Finland

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The Finnish economy is highly industrialized, largely free-market, and mainly dependent on manufacturing and exports (with exports accounting for over 1/3 of GDP in recent years), particularly in wood, metals, engineering, telecommunications, and electronics. Most materials, excluding wood and some minerals, are imported, with Russia being the main supplier. Socially, the Finns have, and are protective of, a extensive welfare state, which Prime Minister Jyrki Katainen describes as "under severe threat" from the global recession (Pohjanpalo).

The Finns are known for having one of the best education systems in the world—it pays dividends. Finnish GDP per capita in 2011 was $36,700 putting it above the European Union average ($34,500) but below fellow Scandinavians Denmark, Sweden, and Norway. Minus a sizeable contraction (-8.4%) in 2009, annual GDP growth was been consistently positive since 2003 and as of 2010 had begun recovering, albeit slowly, with growth rates of 3.7% and 2.9% in 2010 and 2011 respectively. Up until the global recession, the Finnish government consistently ran strong surpluses, ranging from 2.1% of GDP to a high of 5.2% in 2007. Since 2009, however, the government has run countercyclical deficits of -2.9% and -2.8% in 2010 and 2011, and is expected to continue doing so in the near future.

In the lead-up to the crisis of 2008, the Finnish housing market avoided the bubble experienced in other rich countries, and following a significant decline as the crisis ran its course housing prices returned to high levels that nevertheless "seem to be broadly in line with fundamentals" (André, p. 24). Similarly, the financial sector in

Finland has emerged from the crisis of 2008 relatively unscathed, largely due to their lack of exposure to the EU's troubled southern periphery. Furthermore, Finland, unlike all but one of the EU's original members, has stayed within the Maastricht treaty's fiscal limits—a major source of bitterness among Finns. All of this, along with Finland's status as one of few AAA rated nations left in Europe (and the only one Moody's deems as not facing a potential downgrade), leaves the Finns "pissed off" (in the words of a Finnish minister) about the behavior of other European countries and their flouting of the rules ("Finland's new president…"). After all, if they themselves were able to follow the rules while maintaining one of the most expansive welfare states in the world, why should they be forced to pay for others' overreaches?

Given the Finns' fiscal frustrations, the fact that only 31% of their exports go to the Eurozone (with five out of their seven largest foreign markets outside the continent) and the fact that their rate of economic growth and recovery now lags significantly behind their non-Eurozone, Scandinavian neighbors in recent years (see chart at end, source: *The Economist*), finance minister Jutta Urpilainen declared that, although "Finland is committed to being a member of the eurozone," and "that the euro is useful for Finland … Finland will not hang itself to the euro at any cost and we are prepared for all scenarios" (*Telegraph*). This sentiment is backed up by foreign minister Erkki Tuomioja's revelation that Finland has contingency plans for a break up of the Euro. Eurozone bailouts in Finland are also complicated by the country's experience following its own banking crisis and recession in the early 1990s, when the country was able to recover on its own without requiring outside bailout funds, even though the economy saw a decline in GDP of 15% over just four years.

Despite Finland having perhaps the “most to lose from a pooling of sovereign debts” and “the least to gain from keeping the Euro show on the road” (“The euro crisis…”), the general public will tends towards remaining in the Eurozone, partly to avoid a return to the outsized Russian influence of the Soviet years, but also, as Katainen said: “No matter how much it irritates me to clean up the mess others have made, it’s still better to fix the European economy to ensure we fare better” (Pohjanpalo). This is particularly true in light of an aging population (third most rapidly aging country in the world behind Japan and Italy) and the declining fortunes of Nokia, which contributed nearly 25% of Finnish growth from 1998-2007, but has seen its share price fall by 90% since 2007, both of which mean that continued economic volatility and government deficits could cause severe problems for the country in years to come.

However, the anti-EU tide seems to be on the rise in Finland. Although the most recent presidential election, held in early 2012, saw the election of Sauli Niinisto, who oversaw the country’s entry into the EU while serving as finance minister, the anti-EU and strongly nationalist True Finn party received 18% of the vote in the general election before being eliminated in the first round of the runoff that eventually saw Niinisto take 63% of the vote. Additionally, a recent poll by Yle, the Finnish national broadcaster, revealed that 66% of Finns “want their country to avoid shouldering more financial responsibility, even if it would save the Euro” (Wall). Given the domestic pressures mounting in Finland, it’s not hard to see why Finland was the only country to demand collateral for its contributions to the second Greek bailout and ailing Spanish banks.

In summary, although the government and population are, as of now, pro-EU, there are few bonds that truly tie them to the continental union, and increasingly more arguments in favor of exit. While a “Fixit” could still occur, it seems more likely that Finland will go along with rescue efforts in the Mediterranean in hopes of improving general economic conditions and bringing stability to the domestic sphere, but only under conditions amenable to an increasingly uneasy populace.

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