

# **Finland government commits to austerity, moves towards NATO membership**

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A coalition agreement to form a new government in Finland following April's general election was presented last Wednesday in Helsinki.

The coalition, under the leadership of incoming Prime Minister Juha Sipilä (Centre Party), will be one of the most right-wing governments of recent years. The Centre Party will be joined by the nationalist Finns Party, formerly True Finns, and the conservative National Coalition Party (NCP) of outgoing Prime Minister Alexander Stubb. Stubb will serve as finance minister, while Finns leader Timo Soini will be appointed foreign minister. The agreement is still awaiting formal approval by each of the parties' decision-making bodies before it is finalised.

The government will implement a significant shift in Finnish foreign policy, which will see the country integrated still further into the US-led anti-Russian NATO alliance. In the wake of the signing of a Nordic defence agreement in April by the previous government, Sipilä's administration is to prepare a report on the benefits of NATO membership.

Throughout the Cold War, Finland sought to maintain a degree of neutrality. Along with Sweden, it never joined NATO and only entered the European Union in 1995. Previous governments, including the outgoing Stubb-led coalition, continued to rule out NATO membership.

The announcement came in the same week as Finnish aircraft and armed forces personnel participated in the NATO-led Arctic Challenge. The two-week-long military exercise includes over 100 aircraft and 4,000 personnel, and is a major provocation aimed at Moscow.

It follows the dropping of depth charges by the Finnish navy near Helsinki in April to warn an unidentified object, which was universally claimed in

media reports to be a Russian submarine. The Finnish air force has accused Russia of an increased number of airspace violations over recent months.

Arctic Challenge is only the latest NATO operation to include non-NATO members Finland and Sweden. Both countries have integrated their armed forces into NATO via the Partnership for Peace (PFP) programme. Via this mechanism, both countries participated in Steadfast Jazz, a massive NATO exercise in the Baltic Sea in late 2013, and last year, the Finnish port of Turku played host to NATO's Northern Coasts naval exercises. PFP also saw Helsinki deploy troops to Afghanistan.

Later this month, the Finnish army will conduct a major military mobilisation involving over 8,000 personnel in the Karelia region on the border with Russia. In April, the army wrote to over 900,000 reservists informing them of where they would be deployed in a crisis situation.

NATO has indicated its desire to develop closer ties with Stockholm and Helsinki. After a NATO foreign ministers' meeting in Turkey last month, NATO Secretary General and former Norwegian Prime Minister Jens Stoltenberg said at a press conference that more consultation and information sharing would take place. "We will also look at how we can conduct more exercises with Finland and Sweden," he said.

Unveiling an increase in defence spending, Foreign Minister Soini declared that the incoming government would seek to "secure our independence and regional integrity." He pledged to cooperate more closely with Sweden on defence matters. Soini avoided making any explicitly anti-European Union (EU) statements, even though the Finns are a Eurosceptic party that sharply criticised the Greek bailouts. He did mention that the EU required reform, but added that it was not a priority.

The promotion of militarism is designed to divert anger away from the deepening economic crisis and the severe austerity measures being prepared by the government.

Before entering politics, Sipilä was a businessman who made millions in telecommunications. Throughout the election campaign and during coalition talks, he has portrayed himself as someone who gets results through efficiency savings and increased competitiveness. The *Financial Times* remarked in its analysis of the new government that Sipilä was preparing to run the cabinet more like a “corporate executive board.”

The coalition agreement pledges to make over €6 billion in savings by 2021, through a combination of devastating spending cuts and attacks on public sector wages in a country of just 5.4 million people. Stubb laid out plans to freeze welfare benefit payments, increase charges for public services and slash over €600 million in education support. This latter measure marks a reversal of pre-election promises to maintain funding for schools and universities and has already provoked widespread opposition.

Other cuts will see day care charges rise and a reduction in state-funded mortgage relief. Families where one parent is unemployed or stays at home for other reasons will only be eligible for state support for a half-time day care placement.

A day after the presentation of the austerity package, Finland released its latest unemployment figures. Joblessness rose from the same period last year by 40,000, reaching 10.3 percent at the end of April.

A major task of the new government will be to impose labour market reforms, including the deregulation of labour laws and the destruction of wages and workers’ benefits to improve the country’s international competitiveness. To this end, Stubb has given workers an ultimatum: either sign up to a “social contract” between the employers’ organisations and trade unions and the government will cut taxes by €1 billion; or reject such a deal and face an additional €1.5 billion in government spending cuts.

Both alternatives would be disastrous for the working class. While the additional threatened cuts would target public services already devastated by austerity measures, the purpose of an agreement between employers and the trade unions would be to impose just as much if not more savings by launching an assault on

pay and conditions.

The newspaper *Ilta-lehti* reported that the government has drawn up a list of measures that would be implemented to undermine workers’ rights and trade union powers if the social contract is not agreed. These would include increasing fines for strikes deemed illegal, reducing or removing entirely the portion of union members’ contributions which is tax deductible, and the setting up of an unemployment insurance fund to compete with the union-operated schemes. According to information from an anonymous insider, the government will consider abandoning centralised labour agreements reached with the unions in favour of sector-specific deals.

Sipilä denied the existence of such plans, but this is hardly credible—particularly given the fact that a deadline of 21 August has already been set for the conclusion of a social contract. The government has demanded that it contain a lengthening of working hours, together with a commitment to keep any pay increases “moderate” for the coming years.

The new government has declared its intention to grow the economy and reduce unemployment; above all through an investment package of €1.6 billion, which it claims will offset the negative impact on economic activity of spending cuts. In reality, this programme is to be funded by selling off state assets, as Stubb confirmed last week.

Even economists from the region’s major banks and think tanks have noted that the government’s employment goals are unachievable under the current economic conditions. Passi Holm of the PTT think tank, referring to the government’s goal of raising employment from its current level of 68 percent to 72 percent, told YLE, “Finnish economic history shows that we haven’t achieved that kind of jobs growth since after the recession of the 1990s and between 2003 and 2008. But at that time we had economic growth of about five percent.”

Currently, the government is predicting growth this year of 0.5 percent, followed by 1.5 percent in 2016.



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