

Kourosh Zibari an award-winning Iranian journalist interviews JUTTA URPIILAINEN,

The Nordic country has very good economic indicators and was classified by The Heritage Foundation as the world's 16th country in terms of economic freedom. Despite being affected by the global economic crisis, Finland has a flourishing economy with a nominal gross domestic product (GDP) of \$267 billion.

Finland is a country in which you rarely experience such phenomena as inflation or overpricing. Transparency and government accountability are the major characteristics of the nation's economy. The purchasing power parity in Finland, according to the International Monetary Fund's 2013 figures, is higher than such economic powerhouses as Japan, France, Britain and Italy. Jutta Urpilainen, Finland's former finance minister, believes the country is in the midst of a severe structural change, and that many sectors of its economy have suffered a setback in recent years.

Kourosh Ziabari: It has been reported that Finland's economy has suffered due to the EU sanctions against Russia. Prime Minister Alexander Stubb has said that Finland's economy is in the middle of a "lost decade" as a result of the EU's deteriorating trade ties with Moscow, and what he has described as a decline in the Finish industry. How do you analyze the impact of EU sanctions against Russia on Finland's economy, given that Trade Minister Lenita Toivakka has also warned against the possibility of counter-sanctions by the Kremlin?

Jutta Urpilainen: Indeed, current growth predictions seem to confirm that we are in the middle of a lost decade. The predictions show that the 2008 GDP levels will be reached in 2018 at the earliest. The problem of stagnation concerns Finland, Russia and Europe as a whole. Conflicts and trade sanctions do not help the situation.

Russia is one of Finland's biggest trading partners, alongside with Sweden and Germany. Naturally, our economy has certain ties to Russia. No one in Finland was hoping for sanctions, but as the situation in Ukraine escalated, sanctions had to be put in place. Trade interests are secondary in this view, as sanctions are a means to contain the situation.

Counter-sanctions issued by Russia are concentrated on specific food products that represent only a small proportion of our total exports to the country. Of course, the effects can be quite significant and detrimental on the scale of individual companies, but on the scale of national accounts, the effects of sanctions remain modest.

The European Parliament has issued a statement concerning energy trade with Russia, but it is not a legal ruling. The Finnish parliament will decide in the coming months whether it reauthorizes the Fennovoima project, with Rosatom as a partner.

Economically, the bigger problem is the longer-term slow-down that the global economy faces. This affects Finland, the eurozone and Russia. In addition, the Finnish economy is in the middle of a severe structural change, as employment is decreasing in the traditional wood-processing, paper and heavy industry sectors. Surprisingly, employment is also decreasing in certain service sector areas, such as banking. The situation has further deteriorated because of the ageing population of Finland. This poses a triple challenge to our economy and growth prospects. Russia and sanctions are not our main economic concern.

When it comes to Finnish-Russian bilateral relations, I find it important that we have kept the conversation alive with Russia. This is confirmed by visits to Russia by President Sauli Niinistö and Foreign Minister Erkki Tuomioja. I believe this is also helpful in making the EU standpoint better understood in Moscow.

Ziabari: Finland is currently cooperating with Russia's federal agency for nuclear power, Rosatom, for constructing a 1,200-megawatt nuclear reactor. Why has Finland turned to nuclear power for meeting its energy demands? Is the cooperation between Finland's Fennovoima company and Rosatom going to violate the terms of EU sanctions against Russia?

Urpilainen: Currently, there are four operational nuclear power plants in Finland. The fifth plant is under construction by Finnish TVO, in cooperation with a French company called Areva. The Fennovoima project would be the sixth nuclear plant in Finland. Nuclear power has to be authorized by parliament in Finland. The parliament approved the Fennovoima project in 2010. Now the project has undergone some changes, the biggest of which is the introduction of Rosatom as a new partner.

In the Fennovoima plan, it is not a question of EU sanctions against Russia, as there are no sanctions concerning the energy sector. The European Parliament has issued a statement concerning energy trade with Russia, but it is not a legal ruling. The Finnish parliament will decide in the coming months whether it reauthorizes the Fennovoima project, with Rosatom as a partner.

Nuclear power is a controversial issue in Finland, as in other countries. It is not yet certain what the ruling of parliament will be. It will be a close call — the votes are close to even.

I have consistently argued that renewable energy will prevail as the most sustainable form of energy. I have seen nuclear [energy] as a transitional solution to the demand for base-load power in our heavy industry, and thus supported one more power plant in Finland. Having witnessed the overpriced and delayed nuclear projects, as well as technology development in renewables, I question when the transitional period will be over.

Ziabari: Finland and Iran have not had significant economic relations with each other in recent years, especially following the enforcement of the EU's comprehensive oil embargo against Iran, which took effect in July 2012. This was a collective decision made by the EU, and the Finnish prime minister voiced his support for sanctions. I have two questions. First, what do you think about the impact of sanctions on Iran's economy, and the effects it has had on the daily lives of ordinary Iranian citizens who have nothing to do with the country's nuclear program, but bear the brunt of crippling economic sanctions? And second, do you believe the EU has the readiness to lift sanctions altogether, if a comprehensive nuclear deal is sealed with Iran?

Urpilainen: Sanctions in international politics are an exceptional method to work with. Sanctions are primarily focused on a political leadership that violates international agreements. Unfortunately, ordinary citizens may also be affected.

During the past year, there has been growing hope to find possibilities to lift the sanctions that concern Iran. This is dependent on the progress of policies that the Iranian government has — to guarantee there are no further steps with the alleged nuclear arms program in the country, and the transparency in proving the positive progress in that field.

Ziabari: As finance minister, you said in 2012 that Finland was not ready to stick to the eurozone at any cost, and would not agree to an integration model in which countries are collectively responsible for member states' debts and risks. What challenges has Finland's membership in the eurozone posed to the economy? Have you been forced to help the indebted EU member states such as Greece and Spain through bailout plans without proper collaterals, causing trouble to Finland's domestic economy?

Urpilainen: During the 14 years of a common currency, Finland has consistently defended the rules of the Stability and Growth Pact, including the no-bailout rule. I remember when Prime Minister Paavo Lipponen, a staunch supporter of the euro, in 2002, demanded the EU to stick to the pact. During

the euro crises, these rules were tested — many were in favor of debt restructuring, but the EU line was taken before 2011.

As the SDP [Social Democratic Party] stepped into government and I became the minister of finance in 2011, Finland demanded collateral to secure the bailout funds that had been approved since then. It is important to help member states of the currency union, but that has to be done carefully, with proper plans of the structural adjustments that help the crisis countries back on their feet. So far, all the crisis countries have stuck to their programs. The biggest problem the eurozone faces at the moment is the lack of growth and huge unemployment — especially youth unemployment, which still soars above 50% in Spain and Greece.

Ziabari: Finland came sixth in the global sovereign credit ranking and is one of few EU member states to have a triple-A rating, thus being one of the safest places in the world for foreign investment. How has the country achieved such a remarkable and outstanding stature as a safe place for attracting foreign investment? How can developing countries in Asia and Latin America take Finland as a role model for improving their economic indicators, and creating secure opportunities for foreign investors?

Urpilainen: Finland has a history and reputation of repaying its debts. Historically, we have had solid public finances and a relatively low debt-to-GDP ratio. The ratio has deteriorated, but we are still among the best in Europe. Also, we have had periods of strong growth. The future now appears to be very different. Forecasts are alarming and our triple-A credit rating cannot be taken for granted.

The economic difficulties Finland is experiencing are no secret. The economic slowdown has lasted for five years now; our GDP is still below the 2008 level.

If we do not manage to return to growth, Finland stands the chance of receiving a lower credit rating. The main lesson to learn is that during good times, you have to prepare for bad times — and during bad times, you must make reforms that will help you grow and change for the better. In the 1990s, when Finland underwent a banking crisis, the seeds for later growth were sown by investment in education, and other structural adjustments that created the conditions for the industry to bounce back. Generally investing in education will pay itself back later on.

The key is careful long-term planning of policies, as well as bold structural reforms for increased employment and effective services. It is sometimes difficult. For example, Germany benefited from the structural reforms of Chancellor Gerhard Schröder, although he lost the elections after bold reforms.

Ziabari: How is the current state of the electronic and IT industry in Finland? It is believed that Nokia Oyj and the software producer Tieto Oyj have cut many jobs, and also experienced serious setbacks in terms of global sales of their products. Is that true?

Urpilainen: Nokia is not the global market leader in smartphones as it used to be. There are many reasons behind this, but the result is that the IT sector in Finland has had to cut jobs. The Finnish economy, in general, is undergoing major structural changes in the forest and mechanical industry, as well as the IT sector. These industries have to reinvent themselves, and they are doing so. This is visible from the new investments planned in those sectors, and new companies come and diversify to new areas such as mobile gaming and green technology.

Ziabari: Despite the promising figures that show Finland has had a relatively high value of GDP and is currently ranked 41st in the International Monetary Fund's list of world countries by nominal GDP, it was recently claimed by Nordea Bank that only a miracle can save the country's economy, and that Finland is "only one shock away from a fourth year of contraction." The financial group has estimated that this year's economic growth will retract by half a percent and GDP will increase by only 0.3% next year. What do you think about Nordea Bank's forecast, and the fact that it considers Finland's economic status as critical?

Urpilainen: The economic difficulties Finland is experiencing are no secret. The economic slowdown has lasted for five years now; our GDP is still below the 2008 level. There are many predictions from different sources. For example, the Bank of Finland and the Ministry of Finance both predict no growth for 2014, and 1.4% and 1.2% growth for 2015 and 2016, respectively. Predictions vary, but the underlying story is the same: The state of the economy is not good. We need to boost it with government investment and by stimulating domestic demand. We are also encouraging new investment with lower corporate tax rate.

At the same time, we have to maintain the long-term sustainability through structural adjustments, such as recently released pension reform, and social welfare and health care reform, which is underway. I don't believe there are any miracles that save us. Instead, it is hard-work and wise long-term solutions that will save Finland.

Finland has to reduce the debt-to-GDP ratio to reach a level structural sustainability, and create a good environment for business to thrive. The government has worked hard to do this. To reach structural sustainability, many measures have been implemented, such as freezing the income tax rates and increasing the tax on capital returns. Also, cuts on many parts of the budget. To improve the business environment, corporate tax rate has been reduced.

At the same time, the government has stimulated the economy by specific infrastructure investments. Also, a Youth Guarantee has been created, which provides all youth with a work or study placement within three months of becoming unemployed. So far, this experience has been good and it will be developed further.

All these decisions have been made with the notion of social justice in mind, with the target of greater social cohesion, equality and reduction in income inequality. Therefore, despite difficult times, most social welfare benefits have been improved. In fact, income inequality has decreased since 2011.

Ziabari: Finland is one of the world's leading countries in pulp and paper manufacturing, and Stora Enso is the third company among the international paper production firms in terms of revenue and global sales. Is the paper and wood-products industry still thriving in Finland? Has the eurozone crisis had any impact on the growth of the industry?

Urpilainen: As mentioned earlier, the paper and wood processing industries are undergoing major changes. In Finland, we have to work to attract investments, and to ensure that our existing industries are internationally competitive. As the eurozone and EU are the main export destinations of Finnish forest industry products, undoubtedly, economic slow-down in those countries reduces overall demand in the economy, including Finnish forest industry products.

The forest sector is recovering and renewing itself. Last April, Metsä Group, a forest conglomerate, announced the plans to build a new generation biotechnology plant in Äänekoski, Finland. Metsä Group has an existing pulp mill there, and now they will diversify it to different wood-based biotechnology products. If and when these plans materialize, the €1.1 billion investment would be the biggest to date in the history of forest sector in Finland.

In general, Finland has abundant renewable natural resources, a strong industrial base and a highly skilled workforce. This creates the environment for bio-technology and bio-economy to thrive. The government has drafted a bio-economy strategy, published in June 2014, which aims to push our bio-

economy output up to €100 billion and to create 100,000 new jobs by 2025.

Ziabari: As a former chairperson of the Social Democratic Party of Finland, what is your view on the integrity of the country's political leadership with major EU policies? How much does the government try to comply with the EU's policies on such issues as Turkey's bid for accession to the union, the crisis in Ukraine, the rise of the Islamic State, the Israeli-Palestinian conflict and relations with Iran? Has the Finnish government adopted an independent attitude on these issues, or does it prefer to stride on the path that the EU Council, EU Commission and European Parliament outline?

Urpilainen: In both the six-party government and in the EU28, there are many independent attitudes to be reconciled into a common policy. In a democracy, we need to allow discussion on different options, as well as to be clear on a common policy. Finland is an active EU member trying to influence on a common policy. At the same time, we are acting according to all the decisions taken in the union.

It is evident that all EU member countries do have their own history and traditions and relations in their foreign and security policies, which has an impact on their bilateral relations. In the case of Finnish foreign policy, I see value-based traditions like international law, human rights and gender equality, as well as realism, when it comes to our security and economic interests.

Ziabari: The Finnish foreign minister, Erkki Tuomioja, recently visited Iran, marking the first trip by a high-ranking Finnish politician to the country in over a decade. As an Iranian journalist, it is interesting for me to know whether Finland is willing to cooperate with Iran in joint economic, financial or political endeavors. Does Finland have any interest in investing in Iran's profitable oil and gas market, petrochemical sector or its blossoming automobile industry?

Urpilainen: According to the Finland-Iran Trade Association, there are good economic opportunities for Finnish companies in Iran. Mr. Tuomioja's visit was a very positive signal in framing the future possibilities of the deepening of relations between our two nations. As we already discussed, the future is dependent on the comprehensive nuclear deal. We need irreversible change of Iran's policies, in order to start with sanction relief measures. We need results by November 24, when the current EU decision on suspension of restrictive measures expires.