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Finland: Learnings from 30 years of EU membership

- effects on trade and national competitiveness

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Politics of EU membership

- Key drivers of Finland's EU membership in 1995 were **security** and **economy**; in Austria and Sweden membership was more about economy
 - Economic rationale: Need to be inside the single market (EEA), yet Sweden's decision to apply for full EU membership tilted Finland to same pathway
 - Security policy rationale: Anchoring Finland firmly to the West, yet avoiding re-emerge of East-West tension
 - Finland fully aligned with the EU economically and politically, yet stayed militarily non-aligned (and non-allied until 2023)
- Finland's participation in the third stage of EMU from the outset of euro was a "political choice":
 - Economic assessments were inconclusive; and benefits for political influence and Finland's security (policy) were highlighted
- Focus on (i) security and (ii) political influence in the EU, might have somewhat obscured the **extensive economic agenda** related to Finnish EU membership in terms of monetary, fiscal and economic policies

Effects on trade and competitiveness

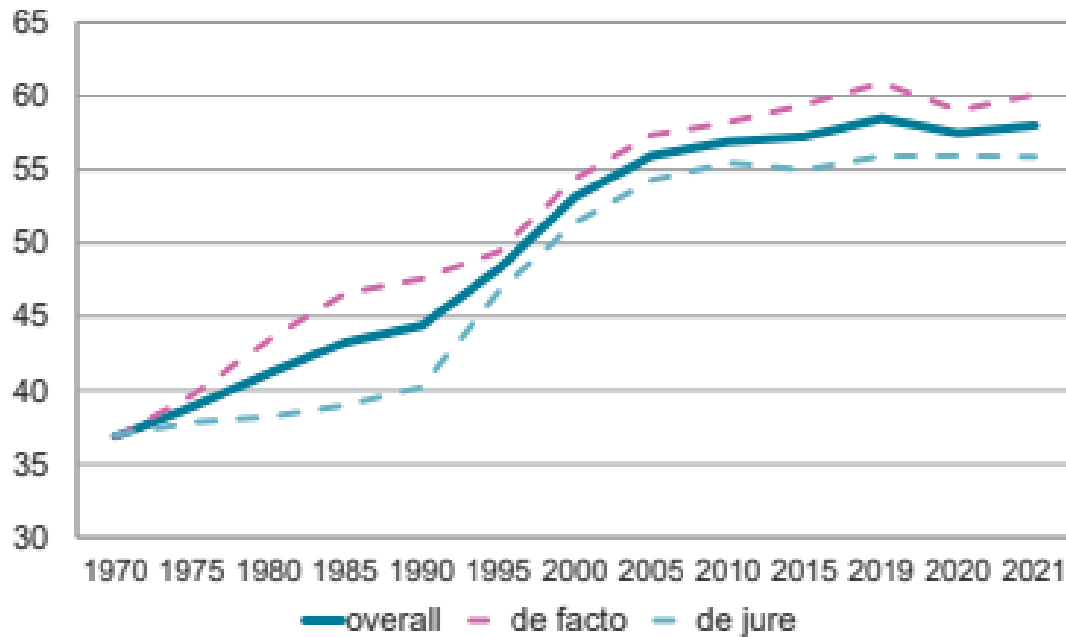
- EU membership has boosted total trade by between 9% - 26% or €16 - €47 billion (in 2017)
 - **Finland's imports** in 2023: EU27 70.4% - World 29.4%; **exports**: EU27 56.6% - World 43.4%
- Finland has received extra €31.7 billion of inward FDI from 1995 to 2018 (0.9% of GDP)
- In 2017, Finnish total contribution to EU budget was €1.7 billion; net contribution €275 million; in 2023 total contribution €2.34 billion; net contribution €807 million
- Assessments on euro membership largely point to neutral macroeconomic impact
 - Positive impact until 2007; yet variation in assessments afterwards
 - Some evidence suggesting notable corporate benefits in terms of finance

Sources: Oxford Economics 2019; Eurostat 2023; COM 2024; Korkeamäki, Timo 2012

- EU membership has been instrumental for “Europeanization” and “globalization” of the Finnish economy
- Finland has emerged as one of the most competitive export driven economies; and it has been able to caught up its closest reference counties
- Yet recent years display economic challenges also regarding trade and competitiveness

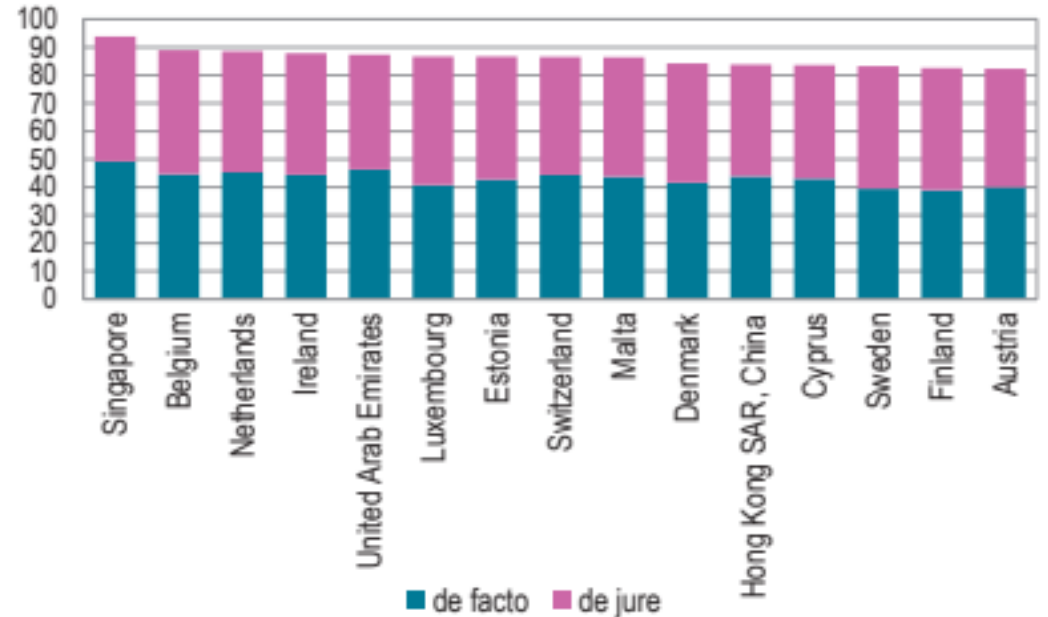
Enter strategic competition: the fate of globalization?

Graph 2
KOF Globalisation Index, Economic Globalisation
World average



KOF Globalisation Index: Economic Globalisation,
Top 15 Countries

Overall index value and contributions from de facto and de jure index, data for the year 2021



Trade and competitiveness in an era of strategic competition

- De-coupling, de-risking, and trade wars hit to the heart of the EU and its most globalized members' economy → highlights the single market and EU's external economic relations
- At the same time, the EU faces severe competitiveness challenges hampering its response to deepening economic strategic competition (Draghi report)
- Is the “perimeter of single market” (Letta report 2024), which still prioritize national control over key domains of **finance**, **electronic communications** (tech) and **energy** still serving member states' and EU's interest?
- Has the most globalized and competitive members, including FI, SE and AT, ability to think big enough to safeguard their and EU's competitiveness amid global and regional strategic competition?