


## **FINLAND 2015**

### **Success factors and challenges for the future 4**

#### **The Finland 2015 programme**

The purpose of the Finland 2015 programme is to develop the knowledge, skills and networks of senior decision-makers in Finnish society to help them prepare for the challenges of the future. Participants

- are given a wide range of information on current affairs and issues crucial to the future;
- take part in discussions with both Finnish and foreign experts from different sectors and with other decision-makers;
- assess the main challenges facing Finland in the future;
- familiarize themselves with strategic policies at national level; and
- prepare a report on the most important new strategic policies for the future.

The Finland 2015 programme supports SITRA's goal of placing Finland among the three most successful nations in the world by 2010.

[www.sitra.fi/suomi2015](http://www.sitra.fi/suomi2015)

ISBN 951-563-410-5 (p/back)

ISBN 951-563-411-3 (url:www.sitra.fi/suomi2015)

Helsinki 2002

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## PREFACE

The fourth course in the Finland 2015 programme took place amidst many dramatic changes in the world. The first stage of the course took place in California just when the terrorist attacks on the United States shocked the world. The second stage in Moscow began on almost the same stroke of the clock as the war in Afghanistan. During the final stage of the course, the crisis between Israel and Palestine reached an unprecedented peak. Global threats have become closer and closer, and have grown in scale.

The world is vulnerable and undergoing major transformations. An oft-repeated view in the autumn of 2001 was that the world would never be the same again after September 11. This period of transition will also affect the future of Finland and of the Finns. Our operating environment changed in the course of one day. In today's world of growing uncertainty, safety and stability are increasingly important values. The concept of a safe Finland has acquired new connotations.

This also presents SITRA with a new challenge in its efforts to ensure a better quality of life for ordinary Finns in the future. SITRA has set itself the goal of placing Finland among the three most successful nations in the world by 2010. The resulting strategy emphasizes the following areas of focus:

- SITRA helps and trains decision-makers to predict national and international change with greater accuracy.
- SITRA formulates, develops and implements measures to allow the socially and regionally balanced development of a stronger Finnish society based on knowledge and expertise.
- SITRA formulates, develops and tests measures to alleviate or prevent the social exclusion of individuals or entire regions.
- Outside experts assess SITRA's work and its impact, operational procedures and orientation, and the efficiency of SITRA as an organization.

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Sitra pursues its mission through research, providing funding for innovations, business finance and training.

The Finland 2015 programme is one of the means employed by SITRA in pursuit of its basic objectives. The programme provides the Finnish decision-makers who take part with an introduction to the most important national and international future scenarios. They also discuss strategic approaches and practical measures to meet the challenges of the future.

The Finland 2015 programme is a series of six courses in all. The programme will continue until autumn 2003, when the participants on all six courses will come together in a final joint seminar. The idea is for each course to publish a report and for the reports to collectively comprise an overall assessment of Finland's future.

SITRA would like to thank all those who have participated in the fourth course of the Finland 2015 programme, the partners involved in planning and implementing the course, and the experts from Finland and abroad who contributed to its sessions.

We should also like to express our cordial appreciation to Minister Jaakko Iloniemi for chairing the course. The SITRA training team is responsible for practical arrangements for the programme as a whole.

The present final report is based on work done on the course and discussions between participants, and was put together by Tuovi Allén of SITRA and the writer and editor Matti Karhu.

SITRA hopes this report will generate as much public debate as the last three reports and in this way contribute to achieving the targets we have set for meeting the challenges of the 21<sup>st</sup> century.

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Helsinki, January 2002

Finnish National Fund for Research and Development (SITRA)

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## **FINLAND IN 2015 - THE VISION**

The fourth course in the Finland 2015 programme set out on the basis of the vision of Finland in 2015 developed on the earlier courses and summed up this vision as follows:

### **Society**

Finland will be a just, pluralist society providing incentive and opportunity and a safe environment for its citizens. The Finnish economy will be stable, progressive and structurally versatile, and the decision-making system fair and flexible, encouraging its citizens to be active participants.

### **People**

In 2015, Finland will be home to a free, prosperous, skilful and responsible people. The country will use the efforts of all its citizens to create prosperity and to offer opportunities for all to succeed in Finland and abroad.

### **Strengths**

Finland's strengths will lie in the fields of education, social cohesion and stability. Finland will be an active shaper of the international scene and play a leading role in many sectors. The country will have a wealth-generating and competitive economy.

### **Environment**

Finland will be a safe place to live, with a clean natural environment, a high standard of housing, a strong national culture, and a knowledgeable and cultured citizenry.

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## **STRATEGIC AIMS, OPPORTUNITIES AND THREATS**

The report of the fourth course in the Finland 2015 programme concentrates on Finland's competitive assets, the challenges facing the welfare state, private enterprise, knowledge and expertise, innovativeness and decision-making. These key ideas had already begun to take shape to some extent in discussions during the earlier courses. The subjects and views which were the focus of the first three courses have been given less attention in the present report.

The two first courses in the Finland 2015 programme began by constructing a vision of Finland. The third course used the vision as a basis for its work and defined the strategic aims that it considered crucial for the future. At the same time it assessed the opportunities and potential obstacles on the road to their achievement.

The fourth course in the Finland 2015 programme further defined the visions of the previous courses and assessed Finland's strengths, weaknesses and risks in this area. Participants also gave thought to opportunities and risks in the external economic and social environment which could accelerate, slow down or prevent achievement of the objectives.

The fourth course in the Finland 2015 programme set out three strategic objectives for Finland:

- Finland will be a leading country in educational standards, all-round expertise and innovation
- Finland will be a country able to respond to change, and its citizens knowledgeable and active participants
- Finland will be a competitive country that invests in improving the operating environment of its enterprises and the efficiency of its public sector.

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These aims can be achieved if our society remains stable, safe and peaceful. Our national competitiveness can be reinforced by raising productivity and the employment rate, by creating a stimulating growth environment for private enterprise, and by developing our competencies.

Our international environment gives us plenty of opportunities to achieve these objectives. Global threats and instability, however, loom increasingly on our horizon. Transboundary environmental problems, terrorism and crime, poverty-generated problems, trade wars and political unrest affect Finland, too, faster and more directly than before.

Finland has many strengths that support achievement of its aims. We have a stable and open society, a high overall standard of education and extensive knowledge of top technology. Finland is, however, better at developing than exploiting technology. We also have a strong industrial tradition, a high regard for hard work and skill, plenty of space and a clean environment. Finnish EU membership improves our chance of controlling global threats. As part of a large internal market and a common currency zone, our economy acquires credibility and stability on which to build a national strategy.

Obstacles that might prevent achievement of our objectives include the ageing of the population, regional disparity and cultural intolerance. Other factors that could prolong the process are our narrow skills base and the crumbling of cultural and collective values. If unemployment becomes permanent and long-term, this would also weaken Finland's competitiveness and undermine the foundations of the welfare state.

The young people of today will have completed their studies by 2015 and will be building Finnish society from the point at which our generation left it. What kind of Finland do we wish to leave these young people as their inheritance? What kind of Finland would they wish to have in 2015?

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The fourth course in the Finland 2015 programme provided an opportunity to hear the thoughts of young Finnish students on what the future holds for them and their society. Included here are some of their dreams for the future and the threats they feel may affect their realization, summarized based on the discussions at the seminar held in Helsinki during the course.

## **AN EFFICIENT AND JOB-CREATING WELFARE STATE**

Over the past few years, Finland has been rated among the top countries in international competitiveness comparisons. Where does our competitiveness derive from and how can we retain it?

Thanks to the work done over several generations, we have achieved a stable democracy, a high overall standard of education, a healthier nation and an extensive system of basic security. We have also made major strides in the area of sexual equality. Finland has witnessed the emergence of successful companies whose growth and internationalization derives from a high level of education and skilful exploitation of research.

Finland's competitive edge is the result of a high rate of productivity and employment. Our competitiveness is based on a stable operating environment, efficient society, appropriate incentives and adequate skills. In a competitive and efficient society, welfare services and the operating conditions for businesses complement each other.

The worst scenarios for the future are that our industry becomes more one-sided, we price ourselves out of world markets and our competitiveness collapses. This would cause problems for businesses, resulting in bankruptcies, growing unemployment, declining tax revenues and a crumbling of the foundations of the welfare state. The ageing of the population and early retirement would increase the problems faced by the public finances. Solving these problems by levying more taxes would only create more obstacles for individuals seeking employment or trying to set up businesses. A narrow

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economic structure, a low level of private enterprise and instability in the global economy would further aggravate these problems. To prevent this threat from happening, we must be able to maintain our strengths and exploit our new opportunities.

So how do we maintain Finland's competitiveness, the efficiency of our welfare state and a high rate of employment?

*The welfare state as the basis*

Finland can remain competitive in the future only if Finnish society as a whole is competitive. The competitiveness of the economy alone will not suffice; we must ensure the functional capacity of the nation as a whole. Everybody must feel that they are part of society and that the decisions taken by society are their own. In the future, too, welfare will derive from work and the citizen's own initiative.

The factors that will reinforce Finland's competitiveness in the future include an efficient social system, a profitable economy and a high level of expertise. Finland's political stability and national unity provide a solid foundation on which competitiveness can thrive. Stable conditions and neighbourly relations will also make the country an attractive location for international businesses, and Finnish companies reliable business partners. Finland's high-quality and inexpensive housing, clean environment, moderate taxation and versatile services will also attract international experts, and are therefore something we should pursue.

Finland has a strong industrial tradition. Side by side with electronics, the forest industry, and metal and engineering will remain Finnish strengths in the future, too. Over the past few decades Finland has also become a trendsetter in high technology. The level of corporate and public-sector investment in research and product development is among the highest in the world. Expanding new technologies to all sectors of the economy and society is a

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prerequisite for maintaining and reinforcing our competitive edge. We must also ensure that the investments we make are profitable.

Although technology is advancing rapidly and is widely applied, Finland is still only on the way to becoming an information society. A significant part of production and employment are still service-based, although the line between services and information is gradually beginning to fade. In the future, Finland may well be a leading information society with most of its services available and accessible to all online. Use of technology in the service sector and in government will bring services to all, regardless of where they live.

Generating and exploiting top technology requires a high level of comprehensive training and the expertise that this provides. Equal educational opportunities and versatile language skills provide fertile soil for competitiveness. The assets of a small country are its adaptability and speed, which will strengthen its competitive edge in a globalizing world.

#### *Services — an investment in the future*

A welfare state is home to a skilful, healthy and self-motivated nation, but in fact it is its people that bring each other up. The main responsibility for bringing up children remains with the parents and it is up to us all to care for our old people. The welfare state merely provides valuable support in this task. Public welfare services are therefore a significant investment target and, side by side with top technology, a key power factor of the future.

Another Finnish strength is the equal opportunities that the country's welfare services provide for life and work. It gives us the opportunity to develop Finland into a model country as regards both its housing and its environment. Without the foundation of the welfare state, many success stories might never have come about. The high quality of our welfare services and education system, coupled with an extensive social security system, create the

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conditions in which businesses can provide employment and produce competitive products. A good social security system encourages risk-taking.

On the other hand, we must make a clear distinction between the responsibilities of the individual and those of society. Paternalism has taught people to count on society for support even when they should not. The significance of self-motivation and responsibility for one's own life may become obscure. A self-motivated and responsible citizen is the cornerstone of a welfare state.

In the production of public welfare services we must strike a balance between the private and public sector and the civil society. Although our welfare state model is on the whole effective and relatively inexpensive, the changes going on in the population structure create pressures to improve its operations. We have a general understanding that basic services should be publicly funded. But how should we define 'basic services' and how should their provision be arranged in the future.

If the provision of welfare services is transferred to the private sector, we must ensure that the quality control system is efficient and the competition open. The private sector or its size is not a goal *per se*, nor is privatization.

We can ensure the high quality of welfare services in the future, too, by having them provided jointly by the public and the private sector. Private welfare services can be employed to supplement public ones, since the demand for services will continue to grow up to 2015. Such co-production of services will require better quality and standardization systems and the extension of present management systems to the public sector.

The gauges of efficient welfare services include effectiveness, cost-efficiency and high quality. Up to 2015, efficiency can also be evaluated using the economic dependency ratio: how can we improve this as regards competitiveness?

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### *Marketplaces for citizens*

An efficient and competitive welfare state must create administrative structures which are more open and flexible. Finland still has many vestiges from the era of regulation. Citizens and businesses live in a thick administrative jungle comprising local government, joint municipal boards, hospital districts, Employment and Economic Development Centres, regions and provinces.

Although Finnish bureaucracy is relatively flexible by international standards, we should continue to improve our administrative system to encourage competitiveness. It is difficult, however, to implement the one-hatch principle for all services. Would it therefore be worth developing 'marketplaces' giving citizens and businesses access to both the public and the private services they need in one and the same place?

We must encourage and expand existing marketplace projects. Initially, a marketplace can function as an advice and counselling centre; later, it can provide a wide range of public and private sector services within easy reach of all citizens. The concept could be implemented by networking the services of the public sector and private businesses. A significant number of administrative services could also be made available online.

### *Better housing*

Inexpensive, high-quality housing is also a competitive asset, not just a social concern. Finland must be developed into a model housing country by the year 2015. Crowded, impractical and excessively priced housing is not a characteristic of a modern society.

The present standard of our housing is among the lowest in the EU. We live in crowded and uncomfortable dwellings despite the country's ample space and

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good supply of building material. What we lack is land zoned for building in urban centres.

Housing affects the quality of life. If we can increase the supply of spacious, high-quality housing, we can keep our skilled people and attract foreign experts to Finland. By raising our standard of living we can also prevent many social problems and alleviate the malaise of families and young people.

A solution to the housing problem is no longer to be found in financial markets but in the zoning of land for building. Local authorities must ensure that they zone land for building purposes in advance and are generally better at predicting economic trends and demands for labour in their region.

#### *Local authorities in the service of their residents*

If the migration to growth centres continues at its present pace, many areas will be deserted and regional disparity will increase. This will widen the gap between different local authorities and deepen their financial problems.

Initially, local authorities must be encouraged to cooperate in regional service production and land zoning. This would alleviate regional differences and promote labour market efficiency. The present housing shortages and high price of housing in the metropolitan area and growth centres obstructs the labour market and slows down labour mobility. The consequences affect both urban growth centres and remote, depopulated rural areas equally.

Restricting growth in the metropolitan area will not, however, solve our labour market and housing problems. The jobs that have not emerged in growth centres cannot easily be created anywhere else, either.

In the end, the solution is to reduce the number of local authorities radically and increase the size of those remaining. In a sparsely populated country small local authorities are ineffective, financially weak and unable to offer

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adequate services. A bigger local authority is stronger and more effective, and able to exploit the benefits of scale in the provision of welfare services, in education and training, and in land zoning and housing policy.

Although inter-municipal cooperation is a move in the right direction, networking and a better division of labour alone, without the umbrella of administration, will halt things half way. What we need is joint resources and a policy decision on building bigger municipal units, as long as the services that residents need remain close at hand.

Only a sufficiently strong municipal unit which has the resources to provide the services needed can truly shoulder the responsibility for its residents. The problem cannot be solved through random municipal associations or loose forms of cooperation. We must show resolve in deciding what constitutes an economically viable size for a local authority. Would fifty or five be an efficient number?

## **PRIVATE ENTERPRISE ENCOURAGES COMPETITIVENESS**

Life in post-war Finland was still based on agriculture and the role played by the country's farmers was crucial to the economy. During the construction of the welfare state the total number of farmers slumped. Over the past decade, the decline has continued and the farmers have aged. This has changed our view of private enterprise in general.

The Finnish paradox is that although attitudes to private enterprise are mainly positive, very few want to go into business for themselves. There are many historical and cultural reasons for this, which vary from one part of the country to another. A number of large forestry and mining companies have provided jobs in eastern Finland, while in western parts of the country people have preferred to engage in private enterprise. Another characteristic of forestry

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and farming in eastern Finland has been the small size of the units; following the structural changes that have taken place, these are no longer able to offer employment. We must be able to adjust and in that way bring private enterprise into a new flowering.

### *Learning private enterprise*

Over the past years, Finnish attitudes to private enterprise have become more encouraging, although our ability to tolerate business failure has not improved. Bankruptcy is still considered something to be ashamed of and re-starting a business a step difficult to accept.

Getting rich through private enterprise is not fully acceptable either according to Finnish values. Yet the objectives of a person engaging in private enterprise are financial prosperity and independence.

Changing people's attitudes is a slow process and often takes several generations to complete. The process could and should be accelerated through education and training.

Although many obstacles to private enterprise and employment have been successfully removed, there is still a lack of incentives. High taxes and the incentive traps caused by the tax wedge remain unresolved problems. They discourage people from finding a job and from setting up in business. A business seldom passes from one generation to the next without problems, often because the younger generation are already trained in some other occupation.

Over the past decades, education and training have emphasized skills that prepare young people for jobs in public government or industry rather than a career in private enterprise. So, our adult population are trained to be wage-earners not business people. Our employment policy emphasizes the role of the public sector as an employer, instead of encouraging self-employment.

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Today's world opens up many opportunities for entrepreneurs. Advances in technology and new lines of business offer opportunities in business for the highly educated, too. IT and biotechnology provide seedbeds for small businesses established by highly-qualified professionals.

We must provide business-oriented teaching in all branches and levels of education and training. Entrepreneurial education and training should not be limited to commercial subjects and vocational training. Our entire educational system should encourage entrepreneurship.

### *New opportunities for private enterprise*

Why do we actually need new entrepreneurs? The answer is simple: entrepreneurship makes the economy more competitive and society as a whole more dynamic. New entrepreneurs provide new services for the public and thereby a host of benefits.

Entrepreneurship is also one solution to the growing demand for welfare services required by the ageing population. The public sector alone cannot meet the growing pressure on demand. Small private companies can supplement public provision in many service sectors. Care services for the elderly, rehabilitation and comfort services for people of working age and the elderly, and many support services for the public sector are good examples of this.

The Finnish service sector does not satisfy all the needs of today's consumers. The demand for cleaners, other domestic workers and maintenance services required by households already exceeds the supply. In the future, the demand for domestic and leisure services will increase still further and offer many opportunities for small businesses in all service sectors. The income level of households will increase, and the demands of

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working life will get harder and working hours longer. All this will reduce the time left for household chores.

Financing and capital are no longer the main obstacle to private enterprise. Those starting up a business can choose from a whole range of financing options, from bank loans to risk financing and from public support to private investors (business angels). It is the lack of education or training and attitude problems that discourage private enterprise. The well-educated constitute only a small minority of all entrepreneurs. Finland also lacks an urban business tradition because in the past entrepreneurship was concentrated in rural areas.

Another frequent obstacle to entrepreneurship is the unclear administrative demarcation between the status of an entrepreneur and that of a wage-earner. The winding road to starting up a business gets even longer in this no-man's land. Difficulties can be alleviated with tax reforms. The amount of bureaucracy facing entrepreneurs setting up a small business should be reduced and the provision of advice and networking services for SMEs increased.

## **A SKILLED AND INVOLVED FINLAND**

Finland's future success will stem from the foundations of any civilized society, i.e. tolerance and respect for life, shared responsibility and high morale, combined with two other important elements of a successful society, knowledge and the power of innovation.

Globalization is leading to a shrinking world and a collision of cultures. We should therefore enhance our knowledge of other cultures through education. For children, getting to know other cultures occurs in a natural way at daycare centres and at school. It is increasingly important to be culturally aware and to appreciate differences. It will be easier to be multicultural and to prevent

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racism if we can remove fear of foreign cultures through information provision and interchange.

In order to become a genuinely multicultural society, we must first understand the distinctive nature of our own culture, our strengths and special features. These include our ability to create and to change direction. We can generate prosperity by being innovative. The process requires imagination and the ability to exploit unexpected situations. A competitive society uses information and imagination, side by side with production equipment and capital. The power of imagination and dreams are the key to creativity.

### *The collective values of Finnish society*

Conveying Finnish traditions and values from one generation to another is important. Earlier, this took place naturally within families. Changes in the family structure have loosened, or even broken, this bond. One of the most negative trends in today's society is the growing rootlessness and the way this gets passed on from one generation to the next.

How can we convey our cultural heritage and values to the new generations of the future?

Grandparents must be encouraged to pass on their own cultural heritage and values to the children and young people in homes, daycare centres, schools and hobby circles. The country's culture and collective values can be conveyed to the next generation with the help of history, the arts and stories. We must also exploit new technologies and net learning in passing on our cultural heritage.

Responsibility and care for the family and other relatives must be reinstated as the crucial values of society. It is on these values that competitive businesses and the entire health of Finnish society rest.

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A growing problem in Finnish society is the malaise found among families and young people. It manifests itself as a deepening drug problem and increasing use of alcohol by children and young people. It is the responsibility of society and of individuals to intervene in these problems as early as possible. Caring and shouldering responsibility is not the same as being patronizing; it is the duty and right of each individual. Partnership and interaction between school and home must be developed to improve the wellbeing of children and young people.

### *The power of insight*

A successful Finland is also innovative — it has the ability to create and to make use of what it has created faster than others. Creativity and innovation must be encouraged and supported throughout people's schooling and working careers. Individuals must, however, be allowed to make mistakes and to fail, as well as to learn from their mistakes and to try again. Courage and risk-taking must be encouraged.

We can already start teaching innovation and the venture mentality at comprehensive school. We must give talented children the opportunity to advance faster than others by teaching them in smaller groups, while at the same time maintaining the high standard of basic education for all. The faster progress of gifted children will not reduce the opportunities of others. Quite the opposite, it will direct their energy into more productive goals and reduce classroom disturbance. It will increase everybody's opportunity to learn.

Increasing skills and innovativeness challenges the entire education system to ensure inner renewal. Finnish universities and the higher education sector are already internationally networked in order to advance their research and teaching work. In the future, all students and researchers must be given the opportunity to train at universities and higher education institutions, research units or businesses abroad. Correspondingly, Finnish universities, higher education institutions and research units should be able to offer the same

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opportunities for foreign students and researchers. Through interaction and networking we can increase our national capital, share innovations and encourage competitiveness.

Many innovations originate from universities and higher education institutions. Productization and commercialization of good ideas is slow, however, because educational institutions have little chance to exploit the discoveries of their researchers. Encouraging private enterprise and commercially successful projects can bring educational institutions and the business world closer together in a positive way. In addition, the patent rights of universities have not yet been clarified. This situation should be rectified as soon as possible and universities encouraged to continue to promote innovativeness in their work.

#### *Increasing creativity in old sectors*

Creativity and innovation should not be linked only to high technology, technical fields and natural sciences, for they affect society as a whole. Working life — and the service sector in particular — needs many social and technical innovations related to flexible working hours, management and an efficient working community. Consumers need new private services that are currently difficult to find on the market.

Local authorities and other public bodies can also resolve many of their service provision problems by encouraging and supporting new production methods and social innovations. New technologies are not the only key to success; all sectors of society need bold strategic innovations and new ways of thinking.

Encouraging innovation and adapting new ideas to working life call for rewards if they are to succeed. Novel ideas often meet opposition, and it is easier to overcome this with rewards than with outright orders. Public and private sector incentive systems must be supplemented with bonuses for

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innovation and initiative. Everybody must be given the chance to carry out their bright ideas and radical innovations at work.

Building a competitive welfare state requires the efforts of all its citizens. We must use other kinds of reward as well as money for work carried out. Success must be useful for the individual as well as the community. What is important is that we reward all those who have contributed to the result.

## **HOW TO KEEP PACE WITH CHANGE**

During the many phases of its history Finland has demonstrated a readiness and ability to change. Indeed, this has been the precondition for survival in the face of many political, economic, geographical and climatic pressures.

Our operating environment had already changed before the shocking events of autumn 2001. In the past, our international standing was easier to predict and our role in the world more limited. Today, we are increasingly dependent on the rest of the world while remaining increasingly responsible for overall decision-making. This means we must be knowledgeable and have a sense of responsibility. In crisis situations and amid threats, decision-making tends to become opaque and conventional, which may pose a risk to our capacity for change.

Public decision-making must function well on the level of ordinary citizens, decision-makers and the European Union.

The citizens of a competitive Finland are skilled and active members of their community, with a high overall standard of education. This can be achieved through good basic schooling that gives everybody the opportunity to develop

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their skills. The competitive society of the future needs citizens who have a good standard of education and diverse skills.

Although we must ensure that everyone has a basic education, we must also provide special opportunities for those who are gifted. We must educate people to be innovative and responsible. In addition to conferring knowledge and skills, the aim of education is to produce socially aware people who understand the importance of decision-making and are ready to face the changes taking place in the world.

Vocational education must also incorporate training in inter-active and inter-personal skills. Working life today requires employees who have the ability to adapt to rapidly changing situations and know how to use various channels for inter-action.

The adverse effects of long-term unemployment pose a serious threat to a working democracy. In the next few years we must solve the problems of long-term unemployment and the ageing of the population. At the same time, we must prevent the young from dropping out of working life even for a short term, as this can easily lead to a vicious circle of unemployment and exclusion. Training and education are the key to the problem. We must remember, however, that in the very near future Finland will actually be facing a labour shortage.

We must also develop means of preventing exclusion in working life. Low-paid jobs must be subsidized, if that helps people, and young people in particular, to gain a foothold in and adapt to working life. In Finland, too, it is worth trying the 'earn one euro, society will provide the second' principle. This would ensure preservation of the low-paid and service-type jobs which are often needed in the early parts of careers. In this way the threshold of entry into working life can be lowered so that young people can become involved in the community in a normal way and have access to more important and better paid jobs later in life.

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## *A society of active people*

Public decision-making must keep pace with change. People, business life and government must keep change under control, for change must not govern us. A successful nation can show initiative and control development even amid change, and not just react or adapt to it. For this reason it is important for society as a whole to participate in the decision-making process. True social participation is based on active involvement by the people.

Many of society's rigid structures prevent the realization of genuine democracy and are a source of frustration to people even when dealing with routine matters. In working life, these old operating methods obstruct economic activity, enthusiasm for renewal and job creation. Opaque and covert decision-making processes must be opened up. The division of responsibilities between decision-makers and those answerable for implementing the decisions must be made clear.

In a genuine democracy people participate and vote actively. Weakening involvement in national politics is already a problem but it is even more of a problem in EU-related decision-making. Real democracy is founded on all citizens being able to feel that decisions are their own and not that decision-making is based on the opinions of three-quarters of the population.

Social pluralism requires jointly accepted rules of the game within which everyone can promote their own goals. In a pluralist society, decision-making must be based on open discussion about value choices.

People's readiness and ability to make decisions can be secured through an adequate level of training and education. Politicians, too, must understand the challenges of the future. The foundation of our democracy is an independent, competent and strong system of parliamentary representation, a Parliament which is able to handle complex issues. We must ensure the competence of

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our decision-makers and their ability to trust each other and to engage in open discussion.

*How does the EU decide on the future?*

Finland and the European Union will be facing major changes over the next few years. Their decision-making processes, too, will have to be revised. Decision-making must be transparent, efficient and competent. Although discussion is necessary in a democracy, there is no room for indecision. The European Union needs experts and good decision-makers. Finland can only gain more weight in the Union by demonstrating expertise. In this we have much to contribute.

The European Union has been a great opportunity for Finland and enlargement of the Union will open up even more opportunities. Enlargement will increase security in Europe and expand the economic area. At the same time, though, it will pose new problems and threats. It will be costly and make EU decision-making cumbersome. In any case, economic integration and external security is a necessity for a small country. We have joined the European integration process voluntarily, fully aware of the risks.

In the next few years, the Union will have to make significant decisions which require an efficient decision-making process. A crisis facing the Union's political integration would pose a threat to democratic development. If EU decision-making is devolved away from the institutions, to be dictated by the big Member States, or becomes a bone of contention among various interest groups, Finland's aims cannot be achieved. The Finnish goal must be to keep decision-making within the EU institutions.

As a Union member, Finland must therefore emphasize reinforcement of Community decision-making. At the same time, decision-making in individual countries must be based on true democracy and openness. Politicians must understand their position in a representational democracy and increase

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interchange, civic debate and transparency. The authorization for representative power and its actors always comes from the people.

*Who governs in a global economy?*

Finland is highly dependent on international economic trends and technological advances. In an open economy, our only safeguard is a diverse yet solid occupation structure.

Finland must strengthen its present skills as well as generate new areas of expertise. As resources are limited, they do not allow experimentation in very many sectors, so new strengths must be found in carefully chosen fields, such as biotechnology, welfare services, health care and different forms of the security business.

Being prepared for economic crises also requires that an energy-dependent country like Finland ensures a safe and versatile energy supply. This, too, can be at least partly secured by new technology.

By an international yardstick Finland remains a safe country. Compared with many countries in neighbouring areas — not to mention the world's crisis spots — we have a stable, peaceful society and a clean environment, and our food and tourist destinations are safe. This is a significant strength and opens up new opportunities in many of our areas of expertise. Finland's reputation as a safe country will remain an important competitive asset, for both tourism and the sale of food products.

A wise foreign policy has traditionally guaranteed Finland's security. But an efficient security infrastructure is also important if we wish to sustain our high standard of safety. Social cohesion is a challenge now that more and more foreigners are coming to Finland. At present, we have no large groups of marginalized foreigners, and we must never allow such groups to emerge.

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Both the positive and negative features of multiculturalism must be recognized honestly and trends in them monitored.

*The vulnerability of the information society*

The modern information society is extremely vulnerable. The consequences of the collapse of society's electronic infrastructure would be particularly serious. In today's world, regional crises may paralyse information networks and our everyday lives could be seriously disrupted by organized crime, network terrorism or vandalism.

We must promote Finland as a frontrunner in protection of the information society. In this, we can exploit our expertise. The threat can be reversed and made into an opportunity. We must increase relevant research so that we can identify the real threats and assess the readiness of society's safety mechanisms. We must pay particular attention to the ability of various sectors of society to act together in a crisis or the threat of one.

The role of the public sector as security coordinator of the information society and formulator of social responsibilities is crucial and requires more research and a higher standard of expertise among the police and other authorities. The need for a special body to coordinate security seems obvious. Such an authority would be crucial in preparing for the threats that will face the information society of the future.

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## **IDEAS AND SUGGESTIONS FOR FURTHER WORK**

The Finland 2015 programme has generated ideas and suggestions which will be passed on to special working groups for further development. SITRA will arrange such workshops primarily on questions for which there is no clearly responsible authority or where responsibility is divided between several different parties.

The aim of the workshops will be to use flexible working methods to find solutions to strategic challenges at the national level. Leading experts, decision-makers and actors will be invited to participate, the precise participants depending on the nature of the topic.

In response to a proposal from the third course, SITRA will be organizing workshops in 2002 on the following themes:

- changes affecting working life and the response of training and education
- development trends in the welfare state
- balanced regional development
- replacing the concept of 'career' with the concept of 'life course'

Participants in the fourth course have proposed that SITRA organize similar workshops on the following themes:

- the tax wedge, income distribution and incentive traps
- Finland, a model country for good housing
- the impact of social policy
- the role of the family — passing on our heritage and collective values
- networking and interpersonal skills
- the quality of innovation
- rigid social structures

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The fifth course in the Finland 2015 programme will begin in Beijing in March 2002 and continue later in the spring in Moscow and Berlin and, like earlier courses, also in Finland. The vision developed on the four first courses and the strategic objectives and suggestions for development put forward in the present report will provide the context for the work of the fifth course, but participants could also decide to set off along entirely new paths of exploration. We shall be able to assess its achievements in June 2002. The plan is to arrange the sixth course in the autumn.

## **EXPERTS AND THEMES**

The seminars at the fourth course in the Finland 2015 programme in San Francisco and Silicon Valley, Berlin and Moscow provided an opportunity to listen to Finnish and international experts. The seminars held in Finland concentrated primarily on work in small groups. All the experts who contributed to the course and the topics of their papers are listed below, seminar by seminar in chronological order.

### *8.9.2001 Helsinki Airport Congress Center*

Opening address on the fourth course in the Finland 2015 programme  
Aatto Prihti, President of SITRA

The political system of the USA  
Jaakko Iloniemi, Minister

Finland 2015 working methods  
Tapio Anttila, Director of Training, SITRA

During the flight:  
Video: Media feedback from earlier courses  
Matti Karhu, Journalist  
Video: The story of Silicon Valley

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Manuel Castells, Professor, University of Berkeley

*9.9. - 14.9.2001 San Francisco & Silicon Valley, USA*

Leading the revolution

Gary Hamel, Visiting Professor of Strategic and International Management,  
London Business School and Chairman, Strategos Institute, San Francisco

From the idea to products — innovative processes behind the success stories

Peter Coughlan, Partner, IDEO

Jane Fulton Suri, Partner, IDEO

Analysis and discussion on strategic implications

Liisa Välikangas, Director of Research, Strategos Institute

Kal Patel, Director, Strategos Institute

Forecast of the future

Greg Schmid, Director, Department of Strategic Planning, Institute for the  
Future IFTF

Technology horizon map

Bob Johansen, President, Institute for the Future IFTF

Innovations in regions

Marina Gorbis, Director, Department of Global Innovations, Institute for the  
Future IFTF

Young people in the world of abundant connectivity

Rod Falcon, Director, Department of Technology and Social Innovations,  
Institute for the Future IFTF

Technology commercialisation - SRI's perspective

Brock Hinzmann, Technology Navigator, Stanford Research Institute

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Chulho Park, Researcher, Stanford Research Institute

eLearning — the vision and reality of the new learning paradigm

Eilif Trondsen, Programme Director of the Learning on Demand Programme,  
Stanford Research Institute

Digital futures — telecom, media and technology opportunities

Michael Gould, Senior Research Engineer, Digital Futures Programme,  
Stanford Research Institute

Biotechnology — opportunities and challenges ahead

Andrew Broderick, Researcher, Future Programme, Stanford Research  
Institute

The Finnish niche in genome research

Leena Peltonen-Palotie, Professor and Chairperson, Department of Human  
Genetics, University of California, Los Angeles

The role of venture capital in Silicon Valley

Don Dixon, Managing Director, Trident Capital

The future of the world economy

Janet Yellen, Professor, University of California, Berkeley

Richard Lyons, Professor, University of California, Berkeley

Immigration and innovations

AnnaLee Saxenian, Professor, University of California, Berkeley

Nokia wireless routing

Ari Leppä, General Manager, Nokia Inc, Nokia Networks

IT business in Silicon Valley

Ari Ahonen, Director, Tekes San Jose

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Kimmo Ahola, Technology Councillor, Tekes San Jose

*7.10.2001 Helsinki - Vantaa Airport Congress Center*

Threats to the security of Finland

Ari Puheloinen, Brigadier General, Deputy Chief of Operations, Finnish Defence Staff

The Russian economy in transition

Pekka Sutela, Head of the Institute of Economies in Transition, Bank of Finland

*7.10. — 9.10.2001 Moscow, Russian Federation*

The political picture of Russia

René Nyberg, Ambassador, Embassy of Finland in Moscow

Future challenges in Russian foreign policy

Dimitri Trenin, Deputy Director, Carnegie Institute, Moscow

Economic crime in Russia

Alena Ledeneva, Researcher, University College, London

Future scenarios for Russia

Seppo Remes, Chairman of the Board, European Business Club in Russian Federation, Moscow

Strategy for economic and social development in Russia

Dimitri Mezentsev, Head of the Centre for Strategic Research, Moscow

Arkadij Dvorkovizh, Deputy Minister, Ministry of State Property of Russian Federation, Moscow

The future of the Russian banking system

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Petteri Nikkola, Deputy Head, International Moscow Bank, Moscow

Analysing risks in Russia

Dmitri Mokhanachev, Head of Division, International Moscow Bank, Moscow

Panel discussion with political parties in the Duma

Vladimir Lukin, Vice Chairman of the Duma, Jabloko Party

Aleksander Shabanov, Communist Party

Aleksander Beljakov, Unity Party

Boris Nadejdin, Union of Right Forces

Student panel on the future of Russia

Chair: Gennadi Gladkov, Professor, the MGIMO University, Moscow

Students at the MGIMO University: Elena Bandour, Alexander Gusarov,

Konstantin Permikin, Viktoria Prokhorova, Elena Sredina and Albina

Fatkhova.

*9. - 11.10.2001 Berlin, Federal Republic of Germany*

The competitiveness of Europe in the 2015's

Roland Berger, Professor and Honorary Consul General of Finland, Roland

Berger Strategy Consults, Munich

European security

Christoph Bertram, Director, Stiftung für Wissenschaft und Politik, Berlin

Enlargement of the European Union, labour market pressures and labour mobility

Michael Burda, Professor, Humboldt University, Berlin

European economic architecture in the 2015's

Charles Wyplosz, Professor and Director, Graduate Institute of International Studies, Geneva

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Comment: Sinikka Salo, Member of the Board, Bank of Finland

Future challenges of Germany until 2015

Leif Fagernäs, Ambassador, Embassy of Finland in Berlin

Berlin as the capital of Germany

Hannes Saarinen, Professor and Director, Finnland Institut, Berlin

The new economy from the Nordic perspective

Carl Bildt, Representative of the Secretary General of the UN to the Balkans

Comment: Risto Siilasmaa, President and CEO, F-Secure Corporation

*5-6.11.2001 Adams Room, Helsinki*

The new economy - what is it?

Pekka Ylä-Anttila, CEO, Etlatiето Oy

Comment: Matti Lehti, CEO, TietoEnator Oyj

Finland — the most competitive country in the world?

Petri Rouvinen, Research Director, Etlatiето Oy

Comment: Matti Honkala, President and CEO, Kesko Corporation

Terrorism and Finland

Petri Knappe, Deputy Chief, Security Police

Comment: Lauri Kontro, Editor-in-Chief, Maaseudun Tulevaisuus

Value choices vis-à-vis the future of Finland

Antti Hautamäki, Director of Research, SITRA

Comment: Anne Huotari, Member of Parliament, Left Alliance

Presentations by course participants on strategic aims

Piia-Noora Kauppi, Member of the European Parliament, National Coalition Party

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Anneli Jäätteenmäki, Member of Parliament, Finnish Centre Party  
Markku Lehto, Permanent Secretary, Ministry of Social Affairs and Health

Finnish young people's expectations of the future

Emilia Hjelm, Lauri Kukkonen, Mari Mäkelä and Otso Rasilainen, Kallio Upper  
Secondary School

Maria Leppilahti, Ville Puumala, Niina Välimäki and Turo Hautamäki, Seinäjoki  
Upper Secondary Level

Tommi Suopajarvi, Tiina Lisko and Miia Sutinen, Rovaniemi Polytechnic

3-4.12.2001 Sannäs Manor, Porvoo

Presentations by experts in working groups:

Decision-making and EU enlargement

Esko Antola, Professor, University of Turku

The tax wedge, income distribution and incentives

Teemu Lehtinen, President, Taxpayers' Association of Finland

Innovations and ethical questions — is technology just a tool?

Jaana Hallamaa, Professor, University of Helsinki

## **THE FINLAND 2015 PROGRAMME**

SITRA has been training Finnish decision-makers for over twenty years now, providing Economic Policy Management Courses for decision—makers and experts from 1977 to 1999. It has arranged training for decision-makers on its Economic Policy 2000+ courses since 1999.

During the 1990s, SITRA also cooperated with other organizations in preparing the National Strategy Programme.

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The Finland 2015 programme is SITRA's latest training and development programme for Finnish decision-makers. So far four courses have been held, the first in spring 2000. All told, the Finland 2015 programme will encompass six courses and a final joint seminar in 2003.

### *Objectives*

The objective of the Finland 2015 programme is to develop the knowledge, skills, resources and networks of senior Finnish decision-makers in issues concerning the future of Finnish society. The programme is basically national in scope, but approaches its subject from a strongly international and multidisciplinary perspective, taking account of all layers of society. In pursuit of the programme objective, participants

- are given a wide range of information on current affairs and issues crucial to the future;
- take part in discussions with both Finnish and foreign experts from different sectors and with other decision-makers;
- assess the main challenges facing Finland in the future;
- familiarize themselves with strategic policies at national level;
- use the information they gain from the programme in their own daily work; and
- prepare a report for further work on the most important new strategic policies for the future.

The Finland 2015 programme is a contribution to SITRA's goal of making Finland one of the three most successful nations in the world by 2010.

### *Participants*

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The programme was launched by a committee representing different elements and schools of thought in Finnish society and chaired by Aatto Prihti, President of SITRA.

Leaders from all sectors of Finnish society are invited to take part. Prospective participants come from leading positions in politics, government, business and industry, various types or representative body, the third sector, the media, research and education.

About 25 participants are invited to each course. The invitation is officially sent by the Prime Minister, although in practice SITRA is responsible for recruitment.

Detailed planning and implementation of the programme has been handled by the SITRA training team under Tapio Anttila. SITRA is responsible for funding. The programme is not a commercial training product and is not intended to compete with any management training programmes. Course participants are responsible for their own travel and accommodation expenses for the seminars.

### *Content and structure*

The Finland 2015 programme will take three years to complete and will include six separate courses involving participation from around 150 Finland's top decision-makers in different fields of human endeavour. A final joint seminar for all six courses will be held in 2003.

The results of the fourth course are presented here. The course consisted of four separate seminars. In the intervals between seminars, participants worked at home and continued their discussion over the Internet.

The course began with seminars in San Francisco and Silicon Valley. Subjects covered included innovative processes, future research, high

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technology applications and their commercialization, capital investments and the future of the world economy. The second seminar was held jointly in Moscow and Berlin. In Moscow, the focus was on the Russian economy and political picture, banking and finance, foreign and security policy, and young Russians' expectations for the future. The subjects covered in Berlin included the economic and political role of Germany in Europe, European security, economic policy in the euro zone, EU enlargement and labour mobility, and the new economy from the Nordic perspective.

The last two seminars were held in Finland. The first of these addressed the issue of the new economy and the factors contributing to competitiveness, and presentations by young Finnish people about Finland's future. Participants in the second seminar worked together in small groups to prepare the final report and also listened to experts on EU enlargement to the east, taxation and the ethics of innovations.

SITRA's partners in organizing the seminars included IDEO Product Development Inc and the Institute for the Future in California, and the Centre for Strategic Research and the International Moscow Bank in Moscow. The Finnish embassies in Berlin and Moscow also made a valuable contribution to course preparation and practical arrangements. The course also involved an input from numerous Finnish and foreign experts and partners.

### *Methods*

Each course in the Finland 2015 programme consists of seminar work, work in small groups and use of a virtual learning environment. Participants contribute their own expertise to the progress and content of the work, but also learn new things and pick up new ideas and influences from each other and from the experts invited to contribute to the course.

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The seminars are held in Finland and abroad in cooperation with experts from different fields. They involve the presentation of papers by the participating experts and discussion of various topics. The seminars are closed to outsiders.

An Internet-based learning environment has been constructed for the programme, and this serves as a channel for supplying course participants with background material both before and after the seminars. Brief portraits of the experts contributing to the seminars, usually with a summary of their papers, are distributed to participants beforehand over this network. It also enables participants to discuss the topics amongst themselves during the course.

The virtual learning environment serves as a support network for the Finland 2015 programme between seminars and also in preparation of the final reports. It will be used in all the courses under the programme and also in other future SITRA training programmes.

This final report on the fourth course in the Finland 2015 programme is also available in unabridged form on the SITRA website at [www.sitra.fi/suomi2015](http://www.sitra.fi/suomi2015). The Swedish and English translations of the final report will be published at the same address in March 2002. The final reports on the first, second and third course will also be available at the same address. We welcome feedback and discussion on the views expressed in the report. Please send any comments you may have by e-mail to [suomi2015@sitra.fi](mailto:suomi2015@sitra.fi).

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## **PARTICIPANTS IN THE FOURTH COURSE**

The invited participants on the fourth course in the Finland 2015 programme were:

Pirjo Ala-Kapee, Provincial Governor, Provincial State Office of Eastern Finland

Antti Hautamäki, Research Director, SITRA

Matti Honkala, President and CEO, Kesko Corporation

Anne Huotari, Member of Parliament, Left Alliance

Anneli Jäätteenmäki, Member of Parliament, Finnish Centre Party

Bjarne Kallis, Member of Parliament, Christian Democrats of Finland

Erkki Kangasniemi, President, Trade Union of Education

Piia-Noora Kauppi, Member of the European Parliament, National Coalition Party

Lauri Kontro, Editor-in-Chief, Maaseudun Tulevaisuus

Harri Koulumies, Director General, Employers' Confederation of Service Industries

Jaana Laitinen-Pesola, President, Union of Health Professionals

Matti Lehti, CEO, TietoEnator Oyj

Markku Lehto, Permanent Secretary, Ministry of Social Affairs and Health

Erkki KM Leppävuori, Director General, Technical Research Centre of Finland

Martti Mäenpää, Managing Director, Federation of Finnish Metal, Engineering and Electrotechnical Industries

Risto Parjanne, Managing Director, Association of Finnish Local and Regional Authorities

Petteri Paronen, City Manager, City of Kuopio

Virpa Puisto, Member of Parliament, Finnish Social Democratic Party

Sinikka Salo, Board Member, Bank of Finland

Asta Sihvonon-Punkka, Director, Energy Market Authority

Risto Siilasmaa, President and CEO, F-Secure Oyj

Antti Tanskanen, Chairman and CEO, OKOBANK Group

Seppo Tiitinen, Secretary General, Parliament of Finland

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Timo Viherkenttä, Budget Director, Ministry of Finance

The fourth course in the Finland 2015 programme was once again chaired by Ambassador Jaakko Iloniemi and the practical arrangements were handled by the SITRA training team (Tapio Anttila, Tuovi Allén, Pekko Kohonen, Mirja Jarimo-Lehtinen, Mervi Porevuo, Anu Löfhjelm, Anne Törnroos and Tuire Lehikoinen). Matti Karhu also helped with the practical arrangements for the seminars held in Finland and with preparation of the final report. Assistance with course organization was provided by students Susanna Ekola and Suvi Savola.

## **FINNISH NATIONAL FUND FOR RESEARCH AND DEVELOPMENT (SITRA)**

SITRA seeks to further economic prosperity

- by developing successful new business operations
- by financing the commercial exploitation of expertise
- by promoting international competitiveness

SITRA is an autonomous pioneer

- enjoying economic independence
- with courage and initiative
- initiating operations designed to break new ground

SITRA is an impartial opinion-shaper

- providing new research information
- anticipating and identifying future challenges
- developing new solutions

SITRA is an independent public foundation under the supervision of the Finnish Parliament. The Fund aims to promote Finland's economic prosperity by encouraging research, backing innovative projects, organizing training

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programmes and providing venture capital. SITRA's activities are financed by the return on the Fund's original capital and by corporate funding.

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