parliament must never be faced with facts that have already happened.

(151) The Grand Committee states that a secrecy order in accordance with section 50, subsection 3 of the Constitution issued by the Grand Committee at the request of the Government and binding on all committees must be regarded as an exception to the principle of public access to Parliament documents (SuVL 4/2020 vp). Therefore, the Government's request for secrecy must always be made as precisely as possible and in a manner that is least restrictive of the publicity of the matter. In addition, the Government must immediately inform Parliament of the expiry of the grounds for the secrecy order so that the document can then be made public. In

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<sup>3</sup>When the European Council discusses CFSP matters, the Foreign Affairs Committee hears the Prime Minister on the matter.

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particular, the need to safeguard Finland's negotiating objectives and to ensure the confidentiality of other Member States' negotiating positions can be considered acceptable grounds for a request for secrecy.

(152) As regards the safeguarding of Parliament's powers as presented above, the Grand Committee considers it justified for the Government to submit an E communication instead of a U communication on a matter under section 96 of the Constitution if the matter in question has become pending in the EU within an exceptionally short timeframe and is also expected to be dealt with swiftly. The nature of the matter as a matter under section 96 of the Constitution must be clearly indicated in the Government's E communication. In the E communication, it must also be explained why a U communication could not be issued. The Grand Committee states that it will deal with such E communications in the same way as a U communication: the E communication will be referred to the relevant special committee for its opinion and, after the special committee's deliberations, the position of Parliament formulated by the Grand Committee must be taken as a guiding principle for the Government in the negotiations. It follows from the basic constitutional principles of the system for dealing with EU affairs that the Government – and also Finland's partner countries – must be able to rely on Finland's negotiators to act as Parliament trusts them to act once Parliament's position has been adopted. If the Government later submits a U communication on the same matter after the EU has effectively concluded its deliberations on the matter, the Grand Committee will no longer consider the content of the U communication but will refer to the position of Parliament previously adopted on the matter and record the matter as handled. The Grand Committee suggests that the Government should consider, within the framework of the provisions governing the functioning of the Government, whether in such situations the U communication could clearly state that it does not propose new negotiating objectives that differ from those set out in the previous E communication. This would clarify the handling of the U communication in Parliament as a matter that no longer requires formulating a Parliament position in the Grand Committee.

### THE COMMITTEE'S PROPOSAL FOR A DECISION

The Grand Committee proposes that

*Parliament adopts the opinion on the EU policy report VNS 7/2020 vp.*

#### ***The Committee's proposal for a position***

*Parliament has no comments to make on the EU policy report.*

*Parliament requires that the Government has the capacity to influence in advance the content of future legislative initiatives, especially those by the European Commission, and that sufficient resources are allocated to this work.*

Helsinki, 8 October 2021

The following members participated in the decisive committee reading:

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Chair Satu Hassi, Green League  
1st Vice-Chair Jani Mäkelä, Finns Party  
2nd Vice-Chair Merja Kyllönen, Left Alliance  
Member Eva Biaudet, Swedish People's Party  
Member Ritva Elomaa, Finns Party  
Member Sari Essayah, Christian Democrats  
Member Maria Guzenina, Social Democratic Party  
Member Jussi Halla-aho, Finns Party  
Member Hannakaisa Heikkinen, Centre Party  
Member Olli Immonen, Finns Party;  
Member Eeva Kalli, Centre Party  
Member Anne Kalmari, Centre Party  
Member Pia Kauma, National Coalition Party  
Member Ville Kaunisto, National Coalition Party  
Member Kimmo Kiljunen, Social Democratic Party  
Member Johannes Koskinen, Social Democratic Party  
Member Suna Kymäläinen, Social Democratic Party  
Member Jouni Ovaska, Centre Party  
Member Lulu Ranne, Finns Party  
Member Jussi Saramo, Left Alliance  
Member Sinuhe Wallinheimo, National Coalition Party  
Member Anne-Mari Virolainen, National Coalition Party  
Alternate Member Mari Holopainen, Green League  
Alternate Member Matias Marttinen, National Coalition Party  
Alternate Member Hussein al-Tae, Social Democratic Party

The official acting as the secretary of the Committee was Anna Sorto.

## **Committee Report SuVM 1/2021 vp Protest 1**

### **Protest 1**

#### **Rationale**

The Government's EU policy report is in line with the Government Programme and the values set out in it. It states that the common single market is one of the EU's greatest achievements, and its functioning is a precondition for a sustainable growth and competitiveness of the whole EU.

While it is also important to develop the EU's internal market in a manner that strengthens sustainable growth and competitiveness, it would be essential for the EU's crisis resilience that each Member State rehabilitates its national economy. Extensive and fundamental reforms are also necessary. The current systems do not provide sufficient incentive for reform, and deficit spending cannot continue indefinitely.

It is easy to share this view, but the Finns Party, unlike the Government, believes that the EU should remain a trade union of independent nation states. Other integration measures and transfers of power and income must be rejected as a matter of principle.

#### **The recovery package and the EU's own resources**

The EU recovery package involves fundamental legal questions and there is no clear and acceptable legal basis for it in the EU Treaties. Under Article 310 of the Treaty on the Functioning of the European Union (TFEU), the revenue and expenditure shown in the Union budget must be in balance and the Union cannot finance its activities through borrowing. In addition, Article 125 TFEU contains a 'no bail-out' clause, which prohibits the Union and its Member States from assuming the financial liabilities of another Member State.

The rule of law requires that the Treaties must be respected even in crisis situations. It would not be acceptable for political goals and ideologies to override the EU Treaties. The package undermines the rule-based system of the EU and fundamentally changes the nature of the Union and the relationship between its institutions and Member States. The distortion and the goal-driven interpretation of the Treaties undermines confidence in the treaty-based system and causes moral hazard.

Simply stating that the recovery package is a one-off and exceptional is not enough. The EU policy report should have provided a more comprehensive impact assessment of the consequences of the Recovery Fund and the EU integration process. It has already been openly stated in the Union that the recovery package will create a new way of working and a permanent mechanism that will be used again in the next crisis. The recovery package constitutes a new and fundamental limitation of sovereignty over Parliament's budgetary sovereignty compared to the past and also to the internal implementation of the EU Treaties. In addition, the risks and liabilities of the recovery package may be unsustainable for the Finnish public finances and

## **Committee Report SuVM 1/2021 vp Protest 1**

Finnish taxpayers. At worst, the liabilities may increase in a way that jeopardises the Finnish State's ability to meet its constitutional obligations.

The EU is moving towards a union of transfers and extended solidarity. This is not a development that Finland should accept or promote. In a union of transfers, Finland would have the position of a net payer. The real motives behind the package are not related to the COVID-19 crisis. The situation is shamelessly exploited to deepen the EU's fiscal integration. Furthermore, the Government has adopted a worryingly open and constructive position towards the development of the system of the EU's own resources, i.e., the revenue side of the EU budget. The Government believes that the development of the EU's own resources system will decrease the Member States' contribution for the repayment of the EUR 750 billion Recovery Instrument.

In the view of the Finns Party, the creation of the EU's own resources system would inevitably increase the tax burden on Finns, and therefore concerns a question of giving the EU a direct power of taxation. The introduction of new sources of revenue for the EU would require a broad societal debate in Finland. A tax is a tax, even if it is called something else. We cannot accept assigning the right of taxation to the Union because it is a key element of Finland's national budgetary sovereignty.

### **Taxation and qualified majority voting**

The EU policy report includes the following statement on the adoption of qualified majority voting in taxation matters: '[T]he adoption of qualified majority voting can be considered in limited sets of issues to combat the shadow economy, harmful tax competition, tax evasion and tax fraud, for example, as regards information exchange between the Member States and other administrative cooperation.' This statement is worrying and deviates from Finland's previous position.

Qualified majority voting should not be adopted in any area of the EU's tax policy. Over the last decade, the EU has successfully implemented several directives to combat the shadow economy and tax evasion without requiring the adoption of qualified majority voting. This must continue to be the case.

However, as previously stated in the accompanying document to the follow-up E communication EJ 7/2019 vp, 'a move to qualified majority voting and/or ordinary legislative procedure in the field of taxation could in practice, depending on the concrete content of the possible decision, limit the exercise of national budgetary powers. A de facto reduction of national room for manoeuvre in matters concerning taxation could also be detrimental from the point of view of fiscal neutrality and the predictability of economic policy.'

The Finns Party is opposed to increasing the use of qualified majority voting even in a situation that seems neutral or positive at the time, because once given away, the influence cannot be regained even if the circumstances were to change and the influence and leverage that comes from unanimity were used in the national interest.

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### **EU immigration policy**

Uncontrolled immigration must be stopped. The multiplication of population in African countries, ongoing conflicts in the Middle East, and climate change will increase the migration pressure, but the solution is not to move large masses of people to Europe. Solutions should be found by stabilising the conditions in countries of origin and by establishing temporary refugee camps in neighbouring regions.

There are currently several projects ongoing in the EU to amend regulations and directives that concern issues such as the definition of refugees, asylum procedures, social benefits and the attribution of responsibility.

So far, the Member States, the European Parliament and the European Commission have not yet succeeded in reaching an agreement on an asylum policy that would meet the challenges of our time.

In the meantime, many Member States have taken a tougher line on immigration policy, and so should Finland. In particular, the burden-sharing solidarity mechanism and increased internal relocations, which are binding on Member States, will further increase Europe's attractiveness to migrants and attract more newcomers to Europe. Therefore, reforms should primarily aim at improving the efficiency of border control and returns and reducing uncontrolled migratory flows.

At present, the movement of migrants to Finland is a risk to the national economy and national security. For this reason, the reform of the EU's immigration and asylum policy cannot be based solely on the protection of the human rights of migrants but instead the primary task of each nation state must be to secure its own borders and protect its citizens.

It has also proven very difficult to return people who have entered Europe illegally because countries of origin refuse to take them back. The EU should make better use of trade and visa policies to conclude return agreements. In addition, it should urgently call for the linking of development aid funds to return policies. Development aid to a country that refuses to take back its own citizens should be withdrawn.

### **EU defence cooperation**

Finland should engage in international cooperation in the area of defence policy when it serves our national interest. In defence matters, the priority is to maintain our own territorial defence system.

Nordic cooperation and bilateral cooperation with the United States are particularly important to our country. Finland should not support an EU army or a joint EU force, and Finland should not hand over decision-making power over the use of its forces to outsiders.

## **Committee Report SuVM 1/2021 vp Protest 1**

EU defence cooperation must also take into account the fact that NATO is by far the most important defence cooperation organisation for the vast majority of EU countries. It is therefore unrealistic to think of creating overlapping military structures within the EU.

NATO is facing a range of challenges that are also destabilising the defence of the EU territory. The UK's withdrawal from the EU is also closely linked to this. The UK is a major military power, and it is in Finland's interest to maintain its representation in bodies where security and defence policy is decided.

### **Agriculture, forestry and maritime transport**

In the EU policy report, the guidelines for the EU's key policy sector, the common agricultural policy, comprise just a few sentences. The importance of the rural development policy to Finland is not discussed at all. Overall, the share of EU funding in support of agricultural production and rural development in the EU's financial frameworks has gradually declined over the last decade. Future climate requirements will further increase the threats. In future, more serious and ambitious approaches should also be adopted to strengthening security of supply and domestic food production.

The report should have emphasised more strongly the importance of Finnish forests for the economy and employment. Finland must at all costs maintain that forest policy is a matter within national competence, and Finland should more actively aim to influence the preparation of forest-related policy measures in the EU.

The EU is now calling for increasing carbon sinks and, for example, has started to intervene in forest management, land use, and raw material and energy production in EU countries. Such plans will put EU countries on an unequal footing because they especially impact the economies and social sustainability of forested countries. As a forest-rich country, Finland is facing a very difficult situation.

In the worst case, bans on logging in EU forests could lead to production moving outside the EU because there is a demand for wood-based products now and in the future. In Finland, the importance of forests as a source of income is greater than in the rest of the EU, where our average size of forest estates is more than twice the EU average. It is therefore essential for Finland that regional conditions are taken into account and that European forestry principles are based on accurate information.

In addition, as part of the Fit for 55 climate package, the European Commission is proposing to extend the emissions trading scheme (ETS) to maritime transport. Maritime transport would be included in the existing EU ETS, and emissions trading would apply to maritime transport both within the EU and, to some extent, between the EU and third countries. Unfortunately, the European Commission's proposal does not take into account Finland's winter conditions. Maritime transport is vital for Finland. Almost 90% of Finland's foreign trade is dependent on maritime transport, all year round and in all conditions.

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There must be a balance between climate action, competitiveness, and crisis resilience. At worst, over-ambitious climate targets will erode domestic food production and weaken national resilience to crises. Climate targets also undermine competitiveness and destroy the operating conditions of Finnish companies. Finland has handled its environmental affairs well. It can be said that in a global context, Finnish industry in itself is an environmental accomplishment. The EU must have an understanding of our special circumstances: Finland is a sparsely populated and cold country with long distances, which requires transport and energy.

### **The integration process and nation states**

The EU has become a community that does not respect its own rules and that circumvents its own treaties every time a new crisis hits. When faced with serious problems in the integration process, the only solution is to increase integration. However, this will not solve the issues. The EU should return to being a trading union that maintains and develops the single market.

The principle of increasing the integration in the Union should be abandoned and major steps backwards should be taken. Structures that are similar to those of federal states must be dismantled and we must move towards a Europe of independent nation states. Furthermore, the EU must comply with its own rules, and each Member State must take responsibility for its obligations. Europe needs strong nation states to succeed.

EU-level regulation should primarily focus on the prevention of terrorism and organised crime and on improving the control of external borders. These are areas that require joint action by Member States and where collective action is crucial.

### **Preparation of the report and Finland's future in the EU**

The preparation of the EU policy report has been narrowly focused. The Government has shown no interest in listening to the views of the civil society. This has probably been a conscious choice to avoid a wider societal debate on the major lines of Finland's EU policy.

A critical debate on the future of the EU should be launched in Finland without delay, especially on what kind of EU and euro area would best serve Finland and Finns.

In addition, Finland should become a more active influencer and invest more in proactive influencing. It should also pursue its national interests with determination and focus primarily on what is important to us, now and in the future.

This requires effective proactive influencing at all levels in the Union: between governments, towards the European Commission, and in the European Parliament. Finland should follow the example of many other countries in the way they use effective proactive influence tactics to advance their interests and objectives.

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Protest 1**

***Proposal***

In the light of the above, we propose

that Parliament take note of the above points and, on the basis of the protest, require the Government to issue a new proposal that puts national interest and rules-basedness at the centre of Finland's EU policy.

Helsinki, 8 October 2021

Jani Mäkelä, Finns Party  
Ritva Elomaa, Finns Party  
Olli Immonen, Finns Party  
Jussi Halla-aho, Finns Party  
Lulu Ranne, Finns Party

## **Committee Report SuVM 1/2021 vp Protest 2**

### **Protest 2**

#### **Rationale**

#### **The National Coalition Party Parliamentary Group is concerned about the state of the Government's EU policy**

The Programme of Prime Minister Sanna Marin's Government sets out ambitious EU policy goals. The halfway point of the parliamentary term has been passed, but the Government has not been able to meet its targets. Finland's previous strengths, such as strong proactive influence tactics and national ex-ante coordination, are not working as they used to.

For the National Coalition Party, EU membership is not just another international commitment but the most important economic and security policy decision Finland has ever made. Finland must be pro-European and proactive, and at the same time pursue its national interests. Finland should restore its position as a country pursuing a responsible economic policy, from which the Marin Government has wanted to distance itself.

A weak Union ultimately undermines Finland's foreign and security policy position. Finland's EU policy should therefore focus on improving the EU's global role and the quality of integration. This means putting more emphasis on the economy, global responsibility, flexible integration and security in Finland's EU policy.

Finland must have a voice in the EU that carries weight. Staying at the heart of the EU requires a clear vision of the direction of Finland's EU policy and will to pursue national goals. The Government must strive for more ambitious EU policy through action. Since the Government's EU policy report does not provide clear guidelines for Finland's policy, the National Coalition Party protests the report.

#### **Comments of the National Coalition Party's parliamentary group on the report themes**

The National Coalition Party is more ambitious than the Government in its approach to EU development and believes that the time to discuss the future of the EU and Finland's EU policy is now. The EU and Europe are recovering from the COVID-19 pandemic, and even before that they have been subject to intense internal changes and external pressures. At the same time, the EU is taking on a stronger role in the fight against climate change and reinforcing its role in the area of foreign and security policy.

The National Coalition Party believes that in this situation Finland must have its own clear vision and line on the development of the EU. Following the structure of the Government's EU policy report, the National Coalition Party's priorities are as follows:

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### **Common values as the foundation for all action**

The European Union must be developed as a community of values. The economy creates prosperity and wellbeing, and our common values – human rights, the rule of law, and democracy – bind us together. The EU is home to the freest, most democratic and safest countries in the world. The rule of law cannot be allowed to erode and the EU must not fund Member States that trample on fundamental rights and democracy. The basis for the allocation and use of EU funding should be monitored more effectively.

### **The most competitive and socially integrated climate-neutral union in the world**

The National Coalition Party supports a stronger role for the EU as a global climate leader. Finland should promote a Europe that is economically sustainable and takes environmental issues into account.

*Fit for 55 package:* Finland should promote fair pricing mechanisms for emissions because only a market mechanism can guide innovation and investment towards the most efficient solutions in terms of both emissions reduction and production.

A large part of emission reductions should be channelled to the emissions trading sector, and the application of the emissions trading scheme to different sectors should be extended. The price set for emissions in the emissions trading sector is the same throughout the EU, i.e., reductions are encouraged with the same intensity in all Member States. In the case of emissions not covered by ETS (i.e., in the burden-sharing sector), the country-specific targets in terms of are set on a political level, which is less advantageous for Finland.

Extending the EU ETS to buildings, maritime transport, and road transport is in Finland's interest, but in this context the emissions of these sectors should be transferred from the burden-sharing between Member States to the emissions trading sector. In maritime transport, the ETS calculation method should compensate for the higher fuel demand due to the conditions of ice-breaking vessels. If emissions trading is extended to new sectors, Finland should reduce national emissions taxes in these sectors accordingly. To make this possible, the auctioning revenues from the new emissions trading sectors should not be allocated to a significant extent to the revenue base of the Social Climate Fund, as proposed by the European Commission.

Finland is making progress in reducing emissions, but as the Fit for 55 package progresses, we need to ensure that all countries are committed to achieving their own emission reduction targets. The most effective means may vary, so national room for manoeuvre is also required in the burden-sharing sector to achieve the targets. It is worrying for Finland that, for example, the Energy Efficiency Directive and the Renewable Energy Directive are being reopened even though predictability of the operating environment is more useful for achieving the objective than fast-paced regulation of details.

Micromanaging the means at EU level can work against the objective and make it more difficult to implement more sensible solutions, for example, in the area of heating. We also need to ensure

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that the sustainable use of our forests that takes into account the entire value chain is not restricted by the proposals in the package. The European Commission must not be given additional powers in forestry matters, for example, through delegated acts.

However, reducing emissions that are detrimental to the climate must not lead to a situation where it is more profitable for companies to move their production outside the EU. Emissions pricing should apply not only to production facilities in the EU but also to imports from outside the EU. Then EU production would be on a more equal footing, and we could also encourage companies outside the EU that sell products in EU Member States to minimise their emissions. If well designed, the Carbon Border Adjustment Mechanism focused on imports will increase competition between companies to mitigate climate change and encourage companies to make long-term investments in clean technologies in the EU. The EU's global competitiveness can be improved by making it more profitable to combat climate change.

The emissions and carbon leakage of the entire production value chain must be taken into account in a comprehensive way. It has been technically easier to focus on production within the EU, but it does not make sense if the polluting production in our own consumer price basket moves elsewhere. In the future, the focus of EU emissions efforts must be shifted to consumer price control. In Europe, sustainably produced services and products must be cheaper for consumers than goods that are transported from far away, are produced in a polluting way and are intended for short-term use.

*Forest strategy:* Forest policy decision-making must remain within the sphere of national competence, and there should be no EU-level interference in our forest management practices. Active forest management can increase the carbon stocks in the tree stock and at the same time replace fossil raw materials. Forest property is also covered by the protection of private property, and Finland must hold firm to this.

The National Coalition Party supports the approach of the EU's Green Deal to sustainability and the importance of promoting a circular economy and bioeconomy solutions at EU level. Climate change, the loss of biodiversity, and the poor state of water bodies, for example, are interlinked problems that can be solved by accelerating the transition to a circular economy.

*The EU Taxonomy:* Finland cannot accept criteria in the delegated acts that jeopardise the sustainable use and management of our forests. Finland cannot accept the proposed model, which would define Finnish forest management as unsustainable and would increase bureaucracy and undermine the bioeconomy funding opportunities. In addition, Finland should exert its influence to ensure that nuclear power is classified as clean energy in the Taxonomy. The proposed model would be harmful to our investments in the forest industry and in nuclear power.

### **Innovation-promoting growth policy and a more integrated internal market**

The National Coalition Party calls for a determined policy to turn the EU's growth prospects into a positive direction. Europe must be made the most competitive economy in the world in order

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to create conditions which favour the creation of new jobs. The biggest challenge to EU growth is an ageing population. As our population declines and ages, the EU must find more effective ways to remain competitive, prosperous, and stable in a world with more geopolitical and geoeconomic conflicts.

The internal market is a key source of productivity growth and prosperity in the EU. It has not kept pace with technological progress. The internal market has lacked standards for the platform economy and related payment systems and data use. These must be a priority in an innovation-promoting growth policy. The weak development of the platform economy has meant that network effects, which are critical for growth, have remained limited. Market entry and growth of innovative companies have been slow compared to China and the US. RDI investments are still heavily focused on the development of traditional commodities such as cars rather than on the creation of new ones. The focus needs to shift to the new.

Digitalisation creates new forms of work. Finland should promote the development of the digital single market and the operating conditions of companies providing digital services. The EU's research and innovation funding programme should be supported to meet the Union's competitiveness and societal challenges. Furthermore, the EU should create a favourable environment for the development and application of artificial intelligence. Finland's national work to promote the use of AI can serve as a model for developing EU-level practices.

The completion of the TEN-T core network by the end of 2030 and the completion of the comprehensive network by the end of 2050 is one of the key benefits of the internal market for Finland. Finland needs to take advantage of the transport infrastructure projects offered by the EU more swiftly than presently.

### **Open and responsible trade policy**

Finland should promote the maintenance and strengthening of a multilateral, rules-based trading system. The EU must use its trade policy power to promote our fundamental values, security and climate, environmental and human rights objectives globally. Trade agreements should contribute to the implementation of corporate social responsibility.

The paralysis of the WTO dispute settlement mechanism is challenging the stability of international trade. The priority is to make the WTO address the current challenges in international trade, such as new trade technologies, digitalisation, sustainability and climate goals, health issues, labour mobility, and human rights. Addressing distortions caused by state aid and unfair trading practices is essential. In addition, the WTO dispute settlement mechanism needs to be restored to full capacity.

The United States is the EU's main trading partner. By stepping up its trade policy cooperation with the US, the EU will be in a stronger position to enforce its interests and values in the face of intensified competition between major powers. The EU-US Science and Technology Council

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to be launched in summer 2021 will be a welcome opening to deepen the transatlantic trade partnership.

For the EU, China is at the same time a partner, a competitor, and a systemic challenger. In terms of trade policy, the EU is China's biggest partner, while China is the EU's second biggest partner. To achieve a balanced and reciprocal relationship with China, the EU must enforce its commercial interests and uphold its human rights principles. China must be expected to honour its commitments and improve the openness and transparency of its markets. Cooperation with China on global issues such as combatting climate change is important for the EU. As part of its policy on China, the EU needs to develop its Pacific dimension in order to be an influential player in a region of growing importance in the global economy.

EU-Africa cooperation and trade must be increased. The foundation for African countries' industries and sustainable economic development must be strengthened. A free trade area between the EU and Africa can be achieved by developing partnerships between the two continents.

### **Development of the Economy and Monetary Union**

The National Coalition Party wants to develop the EU's Economy and Monetary Union more ambitiously. Over-indebtedness, a lack of market discipline, and the sovereign-bank nexus are the main problems of the Economic and Monetary Union.

Our goal is a monetary union in which the principle of market discipline ('no bail-out') can be restored. Each Member State must be responsible for its own debt without central bank support and massive debt securities purchase programmes. Finland must commit itself to the establishment of a common European debt restructuring mechanism and to removing the obstacles to the implementation of the 'no bail-out' principle and market discipline.

A sustainable level of national debt is a prerequisite for restoring market discipline. The debt restructuring mechanism should be built on the basis of the European Stability Mechanism (ESM). Its operation must be linked to compliance with the rules on sovereign debt. The debt restructuring mechanism, in turn, is a prerequisite for the implementation of market discipline. The development of the ESM and its place in the EMU architecture must be regularly assessed.

The development of the Stability and Growth Pact and the delivery of structural reforms in the Member States are very important. Each Member State must continue to bear primary responsibility for their economic policy. The conditions for this can be improved by strengthening market discipline and by allowing for sovereign debt restructuring. If agreement can be reached on this basic economic policy approach, it will also enable making progress on other solutions. The EU's fiscal policy framework will then have to be reformed in line with the principles of market discipline because achieving the 60% debt limit is no longer realistic for some Member States. The idea of a customised debt limit that takes into account the debt sustainability of each Member State is worth exploring.

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All financial support should in future be conditional. Finland should promote a decision-making mechanism for the EU's fiscal policy that does not operate on an ad hoc basis but in which the Member States can decide proactively on the Union's fiscal responsibilities and the distribution of power.

The role of the ECB needs to be clarified in the aftermath of the financial crisis and the COVID-19 pandemic because the share of central bank funding in corporate debt has increased significantly, both in Member States and in the internal market area. The ECB cannot be an extension or substitute for the fiscal policies of Member States or the EU. To effectively promote its price stability objective, the ECB needs to be as independent as possible and must enjoy a strong mandate.

The banking union must be completed and the capital markets union must be built in line with commonly agreed guidelines. Discussions on a common deposit guarantee scheme can start, but not before existing risks have been sufficiently reduced.

Finland should actively participate in the debate on the EU's new own resources and assess future proposals concerning them. The development of the EU's own resources system will decrease the Member States' contribution for the repayment of the Recovery Instrument, for example. At the same time, it must be ensured that the increase in the EU's own resources is carried out in a way that is fair for Finland. Decisions on the EU's own resources must remain within the framework of unanimous decision-making.

Of the new sources of EU revenue proposed by the European Commission, from Finland's viewpoint, the plastics tax and the extension of the emissions trading scheme are favourable ways to increase the EU's own resources. The proposed Carbon Border Adjustment Mechanism also has potential. Carbon border taxes are a key element of the emissions trading scheme. However, they should not be the primary source of own resources because it would increase the risk of protectionism and trade wars. EU-wide digital and financial transaction taxes, on the other hand, are not beneficial for Finland.

### **The EU as a strong global actor and security community**

For the National Coalition Party, the EU is Finland's most important foreign and security policy framework, and EU membership increases Finland's security and influence in the world. Finland must support the objective of developing the EU into a stronger foreign and security policy actor. The goal must be an EU that is able to respond to the growing instability in its neighbourhood, the growing influence of China, and the challenges posed by Russia.

The COVID-19 pandemic has highlighted the EU's shortcomings in terms of security of supply and self-sufficiency. It is also in Finland's interest to develop common EU preparedness and security of supply. This requires a comprehensive approach that takes into account the division of tasks between the Union and the Member States.

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Finland must work towards reforming the EU sanctions regime. The EU's anti-coercion instrument, launched in spring 2021, allows the European Commission to impose counter-sanctions on trading partner countries that violate international trade rules and/or prevent multilateral, regional or bilateral trade agreement violations from being dealt with in appropriate dispute settlement bodies.

The National Coalition Party believes that the EU must have a clearer approach to making its foreign policy more effective. Qualified majority voting must be introduced in the EU's foreign and security policy. In the debate leading up to the transition to qualified majority voting, it must be ensured that all Member States have an equal chance to influence decisions. In addition to qualified majority voting, the possibility of using constructive abstention must be maintained.

The EU needs to develop its existing security policy toolbox more determinedly. Finland is ready to provide and receive assistance in accordance with the EU's mutual assistance clause (Article 42(7) TEU) and solidarity clause (Article 222 TFEU). However, this means that the EU's safeguard clauses need to be given concrete content.

EU defence cooperation must be developed so that it strengthens the military capabilities of EU Member States, which in turn would reinforce existing security structures. In the long term, we must be prepared to consider combining the defence roles of the EU and NATO. In the context of developing the EU's military capabilities, Finland must support cooperation with third parties, such as the United States and possibly in the future also the United Kingdom. Defence industry collaboration should be conducted in a way that guarantees the Finnish defence industry the opportunity to participate as an equal partner in EU defence industry collaboration.

Developing EU defence cooperation can have far-reaching value. The EU must be prepared for being a more strategically independent actor in the future in its wider neighbourhood. To this end, EU defence cooperation can bring important added value. The EU must also be able to carry out demanding crisis management operations independently, if necessary. The EU must therefore consider, among other things, the reform of the EU battle groups and a more effective use of Article 44 of the Treaty of Lisbon, for example. Article 44 would allow the EU to form coalitions of the willing for various crisis situations within the framework of the common security and defence policy.

The COVID-19 pandemic and the hybrid influencing targeting EU countries have highlighted the need to strengthen the crisis resilience of the Union and its Member States. Hybrid threats have become a permanent feature of the Finnish and European security environment. Finland has been active in the EU's efforts to increase understanding of hybrid threats, as demonstrated by the European Centre of Excellence for Countering Hybrid Threats established in Helsinki in 2017. In order for the EU to be able to better respond to hybrid threats, Member States need to coordinate common approaches and conduct joint exercises for different threat scenarios.

Finland's and the EU's development policies have broadly similar objectives. Finland should participate more actively in decision-making concerning the EU's development policy. This

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would enable influencing the future of the international development policy and the implementation of development cooperation around the world.

Immigration issues will continue to challenge the EU in the near future. Poor living conditions, including climate change, are driving people away from their home regions. Europe is under increasing migration pressure. There is a clear need to address this phenomenon, both by strengthening our capacity to manage the situation and by stepping up our efforts to tackle the root causes. We also need to minimise the ability of the EU's border neighbours to use migration as a tool to exert influence on the Union.

The National Coalition Party believes that the EU needs better functioning asylum and return procedures which can, respecting the obligations of international law, ensure that protection is provided quickly for those who need it and that those who do not are promptly referred to the return procedure. The system must continue to be based on the right to apply for asylum. However, the system must be developed so that the use of the mechanism that is based on crossing borders and seeking asylum within the country of destination is minimised and instead assistance is targeted to the most vulnerable people as close as possible to their countries of origin. This would bring the asylum system closer to a quota refugee system that is well suited to its purpose. It is in Finland's interest as an external border state that clear responsibilities are established for all Member States.

### **Enhancing Finland's EU influencing**

The Parliamentary Group of the National Coalition Party shares the concerns raised in the expert hearing by the Grand Committee about the current state of Finland's proactive EU influencing, which previously functioned very well. Finland must restore the previous high level of proactivity by allocating resources of the ministries to support our EU action. In addition, resources need to be strengthened, as necessary.

The National Coalition Party encourages the Government to increase transparency in its handling of EU affairs. It is essential to ensure good cooperation between the Government and Parliament and adequate and timely access to information in accordance with the Constitution. Long-winded EU reports are not the answer to the needs of public debate or the planning of Finland's EU policy. Annual policy planning linked to the EU's timetable (especially the European Commission's) and Parliament's deliberations based on it is a more dynamic and concrete way of working.

The National Coalition Party wants Finland to send a unified message to the European Commission and the Member States, especially on critical issues. Working together with our partners is an essential way of enhancing our influence in EU decision-making. Relations must also be built with those Member States with whom Finland has traditionally had fewer contacts.

### ***Proposal***

In the light of the above, we propose

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that Parliament requires the Government to improve its EU influencing, especially on issues related to the EU's climate policy, the development of the internal market, trade policy, the future of the Economic and Monetary Union, and the common foreign and security policy;

that Parliament requires the Government to restore Finland's position as a country pursuing a responsible economic policy in matters concerning the EU's Economic and Monetary Union;

that Parliament requires the Government to pursue more determinedly the objective of developing the EU into a stronger foreign and security policy actor;

that Parliament requires the Government to restore a high level of proactivity in its EU policy by allocating resources of the ministries to support Finland's EU action on the setting of clear limits to the increased use of financial solidarity mechanisms;

that Parliament calls on the Government to increase transparency in its handling of EU affairs, to ensure good cooperation between the Government and Parliament, and to guarantee adequate and timely access to information on EU matters in accordance with the Constitution; and

that Parliament requires the Government to clarify the objectives and prioritisation of Finland's EU policy and to improve the effectiveness of Finland's EU policy through annual EU influencing strategies, thereby contributing to strengthening Finnish citizens' confidence in the Union.

Helsinki, 8 October 2021

Anne-Mari Virolainen, National Coalition Party

Pia Kauma,  
National Coalition  
Party

Ville Kaunisto,  
National Coalition  
Party

Matias Marttinen, National Coalition Party

Sinuhe Wallinheimo, National Coalition Party

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### Protest 3

#### Rationale

The Christian Democratic Committee Group presents the following comments on the Government's EU policy report:

#### Economy

Finland's EU policy should place more emphasis on the responsibility of each Member State for its own economy. The EU Recovery Instrument adopted by the Government of Prime Minister Sanna Marin distances Member States from sound economic management and market discipline and moves them further away from a policy that respects the EU Treaties. Ensuring sustainable economic policy must not be outsourced to the EU, but Member States should take national measures to ensure this and that there is room for manoeuvre in years of crisis.

#### *EU Recovery Instrument*

The COVID-19 crisis has led to major and fundamental changes in the way the EU operates. The EU's Recovery Instrument ties Finnish taxpayers for decades to joint debt and higher membership contributions and opens the door to EU-level taxation. The Constitutional Law Committee's policy of requiring a two-thirds qualified majority decision proved that the adoption of the Recovery Instrument de facto concerns a transfer of powers to the EU. Being tied to joint debt is against fundamental principles, and the burden of growing contributions threatens the sustainability of our economy.

Opening up the debt facility is likely to lead to a desire to increase the EU's 'one-off' debt and to increase pressure on the EU to find new sources of own resources to repay the joint debt. In addition to the plastics tax that is now being implemented, the European Commission is planning a digital tax and various taxes on Finnish companies and capital, among other things. The EU policy report states that 'Finland has an open and constructive position towards the development of the system of EU's own resources, i.e., the revenue side of the financial framework.' Creating EU taxes and giving the Union the right of taxation threatens to reduce Parliament's budgetary sovereignty. The decision creates a new supranational tax layer on top of the national tax system without any impact assessment. The Christian Democrats believe that tax policy is fundamentally a matter of national sovereignty, and the Party does not support increasing the use of qualified majority voting but rather calls for maintaining the requirement of unanimity in matters concerning the EU's tax policy.

In addition, the Recovery Instrument is economically disadvantageous for Finland because it is estimated to have no significant direct impact on our exports. It comes too late in the cycle, overheats small economies, distorts competition in favour of other EU countries, and weakens Finland's relative competitive position.

The Christian Democrats proposed rejecting the proposal and instead keeping the financial framework and the Recovery Instrument separate and opening the latter by a separate treaty only to willing contributors and recipients. Like the Finance Committee (VaVL 4/2021 vp), we believe that Finland should not accept a repetition of the arrangement or any other arrangements that weaken Member States' incentives to rehabilitate their public finances and increase risks to financial and macroeconomic stability in the EU.

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### *Economic and Monetary Union*

The EU's budgetary rules were abandoned during the COVID-19 crisis, and now the Union has launched a debate on how to reform the rules. The Christian Democrats believe that the EU must be developed within the current Treaty framework. A well-functioning Economic and Monetary Union requires that common rules are respected, economic development is based on the efforts of each region and market discipline works. We find it peculiar that the EU policy report lacks fundamental support to the EU's Stability and Growth Pact. It is essential to restore the importance of market discipline in the development of the EMU. The stability mechanism (ESM) must be maintained as an arrangement between the Member States, and its central decision-making must continue to be based on unanimity among the Member States.

In addition to the Recovery Instrument, the Marin Government has promoted other solidarity projects and given the green light for the early adoption of the Single Resolution Mechanism. The Christian Democrats see a risk that we, the regular bank customers, will end up paying the costs associated with the failing banks of southern Europe. The banking sectors in the banking union Member States still face varying risks. Many Member States also have inefficiencies and overcapacity in the banking sector, which will lead to more banks being wound up in the coming years. In addition, the COVID-19 crisis has created an exceptionally high degree of uncertainty which has not been adequately addressed. There are significant risks in the global economy that could quickly spill over and affect the stability of the banking sector, which means that the timing of promoting the early adoption of the SRM could not be worse.

A precondition for risk sharing must be adequate risk mitigation. Wind-ups and mergers of unviable banks must be dealt with first. Similarly, before banks can be covered by a common deposit guarantee scheme, they must be brought to the same level in terms of their health. The completion of the banking union must not be forced at any cost.

It should be noted that, although the Government states in its report that the risk mitigation has not progressed significantly on the basis of the estimates presented in the report, the Government, on the basis of overall political deliberation, nevertheless approved the early adoption of the backstop mechanism and the amendment of the agreement on stability contributions and advocated the related signature and ratification procedures, as well as the necessary amendments to the ESM ancillary laws and guidelines.

According to the presented estimate, the net effect of amending the agreement will be negative in the Finnish banking sector if the financial position of Finnish banks relative to other euro area banks is estimated to be significantly better. The additional stability contributions collected for the benefit of banking sectors in other countries could amount to billions of euros.

At previous stages of the deliberation, the Constitutional Law Committee has not considered the fact that the agreement contains a transitional arrangement to be irrelevant to the agreement as a whole or to its constitutional assessment of it. In its opinion, the Constitutional Law Committee repeatedly highlighted that Finland's budgetary sovereignty must be protected as effectively as possible and it must be ensured that the specific features of the arrangements, which appear complex, do not increase Finland's liabilities under these arrangements.

The additional clarification requested from the Ministry of Finance at earlier stages of the proceedings states that if discussions on the transfer of EFSF support were to start, 'the different implementation

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options and their impact on Finland's guarantee arrangements concerning the Greek loans would be assessed in the same context. If the transfer were to take place, the validity of the guarantee arrangement would require renegotiation of the agreements with the Greek banks.' Although the changes to Finland's liabilities are limited by the contractual provisions limiting the liabilities and reducing the amount of recapitalisation through the repayments of EFSF loans, it is regrettable that the effects on Finland's guarantee arrangements were not clarified in advance.

Furthermore, during the COVID-19 crisis, exceptional economic policy instruments have been created, such as the SURE mechanism to mitigate unemployment risks, which should have been rejected as a matter falling within national competence.

The Christian Democrats highlight that, internationally, Finland's public sector guarantee liabilities are on a high level. Finland's ratio of general government and central government guarantees to total output was the highest in the EU (Eurostat 2018). However, this does not take into account the growing EU liabilities, which are already in the tens of billions of euros. The Constitutional Law Committee (PeVL 14/2021 vp) only partially shared the view expressed in the explanatory memorandum of the government proposal HE 260/2020 vp that the decision would not increase the liabilities in a way that could jeopardise the Finnish State's ability to meet its constitutional obligations.

The EU policy report stresses the importance of the European Semester for economic policy coordination. The Christian Democrats draw attention to the fact that the Semester has not been able to coordinate and steer the economic policies of the Member States as hoped. Member States can pick the recommendations they like best, and reforms that are high on the list of priorities are not implemented. Apart from the fact that the European Commission should pay attention to the number of recommendations and prioritise them, there is no asymmetry in guidance between Member States. Mechanisms and intervention to prevent EU funds from being misused have also been weak.

### **EU climate regulation and taxonomy**

The EU's climate targets will increase regulation, which in some areas can be contradictory and overlapping. The Christian Democrats consider it important to clarify whose responsibility it is to formulate an overview of the overall environmental and climate regulation. The mere fact that regulations are being drawn up in different arms of the European Commission obscures the overall picture. The Ministry of Economic Affairs and Employment has stated that the EU climate package is in danger of becoming a patchwork.

Last spring, the European Commission published the first delegated act to the Taxonomy Regulation. The proposal has attracted strong criticism from environmental organisations, the business community, the energy industry, and agricultural and forestry producers. It can be seen as a failure if sustainability is considered only from a climate perspective. The separation of nuclear power from the overall picture and the uncertainties related to hydropower threaten to water down the set climate objectives. In addition, the proposed taxonomy threatens to increase bureaucracy for forest owners by requiring reporting on climate measures for all forest estates over 13 hectares in size.

The Christian Democrats highlight that the sustainability of the energy system must also take into account the security of the system. For example, at the beginning of the year, the entire electricity grid in continental Europe was in danger of collapsing due to a malfunction. Europe's energy supply cannot be built on wind and solar power alone. Bioenergy, which is important to Finland, has also been neglected.

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### **Migration**

The European Commission's proposal for a new EU immigration and asylum policy has some issues. Like the Administration Committee, we believe that the country of first entry must continue to be responsible for the processing of asylum applications. We are critical of the proposed changes to the responsibility criteria, according to which the asylum seeker's 'ties' to a Member State could lead to that state becoming responsible for the processing of the application. In its opinion, the Administration Committee (HaVL 25/2020) considers the proposed changes to the responsibility criteria as problematic. According to the Administration Committee, there are also many unanswered questions as regards the practical functioning of the arrangement.

The Christian Democrats are opposed to the proposal for forced solidarity. The proposal would allow Member States to choose in a crisis situation whether to show support by accepting relocated asylum seekers or by assuming responsibility for the returning of a certain number of persons. If the returning fails, the Member State would have to receive the persons concerned to its territory. In its above-mentioned opinion, the Administration Committee voices doubts about the realism of the proposal: countries that have so far been reluctant to participate in burden-sharing, for example, are unlikely to be willing to do so now.

Without a credible return policy, there can be no coherent immigration and asylum policy. Failure to ensure an effective return policy will undermine the reform proposed by the European Commission. As things stand at EU level, only one third of all returns are successful. In its opinion, the Administration Committee also states that it is essential to ensure that returns are carried out without difficulty and to establish cooperation with third countries on returns. It is also unclear how the responsibilities of the EU countries playing different roles in the solidarity mechanism would be defined. According to the Administration Committee, trade policy, development cooperation, and other sectors of society must be integrated in order to achieve an effective return policy and cooperation. In return for various forms of financial support from the EU and the Member States, it must be possible to impose an obligation to countries of return that they must accept their own nationals without conditions.

We must be able to improve people's wellbeing and living conditions through development aid and climate policy and shift the focus of asylum policy towards a quota refugee system. A debate should be launched at EU level on the strengthening of the quota refugee system in order to avoid uncontrolled migration.

In the Afghan crisis, the EU rapid reaction force could not be mobilised but Member States acted nationally, proving that the system as it stands does not work. In future, it must be possible to deploy the force in crisis situations around the world, for example, to ensure the security of humanitarian aid in the event of natural disasters.

### **Other comments**

The Christian Democrats want to draw attention to the functioning of the EU Court of Justice. Policy decisions must not be brought before the Court, and the description in the EU policy report regarding encouraging participation in cases pending at the EU as activities supporting Finland's policy guidelines seems peculiar.

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### **The direction of the EU**

The EU policy report fails to address a key topic: a policy and a vision for the direction of the EU. The Christian Democrats see the increasing financial solidarity and the high level of indebtedness of the Member States as a worrying development that the Government should address. The adoption of the Recovery Instrument marked a significant change in the way the Union operates. Although the Recovery Instrument is said to be a one-off and exceptional measure, the solution seems to serve as a precedent. It will be difficult to turn back on the path of common debt and EU taxes.

Solutions such as the Recovery Instrument put citizens' sense of justice to the test. The Christian Democrats have called on the Government to have the backbone to oppose initiatives that further increase the taxpayers' burden. Healthy criticism has its place at tables where Finland's position and circumstances are not automatically taken into account.

One of the main weaknesses of the EU policy report is that it does not take into account the national EU debates and openings of other Member States. The Marin Government has justified the adoption of the Recovery Instrument on the grounds of its exceptional and one-off nature, but key EU leaders have interpreted it to be an enabler for new debt mechanisms. These voices are pushing the Union further away from commonly agreed principles and rules. It is not clear from the report how Finland views these positions.

The Christian Democrats want to develop the EU as a body of independent states working together to promote employment and prosperity through a well-functioning internal market. To ensure growth and competitiveness, we must continue to develop the internal market and invest in international multilateral cooperation. The EU should focus on those areas where cooperation can add value to national policies. The Christian Democrats consider it important that there is an active debate on the direction of the EU. However, the Conference on the Future of the EU threatens to remain a discussion platform for a small and already active group.

### ***Proposal***

In the light of the above, we propose

that the Government issue a new report on the matter, taking into account the points presented in the rationale.

Helsinki, 8 October 2021  
Sari Essayah, Christian Democrats  
Peter Östman, Christian Democrats