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CHECK AGAINST DELIVERY

**Lecture by President of the Republic of Finland Tarja Halonen at the London School of Economics and Political Science (LSE) on 17 October 2007**

I am very pleased to be here in London today and I am grateful for the invitation to speak to you here at the London School of Economics and Political Science.

In recent years, there has been considerable international interest in the Finnish innovation and education system – the so-called "Finnish model". I would now like to outline some of our experiences on how the welfare state can work in globalizing world.

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Finland is a small nation in the far north of Europe. Today we are rich in international comparison but it was not always so. Finland used to be one of the remotest and poorest countries in Europe. Having a foundation built on democracy, good governance, the welfare state and investment in education has made it possible for us to become one of the most competitive countries in the world.

Foreign trade has for long played an important role for us. Joining the European Union and globalization have meant positive developments for our country. Finland is nowadays among the countries that have benefited from globalization.

Welfare and competitiveness are not mutually exclusive. I firmly believe in the so-called Nordic welfare state model. It combines the dynamism of the market economy with strong sense of responsibility and social well-being.

People value the possibility to get good quality services such as education, health care and social services including children's day-care system and services for elderly. And for maintaining them people are willing to pay taxes. Good governance and lack of corruption in Finland keep up the positive attitude towards taxation.

The Finnish economy has made exceptional progress since the severe recession we faced in the early 1990s. Those were not easy times and we had to make difficult decisions to come out from the situation. For years now, our economic performance has been strong and the economic growth is estimated to continue at a fast pace. Since the start of the new millennium, our annual growth has exceeded the EU average.

This year, the number of people in employment will most likely already exceed 70 per cent of the working-age population. The number of unemployed persons is decreasing and the unemployment rate is expected to drop to 6.7 per cent. According to the economic forecasts, the positive trend will continue in 2008.

Like many other countries, we have had to face the fact that many jobs in different industrial sectors have moved abroad – to China and India for example. Major job-losses resulting from the closure of industrial sites have severe consequences for the people and families living in the regions concerned. Negative effects can affect whole towns and villages.

Our system is based on the principle that we must help people to survive over the bad times and help them find new jobs. At present, we enjoy a favourable economic situation and new jobs are emerging, which makes it easier for people to find new opportunities.

As an open economy and a country that is dependent on exports, we are affected by developments in the global markets. A single skilful surfer can manage well even in a rough sea but alone can do very little to calm down big waves and turbulent waters. So, we decided to join a fleet – the European Union.

Finland's decision to join the EU in 1995 was a logical step in a long process. The decision was both political and economic. We wanted to be a full member in a group of countries with which we share the same values and objectives.

Gaining access to the single market gave naturally our businesses new important opportunities and the EU membership has had a positive impact on our economic development.

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We Finns are only five million and Finland is a country with relatively few natural resources. We can never compete with quantity, only with quality. In order to be successful, you have to know your own strengths.

Finland is a sparsely populated country. Therefore, technologies are needed for communication and for contacting each other. For many decades, the Finns have been fast appliers of new technologies. Going back to 1882, for instance, the Finlayson weaving mill was the first place in Northern Europe to install the electric light. And only six years after Bell patented his invention, the major cities in Finland had functioning telephone companies. In the early 1920s, Finland had both a national airline and a broadcasting company in operation.

And later, Finland became a forerunner in the use of the mobile phone and the Internet. In the area of new technologies our businesses have succeeded well despite the hard international competition.

One of the crucial factors behind the Finnish "success story" is that education, science and research have traditionally been widely appreciated in the society. Therefore they have become political priorities.

Our education system is based on the principle of providing learning opportunities for everyone, regardless of where they live or their gender, financial standing, cultural background or native language. Our Constitution states that everyone has the right to basic education free of charge.

For example, the OECD's PISA surveys in 2000 and 2003 put Finland at the top in terms of learning skills among 15-year-olds for mathematics, science and reading. Other high performers included Asian countries such as Japan and Korea. It is good results together with a very low variation between different schools and among students, which makes our system unique.

Lifelong learning has been given special importance in Finland. Without well-trained people, the Finnish economy cannot be competitive. Without well-trained people, our services sector – public and private – cannot provide high-quality services.

Education and training boost the capacity for self-determination and for people to make their own choices in life. Also, they give people opportunities to use their expertise and their talents in the best possible way to benefit themselves, their families and society as a whole. In working life, good education and training has traditionally provided a quite solid "insurance policy" against unemployment and a factor in gaining better pay, too.

We need to encourage and support all sorts of creativity from the arts to technologies. In order to exploit the real benefits of research, we need to be far-sighted and to invest in a sustained manner equally in education, science and technological development.

Finland is close to the top in many international rankings concerning research and development expenditure. Our spending on research and development relative to GDP is one of the highest in the world – about 3.4 per cent – which is already above the EU target and well above the present EU average. It is interesting to note that in Finland at the time of deep recession in the 1990s, public investment in research and development actually increased. The UK figure, according to my information, is about 1.8 per cent.

For us – and for the whole Union – there are important references in this respect elsewhere in the world – the USA of course, but also emerging economies such as China, India and Brazil. Finland and our business community have good relations with these countries. I myself have also visited China and India this year and the President of Brazil visited Finland just recently. These countries clearly have a rising interest in the area of research and development. For example, China plans to increase spending on research and development to bring it to 2.5 per cent relative to GDP by 2020.

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Globalization affects Europe, and in turn Europe and the Europeans can and must influence globalization. The Union's potential for succeeding in international competition is very good. Our societies are based on democracy, respect for human rights and the rule of law. In international competition, the fact that the Union forms a large internal market is an advantage to all of us – provided that all Member States comply fully with the commonly agreed provisions.

We already have a programme that includes our shared objectives for a common direction: the Lisbon Strategy. The Union has not, however, developed according to the ambitious goals entered in the original Lisbon Strategy in 2000. Nevertheless, I consider that the Lisbon Strategy can provide a programme to respond to the challenges of globalization as long as that we are successful in creating links between economic growth, employment, social cohesion and environmental sustainability. It is important to note here that there is no single uniform social model in Europe, but it is important that we have the same view on basic principles.

I would like to take up a couple more points about competitiveness and social fairness: that is, gender equality and the ageing population.

The reconciliation of work and family life is easier in Finland than in many other countries. Thanks to our system of family leave, our day-care system and free school meals, both women and men can play an active role in working life and usually both women and men work full-time – unlike in many other countries.

Gender equality, the welfare society and economic prosperity are closely connected. I firmly believe that the full participation of women in society is not only right in terms of equality but also improves competitiveness. A recent study of the Finnish Business and Policy Forum shows that Finnish corporations with a female CEO or with more women than men on the corporate board are more profitable than the others. The study is called “Women to the top!”.

The ageing population and workforce is a particular challenge for Finland – and for many other countries too. Finland has been commended – for example in a recently published Moody's report – for our policy approach in addressing this challenge. Influencing attitudes in society is also important.

It is obvious that skills acquired decades ago are, in many cases, inadequate in today's working life. On the other hand, we should see that ageing employees, with their experience, can be of invaluable help to their younger colleagues. In society and at the workplace, there should be greater appreciation for age and experience. I firmly believe that when people are given the chance of lifelong learning and better skills, they will be ready to take this opportunity.

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I am delighted that the debate on globalization has in the recent years turned from confrontation to dialogue. There is an improved understanding about the benefits and deficits of globalization and that the real issue is to make globalization fairer.

One of the efforts at making globalization fairer was the World Commission on the Social Dimension of Globalization, which was established by the International Labour Organization in 2002. I had the honour to co-chair – with Benjamin Mkapa of Tanzania – this Commission of originally not-like-minded people. Despite our diverse views, we were able to publish a unanimous report in 2004 called “A Fair Globalization: Creating Opportunities for All”.

The recommendations of the World Commission have been adopted as part of the globalization work within the United Nations and other organizations too. A lot of work is still needed for better implementation of the recommendations.

Two weeks ago, I had the opportunity to address the WTO Public Forum in Geneva. I would like to repeat a couple of key issues deriving from our report which I think are still topical.

The first one is coherence. Unfortunately, the lack of coherence at national level is multiplied at international level. Representatives of one nation can have very different views on same issues, depending on the organization by which the issue is dealt with. And to aggravate the situation further, coherence, co-operation and information-sharing between international organizations leaves much to hope for. In order to make globalization work better for people there has to be better policy coherence at both the national and international level. But the road to better globalization starts at home.

Secondly, employment and decent work. Globalization has to be a force to promote employment everywhere. Employment is a key issue for personal and national development, and free trade should promote both economic growth and employment. Participation in international trade has been a key to Finland's success. Our position is that the Doha round must be concluded soon and concluded as a fair agreement – an agreement that takes into account the huge variety of member states in the WTO, especially developing nations. In order to achieve this goal, everybody must make concessions. There has to be give and take by all.

Thirdly, cross border movement of people. This is a worldwide phenomenon and no newcomer to the international arena. We need to have a better framework for cross border movement of people in order to make it a truly positive force for people themselves and countries of origin and destination. Receiving countries must bear in mind – my own country included – that we are talking about people here, not only workforce. We must recognise that incoming people and their families are entitled to full life – with rights and obligations of the society. We in Finland have still a lot of work to do in this respect.

The work for fairer globalization has provided a good “pre-school” for addressing the wider challenge of sustainable development. Well-being for mankind is not enough. It has to go hand in hand with the well-being of nature. Sustainable development on a global scale can become a reality if we truly take care of people and if we have a strong environmental awareness.

All countries have the right to develop and to aim for growth and prosperity. At the same time we must all recognize our joint responsibility in responding to global challenges.

The commitment period of the Kyoto Protocol expires in 2012, and by 2009 we must achieve a consensus on how to proceed. The Bali meeting this December will be a crucially important event for showing our commitment. The European Union has already adopted ambitious objectives for climate action. The Union has stressed that increased cooperation on technology-related issues should become an essential part of the post-2012 framework.

Industrialized countries must continue to take all possible steps to promote access to environmentally sound technologies for all countries. We have to show solidarity towards developing countries that are addressing climate change and, at the same time, strive to achieve other development goals such as poverty eradication and better health care.

Finland wants to be an active player in international issues – as a Member State of the European Union and as a member of the global community. We support multilateralism and we have always thought that UN-centred multilateralism is not only right but also very much in our national interest. In order to achieve comprehensive security in the world, we must promote not only security but also development and human rights. The United Nations Millennium Declaration and the Millennium Development Goals continue to serve as our common pledge to create a better future for all of us.

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Can the welfare state work in a globalizing world? My answer is yes. And even more, it is the best response to globalization. Our experience has shown that the basic elements of the welfare society also provide key elements to succeed in international competition. We want to promote an open and dynamic market economy. By securing free basic and higher education, public health care, social security and social services it will be easier for people to adapt to change.

All the Nordic countries – the “five Nordic sisters”, as I call them – have succeeded very well in different international comparisons of competitiveness, environmental sustainability, technology and social conditions. There are many differences between these countries, but the uniting factor is their similar approach to the welfare state model.

Small countries cannot have any illusions on their self-sufficiency and that can actually help our people to be real cosmopolitans.

Knowledge is a key factor for economic growth and social development in every part of the world. It is said that human and knowledge capital are the only assets that can grow without limit. For a small country like Finland, there is no other choice than to take care of these assets.

Thank you for your attention.