

The German - Finnish Chamber of Commerce

Annual meeting on 25th of May, 2009

**Speech by Minister for Foreign Trade and Development
Dr Paavo Väyrynen**

Mr Chairman, Professor Dr Weber, Mr. Ambassador, Members of The German-Finnish Chamber of Commerce, Ladies and Gentlemen,

It gives me a great pleasure to be here with you today and to bring the greetings on behalf of the Government of Finland to this annual meeting.

The relations of our two nations are excellent. The importance of Germany to Finnish business and trade is - as we all know - enormous. Germany has been for many years our biggest trading partner both on the import and export side. From time to time Russia gets the number one place but in average the difference between our top two trading partners is small.

The global economic crisis certainly has had an impact on the trade between Finland and Germany too. The crisis reversed the trade between our countries at the end of 2008 into deep decline. Following the general trend in the foreign trade, the volumes of trade between Germany and Finland have declined even more than one third compared to last year's statistics. However, Germany has kept its position with Russia as Finland's two most important trading partners. This shows us that trade relations between our countries are solid and they are based on a diversified trade structure.

The German-Finnish Chamber of Commerce plays an active and important role in promoting trade between the two countries. Your network is very extensive in both

countries and the two-way method of working for German companies in Finland and vice versa has proven to be successful.

Finland and Germany are neighbours on the Northern and the Southern shores of the Baltic Sea. The Baltic Sea region is a dynamic and strong area offering great opportunities for trade and investment. In logistics it plays a crucial role for our trade and serves as the main gateway to world markets both for Finland and for its main trading partners.

But the Baltic Sea should not be seen just as an "Autobahn" for our ferries. The alarming condition of the Sea is our common concern. In addition to governmental co-operation we need close operation between our industries in order to develop new practical applications. We have both in Germany and Finland a booming environmental technology sector that need to be used for our common good. There are new opportunities for "win-win" solutions between the environment and business in the Baltic Sea Region.

Ladies and Gentlemen,

For open economies with strong export sectors like Germany and Finland, it is of utmost importance that global trade and investment remains open. As the latest figures show, the export led German and Finnish economies have been hit worse than ever before by the current crisis.

So far, the biggest impact on our economies has been inflicted by the dramatic drop in global demand. There is no quick-fix for that problem as the demand will only return when overcapacity is reduced and when the financial markets return to normal. There are also as many opinions as there are presenters on how long the recession will last and when the economic growth will start again. Nevertheless, I have great confidence that our industries and entrepreneurs will rise from this crisis stronger than before.

Now it is more important than ever to stress the importance of free trade as one of the key elements out of the current crisis. Luckily, governments have, for the most part, resisted protectionist pressures for trade and investment. A slide into protectionism would have had very negative consequences.

It was important that in the April London Summit, the G20 countries agreed to promote global trade and investment and reject protectionism to underpin prosperity and to build an inclusive, green, and sustainable recovery.

However, there is still a great danger that governments are unable to resist domestic pressure. Germany and Finland should remain in the forefront to argue for open markets as the best guarantee for a way out of the crisis. Finland continues to closely monitor developments in our exports markets. We want to promote openness and non-discrimination in trade and, more generally, transparent, accountable and effective public policies.

A rapid breakthrough in the WTO Doha Round negotiations would be needed to give a positive stimulus to the world economy. Last July we were close to a deal in the modalities for an agreement in industrial goods and in agriculture. I had the opportunity to meet the new Trade Representative of the US, Mr. Ron Kirk at the end of April in Washington and we both agreed on this issue. The US is a key player in the negotiations and it still takes a while when the new administration has lined out their policy. A well-functioning World Trade Organisation and the conclusion of the Doha trade negotiations with an ambitious, balanced and comprehensive outcome is in interest of all WTO members.

Ladies and Gentlemen,

I think I was asked to attend this meeting and give an address mainly in my capacity as a

minister responsible for foreign trade. However, I am also responsible in the government for the development policy and I am convinced with this two years of experience that the combination of my portfolio is an excellent one. Trade is a powerful tool to eradicate poverty in developing countries. Experience has shown that poverty can best be alleviated by stimulating viable economic growth. The success stories have been seen in those countries that have opened up their economies and managed well in their integration process to the global economy. This continues to be the case also in the current financial crisis which has led to dramatic falls in global exports.

Poorer developing countries, particularly in sub-Saharan Africa often rely on a narrow set of low-value-added products. This results in failure in integrating into the global economy or can prevent the developing country from benefiting from preferential market access. Therefore, a more holistic approach is needed in taking into account the supply-side constraints of poorer developing countries. In this context I would like highlight two important initiatives that Finland and Germany with other EU member states have worked on in partnership with their development partners. One is the global Aid for Trade -initiative which aims at strengthening the trade capacity of developing countries to empower them to participate in and benefit from international trade.

Finland played an important role in launching the preparations of the joint EU Aid for Trade Strategy during its EU Presidency in 2006. The strategy provides a common framework for EU countries to increase and enhance the effectiveness of Aid for Trade -support. I am happy to note that both Finland and Germany have taken seriously the Aid for Trade -initiative. Germany is largest provider of trade-related assistance in the EU and its support has steadily increased in recent years. Similarly Finland has also increased its Aid for Trade -support, with a strong focus on the private sector as the engine of growth.

Another equally important initiative is the Economic Partnership Agreements (EPAs) the EU is negotiating with the African, Caribbean and Pacific (ACP) countries. EPA:s

provide a holistic approach to supporting the development of ACP countries and integrating them into the global economy. The EPA-agreements recognize that improved market access is of little use without accompanying measures and support to capacity and supply-side constraints of ACP countries.

A pivotal aim of the EPA-agreements is to increase regional trade among developing countries, so called South-South-trade. South-South trade plays an increasingly important role in reducing poverty. It is important that emerging countries - Brazil, China and India - do their shares and provide market access to poorer developing countries, as the EU does under the so called Everything But Arms (EBA) or the GSP -initiatives.

The private sector i.e. companies and non-governmental organisations, such as Chambers of Commerce, and other stakeholders can play an important role in the global fight against poverty. In particular, I am happy to note that citizens, companies and other stakeholders in their action want to promote more ecologically and socially sustainable economic activity.

Ladies and Gentlemen,

The German-Finnish Chamber of Commerce has shown remarkable results. I encourage you to continue on the same path. Your work is essential in bringing the government level players and business operators in Germany and in Finland together. In today's challenging economic situation your contribution to the prosperity of our countries grows even more valuable than in normal times.

Meine Damen und Herren,

Die Deutschen und die Finnen haben die gemeinsame Fähigkeit, schwierige Zeiten eher als eine Herausforderung als einen Rückschlag zu empfinden. In guter Zusammenarbeit

werden wir gemeinsam aus der heutigen schwierigen Wirtschaftslage gestärkt hervorgehen.