The Necessity of Bilateral Trade Framework in Globalization — Case Analysis of Finland under the OBOR

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This thesis aims to figure out the necessity and function of bilateral trade framework in globalization by analyzing the case of Finland under the OBOR proposed by Chinese government. The motivations of running this research come from concern to current world economy, reveal of weaknesses and unreasonable mechanism designs in multilateral trade framework, prediction of its possible tendency in short-term future and long-term prospect regarding series of social, politic impacts related to the further globalization process as well.

The main objective of this research is to clarify and demonstrate the importance of bilateral trade framework in the improvement of globalization process and how bilateral trade framework contributes to the international trade, world economy and community from a macro-perspective.

The research information mainly comes from secondary hand sources such as OECD, Eurostat and so on. Methods like case analysis, descriptive study, cross-disciplinary study, quantitative analysis, qualitative analysis, SWOT analysis are applied in certain topics for supporting statements and arguments.
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>OBOR</td>
<td>One Belt, One Road</td>
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<tr>
<td>AIIB</td>
<td>Asian Infrastructure Investment Bank</td>
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<tr>
<td>RCEP</td>
<td>Regional Comprehensive Economic Partnership</td>
</tr>
<tr>
<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>DDA</td>
<td>Doha Development Agenda</td>
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<td>FTA</td>
<td>Free Trade Agreement</td>
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<td>CET</td>
<td>Common External Tariff</td>
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<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<td>QE</td>
<td>Quantitative Easing</td>
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<td>Fed</td>
<td>Federal Reserve</td>
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<td>BOJ</td>
<td>Bank of Japan</td>
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<td>BOE</td>
<td>Bank of England</td>
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<tr>
<td>ECB</td>
<td>European Central Bank</td>
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<td>CIS</td>
<td>Commonwealth of Independent States</td>
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1 INTRODUCTION

1.1 Background

“Pursuing protectionism is like locking yourself in a dark room, which would seem to escape from the wind and rain, but also block out the sunshine and air, waging a trade war will only cause injury and loss to both sides.”

—Xi Jinping, Chinese president

In the past few decades, one of the hottest topics that people have talked about is globalization. Globalization is not just a concept used to describe the development process of human society. Discussion of globalization has its realistic meaning because it brought and will continuously bring unprecedented impacts to the world and changes to everyone’s life in different aspects as well.

If there is a chronicle for globalization, there is no doubt that 2016 will be an extraordinary year and all things happened during this year will be important components of the book. In the future, historians might conclude that 2016 was a year of tremendous frustration in free trade, it was the beginning of the end of the latest round of globalization.

Globalization created both winners and losers relatively in its own round. From developmental viewpoint, workers and the increasing amount of middle class in developing countries like China and newly developed countries like the UAE and South Korea have been the biggest winners. In contrast, workers in traditionally developed countries like Western European countries have been the biggest losers.

Today globalization seems to be increasingly unbalanced. Challenges have been raised to be much more serious and complicated. As a result, people are not as much optimistic as before anymore. Disadvantages of globalization were put on the table for exhibition, attentions were given to criticizing voices. Furthermore,
anti-globalization movement became increasingly popular in western countries, which gave space for trade protectionism and populism at the same time.

Why does globalization get troubles now? What should be done to solve those problems? People became eager to get answers to those questions. Different explanations and suggestions have been given to the public by experts from different fields in different perspectives and all of them seemed to be reasonable.

“It is like a range when you look at the mountain from the front. But it is like a peak when you look at it sideways. The mountain shows its different features in different levels near and far. You do not know the real Lushan mountain, because you are in the mountain yourself.”

—Su Shi, ancient Chinese poet

There is only one truth but more than one perspective. Different perspectives deliver different results. However, result is not truth. It only happens that the more perspectives are used, the shorter distance is between result and truth.

The goal of this thesis is to provide new perspective to interpret globalization and the reasons behind its success and failure and develop suggestions to the improvement of globalization.

1.2 Theoretical Framework

1.2.1 International Trade Theory

The Theories of Absolute Advantage by Adam Smith (1776) and Comparative Advantage by David Ricardo (1817) demonstrate that individuals benefit from behaviors of specializing in production at which they are good (with lower opportunity cost) and trading with others. (Mankiw 2009, 54-66) Those behaviors contribute to the maximum social aggregate welfare in the end, which has been
the most significant basement for advocating free international trade in practice. (Mankiw 2009, 184-186)

Besides, opinions that free international trade gains more options for customers in different countries and regions, decreases the production cost the by serving bigger market, alleviates negative effect of market power and promotes technological communication and development are usually outstood as reasons to elaborate advantages of international free trade. (Mankiw 2009, 194)

The Theory of Comparative Advantage provided a perfect model to show the good sides of free trade. However, the model only exists in paper and has a big difference from the reality. There are so many assumptions and preconditions of Ricardo’s theory. And it seems that each of them will lead people to discover the hidden negative sides of free trade. (Ian Fletche 2010, 94-105)

1.2.2 Theory of Reciprocal Demand

The Theory of Reciprocal Demand by John Stuart Mill (1848) brought the concept of comparative demand to supplement Ricardo’s theory by pointing it out that comparative needs for different products decides how the trade benefit distributes among trading countries. If one trading side has stronger demand for products from its partner, it gains less than its partner from the created trade interest. (ZERA 2013) In other words, only when both trading sides have the same demand (of value) from each other, the international trade is balanced and both sides benefit equally from the trade at the equilibrium point.

1.2.3 Effects of tariff and import quota

Tariff influences function of the invisible hand like other taxations do by distorting market incentives. It decreases the amount of import, increases the price and causes deadweight loss (Mankiw 2009, 190-193) which means unnecessary waste in economic category. The import quota has similar principle and difference is that money come to people holding the permit in the end. (Mankiw 2009, 192)
However, according to the idea that all things conserve, where does the loss go? What does the loss represent? What can be put in another side of the scale to make it balanced? For answering those questions, study needs to go beyond the economic category and get inspired from other fields.

1.2.4 Infant Industry Theory

The Argument over whether country with unfair advantage under international trade should set up tariff and non-tariff barriers to protect local Industries started by Alexzander Hamilton in 1790. The theory was developed and systematized by Friedrich List in his book The National System of Political Economy which was published in 1841.

List stated that the proper protection to certain local and national industries is the key for later-development country to go through different developmental stages and catch up with existing developed counties. Government plays a significant role in this process implementation (Pettinger 2016), which in other words means that government functions such as fiscal and monetary sovereignties are supposed to be reserved for supporting necessary domestic industrial adaption, update and transformation. Historically, lots of countries achieved their industrialization successfully under protectionism and most developed country used to utilize fiscal means (e.g. tariff, subsidy…) to protect and promote their domestic industries. (Chang 2002)

1.2.5 Theory of Trade Creation and Trade Diversion

The term Trade Creation and Trade Diversion by Jacob Viner (1950) is usually used to describe the effect of customs union establishment. (Economics Online 2017) The trade is created between customs union member countries by decreasing or eliminating the tariff barrier between member countries. At the same time, trade between member countries and non-member countries decreases because of the increasing CET to non-member countries. (Economics Online 2017) Trade creation and diversion is a dynamic process and it could
result to both better and worse situations to the country that decides to join a customs union. (Economics Online 2017)

The chart below shows different stages of economic integration process and customs union is in the middle of it. Under normal conditions, the deeper economic integration is, the more state sovereignty will be transfer to the economic integration organization. As the organization gathers more and more sovereignty from nations within it, the competitiveness of organization is strengthened and the internal industrial layout changes according to participants’ natural endowment and production factor with advantage (it seems like globalization in a small scale). Besides, exclusiveness of organization also increases at the same time.

Figure 1. Stages of Integration (Economics Online 2017)

1.2.6 Voices against free trade

There is no doubt that international trade without high barrier strongly promoted the world economy in term of total wealth amount. However, the distribution of benefit and how to define, measure and compare it have been controversial
topics since the initial stage of global trade network establishment. Anxieties towards loss of domestic jobs, detriment of national security, development space of domestic infant industry, unfair competition and instrumentalization of free trade were mentioned frequently in opposition of free trade. (Mankiw 2009, 196-202) Dissenting voices to free trade are presented in different patterns. However, the core of them is quite the same that anxiety roots from concern about national benefit. Therefore, it is important to figure out what national benefit is and whether all nations in the world have same standard or demand for national benefit at the same time.

The combination of knowledge and action is reality. It is necessary to know that both sides arguing about free trade are standing on their own preconditions and hypotheses. Hence, observing reality and clarifying the truth by analysis of fact and data is more important to do under such a situation than joining the argument without enough consideration.

1.3 Methodology

| Descriptive study: concept, theory and fact description |
| Cross-disciplinary study: knowledge combined from History, economics, sociology, international relations, geopolitics |
| Case analysis: historical cases in globalization, Finland under the OBOR |
| Qualitative research: clarification of connection between cause and effect in a wider range |
| Quantitative research: historical economic data collection, comparison and induction |
| SWOT analysis: analysis of Eurasia economic integration |

Background information and theory framework are mostly given by descriptive study. For example, in chapter 1.2, there are explanations to different theories. In chapter 2.4 and 4.2, there are introductions to existing multilateral trade framework and OBOR related agency and agreement. Intersections of
descriptive information are emphasized, and thesis proceeds based on those intersection parts instead of principle behind each concept or theory.

Cross-disciplinary study is used to explain achievement and problem of globalization in chapter 2.2 and 2.3 and analyze reasons behind problem of globalization in chapter 3. The social, cultural, ecological and political factors are considered as interactive ones instead of separated ones. Concepts like nationalism, world system and globalization paradox are utilized to strengthen the persuasiveness. History of globalization in chapter 2.1 provides a macro space-time perspective to observe, analyze and conclude afterwards.

The analysis of economy is always based on the sense that economy is affected by both economic and non-economic factors. Social meaning of economic action is emphasized, and history is listed frequently as reference to reveal regularity and possibility to help understand the context. For example, in chapter 2.4.5, the connection between environment and economy is discussed. In chapter 4.6, politic factor is considered as important drive force of economy. In 4.8, demographic characteristics of labor force with different backgrounds help to reveal logy behind economy operation.

Cases are listed through the paper to support statements and arguments in different chapters. For example, case of beef with hormone trade between the EU and the US, case of divergence between the US and countries like India and China regarding special protection mechanism to agriculture, cases of rise of peripheral nations and cases of countries affected by uncontrolled international capital flow in history all strength the concreteness of the content.

Especially, the main case of Finland under OBOR reviews previous opinions and provides the Finnish perspective to describe and analyze globalization impact by utilizing a lot of new data from national perspective, which is supplementary to the world holistic perspective and make statements and arguments more persuasive.
Qualitative research methods are applied in many chapters to clarify complicated mechanism and correlate different analyses. For example, proper protection to local industry is the key to get rid of poverty and achieve modernization for developing countries. Whether a country is getting poorer or richer, heavily depends on the variation of its productivity growth rate. The debt situation can explain the fluctuation level of productivity well. International trade is the extension of domestic trade. Quantitative research methods are used mainly in chapter 2 and 4. In chapter 2, world wealth distribution data comparison demonstrates the unbalanced development of world economy, the number of financial crises from 1970s to 2008 proves the negative effect of uncontrolled international capital flow. From chapter 4.5 to Chapter 4.8, data of industrial production, government and external debt, household saving, export, unemployment and economic sector percentage in different countries and periods are collected and compared. Changes of data and correlations among data demonstrate impact of globalization and existing multilateral trade framework more specifically and indicate the extent of influence.

In chapter 4.4, SWOT analysis is used to introduce Eurasia economic integration. Conclusive words highlight both positive and negative sides of the OBOR, improving criticalness of the content.

1.4 Ethicalness and Reliability of the Thesis

Both studies of bilateral trade and globalization are vast and controversial topics which require lots of information and sources from different perspectives to ensure the objectivity and depth. In the meantime, challenge also comes from interdisciplinary study consisted of a large amount of knowledge in different fields like history, geopolitics and international relationship because of the length limitation and multi-angle content implementation. In other words, the thesis proceeds based on associating mainstream views and theories in each single field to support the general argument and inevitably ignores controversial points inside grounds of it. The possible improvements, revisions and changes of the underlying academic theories might hugely affect the thesis reliability and validity.
Most importantly, preconditions of applicability of this research are existing common-senses and mainstream values in modern human society which might change as time goes by. Hence, all opinions in this thesis only stand their validity within short term frame instead of dynamic model with systematic ethical risks involved.
2 GLOBALIZATION

2.1 Historical perspective of globalization

“If you don't know history, then you don't know anything. You are a leaf that doesn't know it is part of a tree.”

— Michael Crichton, American novelist

In different fields of social science and humanities disciplines, globalization is considered from different perspectives and people have different definitions about it. Consequently, opinions about when globalization started are hugely diverse from 3000 B.C. to 1980s. (Pieterse 2012, 3-4) In fields like political science, international relations, development studies, economics, sociology and cultural studies, globalization is regarded as new phenomenon because of presentism and eurocentrism. (Pieterse 2012, 2-4) However, in fields like history and historical anthropology, definition of globalization is much wider, stating that once there was connectivity growth, social cooperation, trade activity and flows of technology, population, culture and religion, it could be defined as globalization. (Pieterse 2012, 3-4)

<table>
<thead>
<tr>
<th>Phases</th>
<th>Start time</th>
<th>Central nodes</th>
<th>Dynamics</th>
</tr>
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<tbody>
<tr>
<td>Eurasian globalization</td>
<td>3000 BCE</td>
<td>Eurasia</td>
<td>Agricultural and urban revolutions, migrations, trade, ancient empires</td>
</tr>
<tr>
<td>Afro-Eurasian</td>
<td>1000 BCE</td>
<td>Greco-Roman world, West Asia, East Africa</td>
<td>Commercial revolution</td>
</tr>
<tr>
<td>Oriental globalization 1</td>
<td>500 CE</td>
<td>Middle East</td>
<td>Emergence of a world economy, caravan trade</td>
</tr>
<tr>
<td>Oriental globalization 2</td>
<td>1100</td>
<td>East and South Asia and multicentric</td>
<td>Productivity, technology, urbanization: Silk Routes</td>
</tr>
<tr>
<td>Multicentric</td>
<td>1500</td>
<td>Atlantic expansion</td>
<td>Triangular trade, Americas</td>
</tr>
<tr>
<td>Euro-Atlantic</td>
<td>1800</td>
<td>Euro-Atlantic economy</td>
<td>Industrialization, colonial division of labor</td>
</tr>
<tr>
<td>20C globalization</td>
<td>1950</td>
<td>US, Europe, Japan: Trilateral globalization</td>
<td>Multinational corporations, (end of) cold war, global value chains</td>
</tr>
<tr>
<td>21C globalization</td>
<td>2000</td>
<td>East Asia, BRICS, emerging societies, petro economies</td>
<td>New geography of trade, global rebalancing</td>
</tr>
</tbody>
</table>

Figure 2. Phases of Globalizations (Pieterse 2012)
Therefore, from the perspective of history, globalization is nothing new but something repeating over from a long time ago. The forms of globalization might be different in different periods in terms of location, participant, criterion and influence. However, the internal principle was quite the same.

<table>
<thead>
<tr>
<th>Time</th>
<th>Criterion</th>
<th>Sources</th>
</tr>
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<tbody>
<tr>
<td>1980s</td>
<td>Information and communication technologies, containerization; end of Cold War</td>
<td>General</td>
</tr>
<tr>
<td>1960s</td>
<td>Multinational corporations</td>
<td>O’Rourke/ Williamson</td>
</tr>
<tr>
<td>1820s</td>
<td>Convergence of commodity prices across continents</td>
<td>Flynn/ Giraldez</td>
</tr>
<tr>
<td>1571</td>
<td>All major zones of the world connected by trade</td>
<td>Marx, Wallerstein</td>
</tr>
<tr>
<td>1500</td>
<td>The emergence of a world economy</td>
<td>Braudel, Abu-Lughod</td>
</tr>
<tr>
<td>1200</td>
<td></td>
<td>Hobson</td>
</tr>
<tr>
<td>500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1000 BCE</td>
<td>Commercial ties that link a large portion of the world</td>
<td>Manning, Ehret</td>
</tr>
<tr>
<td>3000 BCE</td>
<td>Trade linking multiple regions</td>
<td>Mair, Goody</td>
</tr>
<tr>
<td>-200 BCE</td>
<td>Innovations, diffusion of technology, information</td>
<td>Korotayev</td>
</tr>
<tr>
<td></td>
<td>Development of cities</td>
<td>Jennings</td>
</tr>
</tbody>
</table>

Figure 3. Thresholds of Globalizations (Pieterse 2012)

Considering bigger social systems and more complex inter-societal links as important features of globalization from the perspective of world system could avoid underestimation of spatial links in pre-industrial era. (Grinin & Korotayev 2013, 1-24)

Figure 4. The correlation between spatial links, political organization and level of technology (Grinin & Korotayev 2013)
“With bronze as a mirror one can correct one's appearance; with history as a mirror, one can understand the rise and fall of a state; with good men as a mirror, one can distinguish right from wrong.”

—Li Shimin, Tang Emperor Taizong

Historically, globalization happened once and once again. Therefore, it is necessary to figure it out what reasons made them fail and what lessons people today could learn from them. The globalization has its own life cycle which normally lasts for 200 or 300 years no matter what region, nation, social system and culture are. (Song 2016) At the beginning of every round of globalization, all features start becoming increasingly stronger and all participants win more than losing, which causes the booming of the whole society. (Song 2016) The main reasons that lead to the decline of globalization could be summarized in three types: class conflict because of the internal growing wealth gap, struggling for hegemony between or among powerful nations and interruption by barbarian invasion or other unexpected events. (Song 2016) In the ebb phase of globalization, the division of labor in the whole society gradually collapses and human civilization retrogresses. (Song 2016) However, at the end of ebb phase, next round of globalization starts dawning and larger network will be established and the incidence and influence depth of new globalization will be pushed to a higher level. (Song 2016)

2.2 Achievement of globalization since 1970s

Globalization since 1970s was increasingly comprehensive and its influence depth and scope have surpassed previous rounds. Different societies, civilization forms and cultures collided, communicated and confronted with others. Different religions competed and struggled in an increasingly convergent civilizational environment. (Eisenstadt 2013, 111) The globalization has made the world more efficient. Embryo of global market was gradually built up and most of countries could participate in global labor division system under a relatively stable environment. Traditional technologies diffused around the world and helped
billions of people out of poverty. New technologies like IT, biotechnology boomed from free capital movement, relatively open academic environment and loose population flow policy. Besides, increasing economic connection, establishment of multilateral mechanism and international dialogue platform has buffered potential international conflicts. The development of global media widened people’s horizon, people can easily know things happened in corners on earth. The sense of global citizen and wider social identity were in the bud, which was benefited from increasingly frequently economic and trade activity, personnel exchange and cultural communication.

2.3 Problem of globalization

Every coin has two sides. While globalization was creating a more efficient world, it was making the world more unequal and unstable.

In the beginning of industrial revolution, the ratio of wealth distribution between richest region and poorest region was 2:1, but now it is 20:1. More remarkably, the ratio between richest country and poorest country is 80:1. (Rodrik 2011, 116)

Firstly, the inequality among nations is remarkable. According to the World System Theory by Immanuel Wallerstein (1974), in the process of globalization, with economic and political competition, countries could be identified as core nations, semi-periphery nations and periphery nations according to the international division of labor and benefit degree from globalization. Core nations enjoyed most of the growth from globalization and shared positive effects brought by globalization. In contrast, periphery nations were in bad conditions. For example, lack of health care, education, infrastructure and job opportunities blocked the development of periphery nations and meanwhile population boomed in those nations amplified the negative effects from globalization. Consequently, resistance to globalization from peripheral nations like intense illegal immigration and terrorist activities have expanded at the same time throughout the world. (Eisenstadt 2013: 112)
Secondly, the inequality within nation is also evident. Multinational corporations in developed countries reaped huge benefit from globalization by making full use of comparative advantage with perfect global industrial layout. At the same time, middle class in developed countries suffered from the job loss and increasingly unstable social environment caused by industrial outsourcing and immigration waves from periphery nations. (Eisenstadt 2013, 112) In the same way, the inequality in developing countries is also obvious and even worse than developed countries.

According to Dani Rodrik’s description, the opener an economy entity is, the higher ratio is between wealth redistribution and gained economic benefits from free trade. (Rodrik 2011, 45-48) Besides, unlike technological improvement, the redistribution process of social wealth cause by free trade prefers to harm certain social group repeatedly. (Rodrik 2011, 45-48) Therefore, many people in developed countries regard themselves and their countries as victims of globalization from their certain perspectives. As a result, movements against globalization in some developed countries were increasingly popular in the past few years.

What is more, financial globalization and free capital movement without proper supervision have brought much more uncertainty to the world financial system. Decreasing capital control gave much space for venture capital which did not contribute to the world economy but became the source of chaos in the end. (Rodrik 2011, 75-91)

Ultimately, increasingly frequent trade, population migration and cultural communication have increased the possibility of encounters and confrontations between different civilizations. (Eisenstadt 2013, 112) Issues left over from history, ideological difference and actual interest dispute twisted together and sometimes were amplified by irresponsible media with ulterior motives.
2.4 Existing multilateral trade framework and prospects

2.4.1 Bretton Woods system

The globalization could categorized in two types according to its influence depth and structure: shallow globalization and deep globalization. (Rodrik 2011, 68) Historically, the world used to be in deep globalization, but the social system it relied on is unthinkable today. (Rodrik 2011, 68) The deep globalization in mercantilism and imperialism period were pushed and governed by chartered companies or imperialist powers. They made rules and regulations, and ensured participants following them by utilizing their strengths. (Rodrik 2011, 68)

However, it is hard to state that globalization in 19th century was successful. Except western branched nations like the U.S., Canada, Australia and Newland and Japan (in late 19th century), no other peripheral nations did achieve industrialization and modernization in such a deep globalization. (Rodrik 2011, 118-120) International labor division created wealth for those peripheral countries which relied on exporting raw material, but wealth was only in hands of minority. (Rodrik 2011, 120) Without economic base, those peripheral countries could not improve their social superstructure and push forward the industrialization process. (Rodrik 2011, 120) It was a remarkable fact that some nations and regions like Ottoman Turkey and China even experienced the deindustrialization process. (Rodrik 2011, 118-120)

In contrast, the example of shallow globalization was not far from now. After WW2, Bretton Woods system was established and aimed to recover the world economy by saving it from protectionism. From today’s point of view, Bretton Woods system was a simple multilateral trade framework. Its success came from reaching the balance among several goals. (Rodrik 2011, 8) On the one hand, it contributed recovery and prosperity of world economy by abolishing measures that restricted the global trade. On the other hand, it satisfied domestic social and employment needs in different countries by leaving space for every government to have their independent economic policies and build their own welfare systems.
Under such a relatively loose multilateral trade framework, the world economy boomed. World economic growth rate was higher than any other periods in history. (Rodrik 2011, 91) Europe and Japan experienced golden age and recovered their economy in a short time. Peripheral nations like South Korea, Turkey, Mexico, Mauritius and Latin American countries achieved economic high-speed development by combining market power with government power. (Rodrik 2011, 122-130, 133-135, 140-142) Those countries made respective development strategies according to their own national conditions. (Rodrik 2011, 122-130, 133-135, 140-142) As a result, the industrial level was improved, and economy had been diversified remarkably in those countries. (Rodrik 2011, 122-130, 133-135, 140-142)

Plenty of international agreements and organizations like GATT, IMF and World Bank have been found since the beginning of Bretton Woods system. Functions of those agreements and organizations were different from what they are today. As parts of superstructure in the shallow globalization, they served world economy very well during that historical period.

However, good times do not last long. As the international capital increasingly flooded around the world and several partial wars broke out, double hook system collapsed. Subsequently Bretton Woods system ended in 25 years after its birth. The new era of globalization was coming.

### 2.4.2 World Trade Organization (WTO)

WTO is a young international organization found in 1995 and grew out of GATT which was born after WW2 for making rules dealing with global international trade.
GATT’s birth had its history meaning and in that moment its mission was to recover the world economy from protectionism. During 1920s and 1940s, trade protectionism spread out through the whole world and barriers that limited the international trade had been set up became one of the most important reasons of the world economic recession. Plenty of Agreements had been created under series of negotiations to contribute to the establishment of multilateral trading system from the very beginning period of dealing with trade in goods only to later extending to the fields of service, intellectual property, dispute settlement and trade policy review. The foundation of WTO signed the advent of super globalization which was different from the shallow globalization under Bretton Woods system.

In the round of super globalization, international trade and financial development became more important than domestic economic management. The ambition of WTO changed from lowering tariff and decreasing quota to lowering all transaction costs that could hinder international trade which were normally caused by different social mechanism and standard. As a result, WTO started to intervene with domestic policies. All countries were instructed to move forwards in same direction and domestic policies should give priority to lower international trade barrier.

At the beginning of super globalization, multinational corporations needed wider international rules and regulations to support their global business, developing countries had to follow those rules and regulations for getting more export opportunities and foreign investment. Future victims did not realize what waited for them and all were attracted by wonderful blueprint described by international organizations and social elites in their own countries. All in all, the contradiction was covered up temporarily.

2.4.3 International Monetary Fund (IMF)

International Monetary fund was found in 1945 and its duty was to supervise currency exchange and global trade, provide technique and fund support when
necessary to ensure global financial system work well. However, since 1980s, IMF has started to claim liberalization of international capital flow and finally stated that pushing it forward became part of IMF’s authority in 1997, Hongkong. (Rodrik 2011, 76)

Bretton Woods system collapsed in 1971. The US announced the end of double hook system and increased tariff by 10% for all import commodities to balance its international trade. (Rodrik 2011, 84) For the US, domestic economic development was put in the first place.

In 1973, first oil crisis broke out, Europe and Japan requested to control capital movement to provide more space for domestic economic management, but the US obstructed it. (Rodrik 2011, 85) At the same time, Politicians in the US and UK preached to abolish control of financial system. (Rodrik 2011, 85) From 1980s to 1990s, international capital market controls were gradually canceled around the world.

In 1980s, Latin American countries lost in debt crises. (Rodrik 2011, 90) In 1985, Plaza Accord was signed, governments in five countries (the US, Japan, the UK, France and Federal Germany) intervened in foreign exchange market together to devalue US dollar to balance international trade. In early 1990s, Central banks in European countries were attacked by speculators and currencies devalued. (Rodrik 2011, 90) Famous result was Swedish banking rescue in 1992. In 1992, The Maastricht Treaty was signed, capital control became history within Europe Union. (Rodrik 2011, 86) What is worth mentioning that 35 years ago, the Treaty of Rome regarded capital control as unnecessary thing. (Rodrik 2011, 82) In middle 1990s, another round of financial crisis broke out, (Rodrik 2011, 90) including the famous Mexican peso crisis in 1994. In 1997, Asian financial crises broke out, then later Russia, Brazil, Argentina, Turkey were involved. (Rodrik 2011, 90)

It was recorded that between 1970 and 2008, 124 bank crises, 208 currency crises and 63 sovereign debt crises happened in total. (Rodrik 2011, 90)
Liberalization of international capital flow did not bring prosperity but instability to the world.

2.4.4 Doha Development Agenda (DDA)

The failure of DDA resulted from irreconcilable opinions between developing countries and developed countries about international trade policies like subsidy and tariff and issues related to market access of agriculture and non-agriculture field. (Amadeo 2016) For example, the US refused to accept special safeguard mechanism announced by India and China. (Rodrik 2011, 68) Besides, within developed countries and developing countries themselves, attitudes and exceptions to the possible result are also not totally the same. (Amadeo 2016) For example, the US had huge divergence with EU in field of agriculture subsidy. (Rodrik 2011, 67) The essence of conflict between participating countries is that no single standard or rule could be satisfied by all sides which have very different backgrounds and interest demands extended from own national conditions. (Amadeo 2016) DDA shows the limitation and problem of existing multilateral framework. At the same time, it reveals the possibility of failure of other attempts in multilateral field in the future. (Cooke 2009)

2.4.5 2009 United Nations Climate Change Conference (UNCCC)

The 2009 United Nations Climate Change Conference, commonly known as the Copenhagen Summit aimed to achieve an agreement over how to take actions to face the climate challenge which affects all countries and people in the world under multilateral framework. (Cooke 2009) However, the process was embarrassing because the multilateral platform was used by certain countries to take advantage from instead of negotiating sincerely and achieving reasonable commonsense for all sides engaged. (Cooke 2009) The document Danish Text leaked during the conference showed the dark future of multilateral attempts. As the document states, developed countries like U.S, Japan and part of Europe will have the right to pollute twice than developing countries if it is executed (Cooke
2009), which ignores the fact that population of developing countries is much more than developed countries.

Figure 5. World Population Distribution between Developing and Developed Regions (Think About It 2010)

According to the G8’s plan, 27 most developed countries with 1.1 billion population will have the right to share 44% of the total amount of emission while rest of the world with 5.5 billion population only have the right to share 56%. (Ding 2015)

Historically, developed countries are responsible for 79 % of carbon emissions (Center for Global Development 2015) From 1900 to 2005, the amount of developed countries’ per capita emission was 7.54 times bigger than the number in developing countries because of going cross the industrialization stage. (Chen 2010). The per capita emission right has more meanings than environmental protection. It reflects the possibility of personal life quality improvement. For instance, it decides availability of big and comfortable house with good heating system, cheap daily product made from domestic factory and jobs with higher personal income created by local industry development. (As the industry keeps updating and produces a higher ratio of product with more added value, the income increases more.)
Normally, countries in the process of industrialization will become the main emitters because of the economic structure. (Friedrich & Damasa 2014). Most of developing countries are in the process of industrialization. In this process, they normally play roles of manufacturing or raw material bases in the global supply chain and produce commodities with low added value (e.g. clothes, toys…) to meet need of the whole world and their needs for emission are based on objective reality instead of barbarous ignorance.

It is important to know that improper distribution of emission right will cause burden for developing countries. (Cooke 2009) And the emission trading mechanism is more like a taxation. It will increase the cost of production and harm competitiveness of developing countries. Without capital accumulation (difference between cost and sale price is very small), it is impossible for developing countries to finish industrialization and achieve the economic transformation. Consequently, those countries must continue producing product with high pollution which seems to be in a vicious cycle.

The failure of Copenhagen summit, DDA and UN reveals the weakness of multilateral framework in solving global existing problems and coordinating distribution of interests in international trade. (Cooke 2009) Therefore, today countries put more efforts on strengthening bilateral cooperation and consequently lots of bilateral FTAs have been signed or under negotiation in this tendency. (Amadeo 2016)
3 REASON BEHIND PROBLEM OF GLOBALIZATION AND DEFICIENCY OF EXISTING MULTILATERAL TRADE FRAMEWORK

Invisible hand works well in guiding the economic activities and ensures the efficiency of resource allocation and production, but it cannot eliminate the disparity of economic welfare distribution. (Mankiw 2009, 13)

According to Ricardo’s theory, the logic behind the prosperity of free trade is that comparative advantage exists and the gap between comparative productivity between nations maintains. In other words, every country focuses and specializes in what they are good at and develop certain industry according to their own endowment. However, Ricardo’s theory only described a static world. From the developmental perspective, without establishment of global superstructure, welfare system and redistribution mechanism, only economic diversification could help peripheral nations move from low side to high side in global production network. Globalization provides opportunities for all countries in the world to develop themselves by utilizing their advantages, but globalization does not equal to complete free trade and freedom of capital flow. Industrial promotion policy is necessary because according to the international division of labor, different countries will produce different products and services, but values of those products and services are hugely different. “Catch up” countries must suit their measures to local conditions to reach comprehensive economic and social development.

The difficulty of establishment of global superstructure roots from both history and reality. As it was mentioned in the first chapter that dissenting voices to free trade root from concern to national benefit. Furthermore, concern to national benefit comes from nationalism.

Nationalism is an issue left over by history. (Smith 1995, 1-7) Nationalism normally represents in the way of claim for national right and interest and extreme defense on them. (Smith 1995, 1-7) However, over-exaggeration about national
rights and national interests will deviate from the principle of liberalism which was the source of globalization.

Nationalism itself is not a bad thing, it has both positive and negative effects to human society. (Smith 1995, 9-16) It is part of our self-awareness and social identity and it roots from our own tradition, culture, value and history memory. However, in deep globalization, different national states were involved and interacted with others, the line between domestic right and international responsibility tends to become indistinct (Rodrik 2011, 66) because of nationalism.

In the process of globalization, social and national identity could be re-shaped in certain period. However, it still maintains the possibility to go back to national state. (Smith 1995, 139-140) On the one hand, the development of capitalism and industry has promoted the process of globalization. On the other hand, the globalization strengthened national state’s status and function. There is no doubt that multinational corporations in globalization owned huge amount of resources and some of them even had greater power and influence than small or middle-sized countries. However, those multinational giants still cannot win the rival with most powerful national states in the world. (Smith 1995, 141) Besides, multinational corporations’ global industrial layout and business operation need support and escort from governments in their home countries. Therefore, they must cooperate with politicians who are and only responsible for people in their home countries. (Smith 1995, 141) Multinational corporations must obey domestic laws in their home countries and their operation aims to serve interests of their home countries in the end.

Statistically, in fields of economics, social and political science, national state is still the basic unit of collecting, categorizing and comparing data. (Smith 1995, 141) Besides, national state is still the unit of military and organ of violence. (Smith 1995, 141-142) As the blood of globalization, currency, credit and banking system also have the national basis.
What is more, even the international law has an organizational base (normally powerful national state or political coalition). Law is a set of ideals and procedures; Laws do not enforce themselves. (Collins 2013, 100) The foundation of international rule of law is based on support from dominant political group and balanced geopolitical conditions which are acceptable for main geopolitical powers in the world (Collins 2013:87) In other words, international rule of law cannot replace geopolitics, it only works under specific geopolitical conditions.

In today’s globalization, there is a lack of binding superstructure, unitary standard and code of practice in international society. National states are still the main behavior bodies and bases of political and social identity. (Rodrik 2011, 200) Different countries have different conditions, even within one country, different people and groups have different preferences. (Rodrik 2011, 200) Therefore, attempt to achieve unitary standard in a very wide range under multilateral trade framework is unpractical because rules and regulation made under multilateral trade framework normally only reflect the preference of powerful states. (Rodrik 2011, 200)

Deep globalization needs support from strong global superstructure. The establishment of global governance mechanism inevitably needs sacrifice of national sovereignty. (Rodrik 2011, 167) Democratic politics must be eroded for maintaining both deep globalization and national sovereignty. (Rodrik 2011, 167) If people wish to keep both national sovereignty and democratic politics, deep globalization loses its ground to maintain. (Rodrik 2011, 167) The paradox of globalization shows that in today’s world, deep globalization does not have its social and political foundation.
The deficiency of existing multilateral trade framework could be concluded as below: Firstly, ignorance of social cost made the wrong steps in practice. International organizations like WTO and IMF aimed to lower all transaction costs. However, they did not consider social cost and invaded the privacy belonged to nations. Secondly, existing multilateral trade framework does not have support from strong superstructure and consequently have no executive power to powerful nations or political union. For example, Europe banned the import of beef with hormone from the United States, but in 1998 the WTO ruled that EU’s ban was invalid because it believed that the scientific basis was not rigorous enough and it violated the rules of world trade. EU did not comply with the ruling. (Rodrik 2011, 65-66) Besides, existing multilateral trade framework did not have enough representativeness. International trade or financial organization like WTO and IMF did not give enough respect to opinions from developing countries. (Rodrik 2011, 75) What is more, hysteresis of existing multilateral trade framework does not fit this diverse and changeable world, especially when this world is changing faster and faster, the pace of changing is so fast that leaves “the average” behind. It is impossible to expect all sides reaching commonsense repeatedly. Ultimately, there is no single logy and ethics to follow under existing multilateral trade framework.
4 CASE ANALYSIS: FINLAND UNDER THE OBOR

4.1 Brief introduction to the Belt and Road Initiative

The Belt and Road Initiative with full name of the Silk Road Economic Belt and the 21st-century Maritime Silk Road, also known as One Belt, One Road (OBOR) and the Belt and Road (B&R) is a significant development strategy and international trade framework, presented by Chinese president Xi Jinping at the first time of 2013 in Kazakhstan (Lu 2016) which aimed to strengthen connectivity and cooperation between China and other countries in Eurasia.

Figure 7. Belt and Road Initiative (HKTDC)

Geographically, it consists of both land-based and oceangoing routes, which named "Silk Road Economic Belt" (SREB) and "Maritime Silk Road" (MSR). More specifically, six economic corridors have been planned to span Asia, Europe and Africa in term of trade. (HKTDC 2016)

The idea of OBOR stems from the fact that huge trade potential undiscovered in international trade within Eurasia, the main component of World Island
conceptualized by Mackinder in 1902. The potential comes from extremely unbalanced economic landscape with different levels of development and obvious economic complementarity. Therefore, high demand for strategy that could fix those problems and exploit potential emerged in the market.

Figure 8. The Belt and Road Initiative: Six Economic corridors spanning Asia, Europe and Africa (HKTDC 2016)

When there is a demand, supply comes for profit attraction. In this case, China is the supplier and OBOR is the product. As the initiator, China has strong motivation to gain economic and political influence by reshaping business ecosystem along the Belt and Road region. (Irshad, Qi & Arshad 2015, 200) On the one hand, OBOR will benefit China to digest its excess capacity and promote its foreign exchange reserve management and investment to be more diverse and safe. On the other hand, OBOR will strengthen the economic connectivity between China and countries along the route, promote adjustment and upgrading of economic structure of countries along the route by substantial infrastructure investment, well-directed industrial shift and efficient capacity cooperation.
4.2  Related agency and organization

4.2.1  Asian Infrastructure Investment Bank (AIIB)

Headquartered in Beijing, AIIB is an intergovernmental and multilateral agency established in 2015. On 16th, June 2017, 3 applicants were approved to be new members by AIIB, which increased its membership to 80 countries, making it a truly international financial institution with mission of promoting economic and social development in Asia by investing in high quality infrastructure projects that are environmentally friendly and financially viable. (AIIB, 2017)

4.2.2  Silk Road Fund

As an important financial support to the OBOR, Silk Road Fund that values US$40 billion has been found in Beijing on December 2014 with strong official background. Silk Road Fund is an Open-end Fund that focuses on medium and long-term investment, which means it welcomes the cooperation with other international or regional financial institutions and has strong complementarity with them. (Silk Road Fund 2016) According to the fields of investment by Silk Road Fund, it is clear to see and analyze that enhancing basic guarantees of economic development such infrastructure, resources and energy development, industrial capacity cooperation and financial operation are main directions and priorities for OBOR projects. (Silk Road Fund 2016)

4.2.3  Regional Comprehensive Economic Partnership (RCEP)

RECP is a multilateral FTA under negotiation launched by ASEAN including China, Japan, Korea, India, Australia and New Zealand that aimed to integrate the regional economy. Once it comes true, RCEP will be the world largest multilateral FTA.

In fact, the process of Asian regional economic integration has been slow-paced compared to other regions. Asia has the most bilateral FTAs in the world and its volume of trade is also very huge, which shows close economic ties within Asian
countries. However, there was a lack of multilateral free trade framework. Even though lots of researches demonstrated that the Asian regional economic integration will maximize the regional benefit, differences in political systems, economic situations, diplomatic strategies, cultural backgrounds and historical senses blocked the door for further multilateral cooperation. All in all, Asia is extremely diverse, it is hard to blend all sides within a binding scheme and satisfy all their demands equally.

In fact, as discussed in chapter 2, with a broader definition of globalization, regional economic cooperation could be regarded as a smaller globalization. The differences among national conditions are smaller compared to worldwide range. Consequently, the requirement for superstructure within the region is lower to maintain the same level multilateral cooperation. According to this logy, multilateral trade framework could be multilayers, in different layers, multilateral trade framework covers different fields. And in the end, there must be some fields that could not be covered by multilateral trade framework because difference and nationalism still exist.

In those fields, bilateral trade framework has strong function and necessity. Importantly, bilateral trade framework does not only refer trade framework between two countries. It could also work between single country and economic union or between economic unions.

4.3 The Background of the Belt and Road Initiative

The 2008 crisis had a far-reaching impact on world economy. The world merchandise trade dropped in 2009 and bounced back in 2010 and 2011. However, the growth of merchandise trade has been very slowly since 2012. In 2015, the number of increasing rate became negative again, which influenced hugely by price decline of world commodity. (WTO 2016, 10-15)

After the breakout of the global financial crisis in 2008, some Central Banks in major economic entities like the Fed, the BOJ, the BOE and the ECB launched
their respective monetary easing or QE programme to avoid recession by decreasing the long-term interest rate. (Ncube 2014) In 2009 and 2011, ECB carried out two rounds of covered bond purchase programs. (Ncube 2014) In Japan, BOJ gradually raised its monetary easing to ¥101 trillion by the end of 2012 and later intended to double its monetary base. (Ncube 2014)


QE programme in developed countries aimed to stimulate economy by increasing bank lending and encouraging spending. (Ncube 2014) However, it is important to see that the fundamental reason behind economic recession is existing unreasonable economic and industrial structure. In other words, QE programme only works when targeted economic reform is undertaken. Otherwise, QE programme is more like a poison than medicine to economy. Besides, world economy is very integrated today, unintended influence might beyond the border and reach to emerging countries. (Ncube 2014) Without capital control, where the huge amount of liquidity injected into the market went was in question. Plenty of international private capital went around the world, increasing the barrier for economic reform in different countries and weakening effect of domestic policies. It is also remarkable that at the same time between 2008 and 2014, global commodity price like food price and oil price increased sharply (FAO 2017; Mearns 2016), which brought chaos to lots of developing countries on the social level.

As the main economic entity in the world, China also had its own economic stimulus plan. In 2008, China announced a $586 billion stimulus package. (Economist. 2008) It turned out to be the case that most of money was used to
improve economic and social environment in China. Investment in education, transportation, health care, low-income housing, new energy, infrastructure and innovation finally brought huge return to China for its economic structure reform.

The weak demand growth plagues the world economy. At the same time, trade protectionism and populism are more and more popular around the world. Landmarks like Brexit, the U.S presidential election have re-inflamed argument about globalization. China’s experience was that if there is no demand, people can create new demand by balancing interregional developmental levels. It will create win-win situation for all sides. New demand creation needs long term investment which takes time and energy but catches the nature of problem. More importantly, it makes the globalization better.

4.4 SWOT analysis of Eurasia economic integration

Eurasia is the combination of Europe and Asia in where near 100 countries and regions locate and hundreds of nationalities live. From huge-size countries like Russia to tiny-size countries like Malta, from rich countries like Norway to poor countries like Myanmar, from democratic countries like France to autocratic countries like North Korea, from religious countries like Saudi Arabia to atheistic countries like China, from Arctic countries like Finland to tropical countries like Indonesia, from island countries like Japan to double land-locked countries like Uzbekistan, from countries with huge population like India to countries with small population like Bhutan, from countries with high population density like Netherland to countries with low population density like Mongolia, from countries with high birth rate like Turkey to countries with low birth rate like Portugal, from countries with high literacy rate like Switzerland to countries with extremely high illiteracy rate like Afghanistan, from nation-states like South Korea to multinational states like Kazakhstan, there is no doubt that diversity could be the best word to describe the Eurasia continent. Diverse national conditions result to diverse needs and bring both opportunities and challenges to the cooperation between or among Eurasian countries.
<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Rich resource</td>
<td>• Unbalanced distribution of production element</td>
</tr>
<tr>
<td>• Technology advantage</td>
<td>• Backward infrastructure and education</td>
</tr>
<tr>
<td>• Abundant labor force resource</td>
<td>• Great difference in developing levels</td>
</tr>
<tr>
<td>• Complete production element</td>
<td></td>
</tr>
<tr>
<td>• Strong economic ties</td>
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<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Promotion of underdeveloped areas’ development along the line</td>
<td>• Innovation needed for wealth distribution mechanism</td>
</tr>
<tr>
<td>• Promotion of scientific research</td>
<td>• Internal innovation ability in governments</td>
</tr>
<tr>
<td>• Avoidance of financial risk</td>
<td>• Ideological differences</td>
</tr>
<tr>
<td>• Build new economic ties, ease and transfer geopolitical friction</td>
<td>• Geopolitical risks</td>
</tr>
<tr>
<td>• Interoperability and capacity cooperation</td>
<td>• Culture diversity and compatibility</td>
</tr>
<tr>
<td>• Alleviation of regional conflict and refugee issue</td>
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</tr>
</tbody>
</table>

Figure 9. Opportunities in Five Key Areas (HKTDC)

4.5 Finland and Nordic model

Finland is Nordic country, in the economic circle, Nordic model is a very hot topic. The existence of Nordic model reflects the misinterpretation of globalization and free trade today. The economic operation of the Nordic model shows that
economic development is affected by both economic and non-economic factors.
The market and government powers are complementary and indispensable to each other. (Andersen et al. 2014, 7) According to Neoliberalism theories, the Nordic model is inefficient. However, the fact was that non-economic factors in Nordic model overcame weaknesses of economic factors, and Nordic model had better performance in globalization. (Andersen et al. 2014, 7)

4.6 Finland under existing multilateral trade framework

In the shallow globalization, capital control is necessary. International financial organization could provide fund and technical support to assist countries in bad condition when necessary. However, when assistance does not work, countries are supposed to have right to implement independent monetary policy to balance international trade by free floating of currency. (Rodrik 2011, 81-82) Principally, the EU economic integration could be regards as a small-scale globalization phenomenon. The multilateral trade framework of the EU covers a wide range of fields. From the perspectives of mobility, monetary policy, investment and trade policy, the EU has been more like a country than just a political and economic union. Majority of member states use unified currency and follow the same trade standard. Freedom of population, commodity and capital flows and establishment of common defense within member states have made comprehensive economic and political integration in most areas of the EU. Besides, specialization of production within the EU has made member states’ economic structure constantly changing.

In term of economic integration stage, the EU has achieved monetary union and political union to some extent, but the process of achieving fiscal union between those two stages developed relatively slowly in the past decades. In other words, while the EU was proceeding deep economic integration, the construction of superstructure did not follow the pace. And such a mismatch has existed for a long time. As a result, the lack of effective central finance seriously hampered the implementation of the EU’s overall strategy.
Whether a country is getting poorer or richer, heavily depends on the variation of its productivity growth rate. The higher productivity level means higher unit output, the higher unit output means that people in this country can enjoy more things, for example, having better food, education and healthcare. (Rodrik 2011, 117) The ratio of debt to GDP reflects the fluctuation of productivity level well. By observing the fluctuations of ratio of government debt to GDP in EU countries, it is figured out that from 2008 to 2016, the average ratio of government debt to GDP in 28 EU countries increased from 60.7% to 83.5%. (Eurostat)

<table>
<thead>
<tr>
<th>Country</th>
<th>Debt Rate</th>
<th>Debt Growth Rate from 2008</th>
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</thead>
<tbody>
<tr>
<td>Greece</td>
<td>185.20%</td>
<td>↑57.6%</td>
</tr>
<tr>
<td>Italy</td>
<td>132.60%</td>
<td>↑29.5</td>
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<tr>
<td>Portugal</td>
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<td>↑81.9%</td>
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<tr>
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<td>↑152%</td>
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<tr>
<td>France</td>
<td>96%</td>
<td>↑41.2%</td>
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<tr>
<td>UK</td>
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<tr>
<td>Austria</td>
<td>84.60%</td>
<td>↑23%</td>
</tr>
<tr>
<td>EU28</td>
<td>83.50%</td>
<td>↑37.3%</td>
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<tr>
<td>Hungary</td>
<td>74.10%</td>
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<tr>
<td>Finland</td>
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<td>↑94.5%</td>
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<tr>
<td>Poland</td>
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<tr>
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<td>↑82.1%</td>
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<tr>
<td>Sweden</td>
<td>41.60%</td>
<td>↑10.9%</td>
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<tr>
<td>Denmark</td>
<td>37.80%</td>
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<tr>
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Figure 10. General Government Debt Rate of Major EU Countries in 2016/Debt Rate Ranking (Eurostat)
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Figure 11. General Government Debt Rate of Major EU Countries in 2016/Change Rate Ranking (Eurostat)

The rise of debt happened concentratedly during 2008 and 2013. (Eurostat) The up-cycle of debt varies from country to country according to the different degree of coverage by the stimulus plan. During this period, famous Greek Government Debt Crisis broke out. After 2013, most countries’ debt issues got relieved and assumed steak states. (Eurostat) For example, Poland, Netherland, Denmark and Sweden performed well. Germany and Hungary basically returned to pre-crisis levels. (Eurostat)

In contrast, the debt rose up quickly in both absolute and relative values in periphery nations like Greece, Spain and Portugal. The productivity level decreased in those periphery nations and they went through the process of deindustrialization. For example, from 2008 to 2016, Greece’s industrial production contracted by 23.2% and manufacturing contracted by 21.2%. (OECD)
In 2016, Finland’s government debt rate was 63.6%, in the absolute value, it was of medium rank, higher than Netherland but lower than Germany. (Eurostat) However, according to the rank of debt growth rate from 2008 to 2016, Finland’s 94.5% was the second highest growth rate in major EU countries, only lower than Spain. (Eurostat) The debt growth in Finland was contributed by central government most. (Statistics Finland 2017) Besides, the net external debt also increased from 8.9% to 46% to GDP during the same time. (Eurostat) Till June 2017, the external debt of Finland maintained a relatively high level in the EU. In the past years, both external debt and net external debt increased in Finland. Therefore, in term of debt structure, the controllability of debt in Finland declined.

Countries with better conditions could be categorized by two types: core nations in Eurozone with high industrial competitiveness and semi-periphery nations outside of Eurozone which have relatively good industrial base. Some of those semi-periphery nations have relatively cheap land and labor force, but more importantly they have their own monetary sovereignty. From 2008 to 2016, those countries’ currencies devalued more compared to Euros. (Take USD as a reference.) (OECD) By devaluing their currencies, their industrial competitiveness got maintained, the industrial layout was not influenced by crises much and eventually those countries ensured domestic employment and productivity growth. For example, the industrial production, especially manufacturing sector of Poland made huge progress from 2008 to 2016. (OECD) If counted with inflation rate and in its own currency value, the progress would be even more impressive because Polish Zloty devalued relative to Euro and Poland did not experience high inflation as it was supposed to be. (OECD)

In contrast, if counted in British Pounds, UK’s industrial production experienced serious challenge because British pound appreciated compared to Euro. (Take USD as a reference.) (OECD) Besides, during this period, UK’s government debt increased by 77.9%, which was a very bad grade within EU countries. (Eurostat) Remarkably, UK also had a relatively high inflation rate compared to other EU countries. (OECD) Therefore, Brexit got its ground to happen.
### Changes of Industrial Production in Major EU Countries 2008-2016

<table>
<thead>
<tr>
<th>Country</th>
<th>Total</th>
<th>Manufacturing</th>
<th>Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>↑31.7%</td>
<td>↑40.4%</td>
<td>↓4.8%</td>
</tr>
<tr>
<td>Slovakia</td>
<td>↑25.5%</td>
<td>↑32.9%</td>
<td>↓30.5%</td>
</tr>
<tr>
<td>Czech</td>
<td>↑11.7</td>
<td>↑18.3%</td>
<td>↓19.9%</td>
</tr>
<tr>
<td>Hungary</td>
<td>↑11.1%</td>
<td>↑13.2%</td>
<td>↓24.2%</td>
</tr>
<tr>
<td>Austria</td>
<td>↑7%</td>
<td>↑6.2%</td>
<td>↓3.3%</td>
</tr>
<tr>
<td>Germany</td>
<td>↑3.7%</td>
<td>↑3.1%</td>
<td>↑26.8%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>↓4.8%</td>
<td>↓8.1%</td>
<td>↓8.9%</td>
</tr>
<tr>
<td>UK</td>
<td>↓5.8%</td>
<td>↓2.4%</td>
<td>↑5.6%</td>
</tr>
<tr>
<td>Denmark</td>
<td>↓6.2%</td>
<td>↑2.9%</td>
<td>↓1.7%</td>
</tr>
<tr>
<td>France</td>
<td>↓8.6%</td>
<td>↓9.4%</td>
<td>↓20%</td>
</tr>
<tr>
<td>Portugal</td>
<td>↓10.7%</td>
<td>↓13.4%</td>
<td>↓59.2%</td>
</tr>
<tr>
<td>Sweden</td>
<td>↓11.1%</td>
<td>↓14.7%</td>
<td>↑11%</td>
</tr>
<tr>
<td>Finland</td>
<td>↓16.9%</td>
<td>↓18.6%</td>
<td>↑13.6%</td>
</tr>
<tr>
<td>Spain</td>
<td>↓17.7%</td>
<td>↓17.8%</td>
<td>↓31.5%</td>
</tr>
<tr>
<td>Italy</td>
<td>↓18%</td>
<td>↓18.8%</td>
<td>↓42.4%</td>
</tr>
<tr>
<td>Greece</td>
<td>↓23.2%</td>
<td>↓21.2%</td>
<td>↓69.2%</td>
</tr>
</tbody>
</table>

Figure 12. Changes of Industrial Production in Major EU Countries 2008-2016/Total (OECD)

### Changes of Industrial Production in Major EU Countries 2008-2016

<table>
<thead>
<tr>
<th>Country</th>
<th>Total</th>
<th>Manufacturing</th>
<th>Construction</th>
</tr>
</thead>
<tbody>
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<td>↑3.1%</td>
<td>↑26.8%</td>
</tr>
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<td>Netherlands</td>
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<td>↓8.1%</td>
<td>↓8.9%</td>
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<td>UK</td>
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</tr>
<tr>
<td>Italy</td>
<td>↓18%</td>
<td>↓18.8%</td>
<td>↓42.4%</td>
</tr>
<tr>
<td>Greece</td>
<td>↓23.2%</td>
<td>↓21.2%</td>
<td>↓69.2%</td>
</tr>
</tbody>
</table>

Figure 13. Changes of Industrial Production in Major EU Countries 2008-2016/Manufacturing (OECD)
Industrial production in Finland decreased by 16.9% and manufacturing decreased by 18.6% from 2008 to 2016, (OECD) which was a very bad grade within major EU countries. From 2009 to 2016, 4 new member states which were traditionally peripheral nations joined Eurozone. Compared to them, Finland’s performance was also disappointing.

In 2009, Slovakia joined Eurozone, in the next 8 years, its industrial production increased by 25.5% and manufacturing increased by 32.9%. (OECD) During the same period, Finland’s industrial production decreased by 3.9% and manufacturing decreased by 2.7%. (OECD) In 2011, Estonia joined Eurozone, in the next 6 years, its industrial production increased by 34.6% and manufacturing increased by 40.8%. (OECD) During the same period, Finland’s industrial production decreased by 16.9% and manufacturing decreased by 18.4%. (OECD) In 2014, Latvia joined Eurozone, in the next 3 years, its industrial production increased by 7.6%% and manufacturing increased by 9.2%%. (OECD) During the same period, Finland’s industrial production decreased by 0.4% and manufacturing did not grow. (OECD)

Therefore, according to the high debt growth rate and industrial atrophy degree, the conclusion is that in the past years, compared to most EU countries, Finland’s productivity level declined faster.

It is important to point out that from 2010 to 2016, industrial production in Europe Union increased by 5.6% in total. Among industries, high value-added industry made great progress, and low-end industry contracted remarkably. (Eurostat 2017) Therefore, low-end industry did not transfer within the EU but to other places in the world. New industrial expansion and competition took place mainly in the middle and high-end.

As it was mentioned above, capital control was abandoned within the EU since 1992. The cliff falls of industrial production after 2008 showed the negative aspect of it. Besides, after crisis, the economic stimulus without basing on overall
strategy and large amount of unregulated international capital have increased the difficulty of economic reform in peripheral nations to some extent.

Overall, the Eurozone is in a dilemma now. On the one hand, promoting the centralization of the superstructure of the EU is bound to suffer political backlash from member states. The underlying reason for the backlash is the redistribution of interest patterns. As mentioned earlier, the last steps in economic liberalization and free trade are very difficult because the redistribution of benefit is too large compared to the benefit achieved. (Rodrik 2011, 48) The historical reflection of this principle is that the deep integration of the regional economy was rarely achieved by peaceful means in normal circumstances. In one possible case, the major economies in the economic union competed for economic dominance, leading to the collapse of the economic union. Another possible case was that violence became the chosen mean, regional economy was under the leadership of power. In this case, the inequality was obvious within member states. As time went by, this structure became increasingly unstable, unbalanced development and increasing internal economic inequality would also break the economic alliance under the impetus of nationalism or populism.

On the other hand, allowing the EU to collapse will also have vastly negative impact on both peripheral and the core nations. After the peripheral nations experienced the process of industrialization, their economic vulnerability was greatly improved. The economic and industrial structure of peripheral nations serves the EU as part of the common market. The disintegration of the EU will cause bigger unemployment issue in peripheral nations because their economic and industrial structure can not provide enough jobs when they are out of the EU. At the same time, the currencies of peripheral nations will depreciate sharply, the cost of debt will rise, the financial system will not work smoothly, the welfare system will collapse, and the society will be in turmoil.

To core nations, the huge internal market, plenty of basic production elements and currency bonus brought by economic alliance are important resources to maintain their global industrial competitiveness. The collapse of the alliance will
rapidly push up the value of their currency, reduce their global competitiveness. Without the economic hinterland, their economy will also suffer from such a disaster.

Most of economic problems including debt issues come from unreasonable economic structure. As it was mentioned before that economic stimulus only works when targeted economic reform is undertaken. The purpose of economic stimulus is to change space for time. A stimulus package can play its intended role only when the economic reforms are completed before the appointed time. (productivity and competitiveness are increased.) A stimulus without a holistic and overall strategy is often counterproductive.

4.7 Finland economic structure analysis

![Economic Structure of Finland in 2016](Image)

Figure 14. Economic structure of Finland in 2016 (Mundi Index)

As shown in the figure, in 2016, consumption accounted for Finland's economy as high as 80%, fixed capital investment accounted for 20%, lower than the world average in 2015, (The World Bank) net exports accounted for a very small part.
First of all, focus on the consumption level. As a commonsense, consumption must be supported by savings. Aside from government consumption, to analyze household consumption, attention needs to be on household savings.

![Figure 15. Finland Household Saving Rate 2008-2016 (Trading Economics)](image)

As shown in the figure, the household savings rate in Finland has shown a downward trend since the initial rise after the financial crisis in 2008. In 2016, Finland household savings rate was lower than the pre-crisis level and it was -1.68%, even in the EU, also at a low level, only higher than Poland, Portugal, Greece and Latvia. Over the same time, the Swedish household savings rate was 16.1%, Denmark was 4.47%, France was 8.16%. (OECD 2016) In 2017, Finland's household savings rate continued to decline to -2.3%, and was expected to continue to decline. (Trading Economics)

To sum up, the economic structure based on consumption needs transformation.

It is the turn to analyze the sector of net experts. As mentioned above, the proportion of Finland's net exports to economy was very small. But it is important to note that the export was an important driver of Finland's economy. Finland’s exports accounted for as much as 35.4% of GDP. Net exports were small because imports were quite equal to exports. By comparing the types of import and export products, we can find that the added value of Finland's export products
is higher than that of imported products. Therefore, export promotion is an important way to optimize the domestic economic structure.

Finland's domestic market is small and lack of raw material. Its economic development must rely on the international market (or just bigger market), and it is a typical export-oriented economy. Therefore, trade protectionism will compress the development space of Finland. Anti-globalization will cause serious impact on such countries as Finland.

Since the 2008 financial crisis, the euro has depreciated substantially, but the export level of Finland was still lower than the pre-crisis level. (Trading Economics) In contrast, most EU countries' export levels have returned to pre-crisis levels, and some even have made considerable progress, including Poland, Portugal, Greece, and Latvia. (Trading Economics)

Figure 16. The EU exports 2008-2017 (Trading Economics)
Figure 17. Germany exports 2008-2017 (Trading Economics)

Figure 18. France exports 2008-2017 (Trading Economics)

Figure 19. Sweden exports 2008-2017 (Trading Economics)
Figure 20. Poland exports 2008-2017 (Trading Economics)

Figure 21. Greece exports 2008-2017 (Trading Economics 2017)

Figure 22. Finland exports 2008-2017 (Trading Economics 2017)
In 2016, the growth rate of industrial production in Sweden and Poland were 4.2%, much higher than 0.8% of Finland in the same period. (Mundi Index) The growth rate of industrial production in Finland was not only very low in EU countries but also in non-EU European countries during the same period, only higher than Greece, UK and Belarus. (CIA World Factbook 2017)

In term of commodity exports, Finland has a competitive relationship with many EU countries like Poland and Sweden. For example, in shipbuilding, there is competition between Poland and Finland, (Mundi Index) in paper and pulp industry, Sweden and Finland have competition, (Mundi Index) and in machinery, competition and potential competition exist widely. At the same time, there is also competition in education and tourism in term of service exports.

It is important to note that the specialized division of labor and production in modern society and the market size have strong connection. Countries like Poland, Sweden and some other semi-periphery nations have bigger domestic market than Finland. Some of them also have cheaper production elements. Their industrial expansion naturally have more advantage than Finland, especially under a conservative trading environment. In the industrial world, competition with the core countries like Germany is very difficult, so competition exists widely among the semi-periphery countries. In the foreseeable future, in the field of information and communication technology which had important function to the growth of Nordic countries, (Andersen et al. 2014, 6) Finland will face more competition from other EU countries as their industrial expansion. (As mentioned above, low-end industry did not transfer within the EU but to other places in the world. New industrial expansion and competition took place mainly in the middle and high-end.)

According to Staffan B. Linder's theory (1961), international trade is the extension of domestic trade. The international market is an extension of the domestic market. Let the market power dominate economic development will cause Finland’s loss in domestic industry competitiveness, and even gradual loss of the domestic market. In the existing multilateral framework unchanged, without
support from the domestic market, domestic industry will be very difficult to revive. Under the existing multilateral framework of the EU, Finland can not take defensive trade policy to EU members. At the same time, as a member state of Eurozone, Finland can not compensate for its competitiveness through currency devaluation, which will aggravate the damage to the competitiveness of enterprises.

4.8 Labor market analysis

The change of industrial structure was also reflected in the labor market. From 2008 to 2016, the overall unemployment rate in Finland increased by 38.5%. (OECD) Among them, the male unemployment rate increased faster than female. (OECD) The increasing rate of unemployment rate of population with higher education background was higher than people without higher education background. (OECD)

<table>
<thead>
<tr>
<th>Category</th>
<th>2008</th>
<th>2016</th>
<th>Change Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>6.36%</td>
<td>8.81%</td>
<td>↑38.5%</td>
</tr>
<tr>
<td>Men</td>
<td>6.07%</td>
<td>9.03%</td>
<td>↑48.8%</td>
</tr>
<tr>
<td>Women</td>
<td>6.69%</td>
<td>8.57%</td>
<td>↑28.2%</td>
</tr>
<tr>
<td>Below upper secondary</td>
<td>8.07%</td>
<td>11.71%</td>
<td>↑45.1%</td>
</tr>
<tr>
<td>Tertiary</td>
<td>3.27%</td>
<td>5.89%</td>
<td>↑80.1%</td>
</tr>
<tr>
<td>Upper secondary, non-tertiary</td>
<td>5.45%</td>
<td>8.11%</td>
<td>↑49%</td>
</tr>
<tr>
<td>Long term (≥6 months)</td>
<td>18.17%</td>
<td>26.57%</td>
<td>↑46.2%</td>
</tr>
</tbody>
</table>

Figure 23. Unemployment Rate in Finland 2008-2016 (OECD)

The change of unemployment rate of population with higher education background indicated that Finland's industrial development was incompatible with higher education planning. The return on investment in higher education was declining.

Compare with other EU countries. In contrast with Finland, Germany, Hungary, Czech, Poland, Latvia and UK had lower unemployment rates of population with higher education background than pre-crisis levels. (OECD) In term of absolute
value, the unemployment rate of population with higher education background in these countries were lower than Finland in 2016. (OECD)

In France, Sweden, Estonia, Lithuania and Belgium, the unemployment rate of population with higher education background was also higher than the pre-crisis level. (OECD) However, in terms of absolute value and increasing rate, these countries were also lower than Finland. (OECD)

In 2016, the unemployment rates of higher education population in Italy and Portugal were higher than that in Finland, but the increasing rates from 2008 to 2016 were lower than that in Finland. (OECD)

In the same period, rates of Holland and Denmark grew faster than Finland, but their absolute values were lower than that of Finland. (OECD) In terms of absolute value and increasing rate, countries with worse performance than Finland were only Slovenia, Spain and Greece. (OECD)

By comparison, the difference from Finland is that in most EU countries where unemployment rate were rising, the rises in unemployment were more likely to be contributed by the low educated population. (OECD) The loss of jobs in these countries was more dependent on the transfer and demise of low-end industries. This was a proof of the demise of the EU's low end industries (as mentioned above), and also explained why Finland's productivity level was falling faster than most EU countries.

<table>
<thead>
<tr>
<th>Age Range</th>
<th>2008</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 or more</td>
<td>68.06%</td>
<td>65.78%</td>
</tr>
<tr>
<td>15-64</td>
<td>76.12%</td>
<td>76.04%</td>
</tr>
<tr>
<td>15-24</td>
<td>55.08%</td>
<td>53.52%</td>
</tr>
<tr>
<td>25-54</td>
<td>88.57%</td>
<td>86.31%</td>
</tr>
<tr>
<td>55-64</td>
<td>59.71%</td>
<td>66.40%</td>
</tr>
<tr>
<td>65 or more</td>
<td>7.07%</td>
<td>10.80%</td>
</tr>
</tbody>
</table>

Figure 24. Labor force participation rate in Finland 2008-2016 (OECD)
The increasing rate of long-term unemployment rate in Finland was higher than the short-term unemployment rate, (OECD) which means some labor forces quited the labor market. From 2008 to 2016, the labor participation rate of people over the age of 15 in Finland decreased by 2.28%. (OECD) Among them, 15 to 24 years old and 25 to 54 years old population labor participation rates have declined. (OECD) On the contrary, the labor participation rate of people over the age of 55 has not declined, but increased. (OECD)

It is worth mentioning that, in most EU countries, the rate of labor participation was on the rise, (OECD) so the real unemployment rate in these countries was lower than the data of unemployment rate.

The seriousness of the problem is that on the one hand, highly educated young labor force is important huanman resource of a country getting into globalization and facing the challenge because compared to the low educated or elderly population, it has stronger fluidity and plasticity. On the other hand, labor participation of young labor force is one of the key elements to support welfare system. (Andersen et al. 2014, 40-49) Improvement of productivity level, as another key element, (Andersen et al. 2014, 40-49) comes from deep integration of higher education and the labor market to a great extent.

Obviously, the structure and current situation of the labor market in Finland have caused pressure on the welfare system (excluding the widespread problems of aging in the developed economies). It is important to notice that welfare system does not exist only for maintaining domestic stability, unity and equality, but also for ensuring countries involved in the globalization to achieve economic development, mange risks and chanllenges. (Andersen et al. 2014, 7-9) Besides, it is also an important means of getting domestic political support to globalization. (Andersen et al. 2014, 7-9)

It is clear to see that while labor participation rate of elder population increased, in fields of agriculture, forestry and industry (manufacturing), employment level decreased, and the level of employment in service sector except public service
rose. (Wikipedia 2017) In other words, in term of the labor market structure, some jobs in private service sector have replaced jobs in agriculture, forestry and industrial (manufacturing) sectors.

The characteristics of the service sector allow the elderly population to enter the labor market, and traditional manufacturing industries tend to rely more on older experienced technical personnel. This explains the high labor participation rate of the elderly population in Finland. Normally, middle and low-end service industries do not require as much as manufacturing from employee, while low-end manufacturing requires less than high-end manufacturing. So it was not a surprise that the unemployment of people who have not received higher education was not as serious as people who have received.

Through the above analysis, it is reasonable to believe that with the shrinking manufacturing industry in Finland, some highly skill-required jobs have been lost. As a result, people with higher education background, especially young people, had less job opportunities. The decline in manufacturing was the main reason for the sluggish labor market. The structural change and present situation of labor market in Finland have brought pressure on the welfare system, and the welfare system is the guarantee of Finland's participation in globalization. Therefore, the irrational industrial structure and the structural change of the labor market will threaten the willingness and ability of Finland to deal with globalization.

Without globalization, or out of globalization, it is unthinkable for countries like Finland.
According to the Global Competitiveness Report, Finland slid back in terms of infrastructure, macroeconomic environment, goods market efficiency and market size in past years. Besides, in term of innovation, today Finland also faced stronger competitors than before. The good news is that Finland maintained the best health and primary education as before and got progress in financial development. However, it might cause heavy financial burden and other economic problems without coordinated development with other fields. Higher education in Finland has consistently maintained a high ranking, but as mentioned above, the other side of the coin is the unemployment problem of the higher education population.

Finland's economic development relies on globalization and relatively open trading environment. The collapse of the EU or being out of the EU are both unacceptable for Finland's economy. Under the existing world and EU multilateral trade framework, there is still a long way to go for the reform of the superstructure.
because the demands for state sovereignty and domestic democratic politics in EU countries can not be changed in a short time.

Finland are facing many challenges such as debt, industrial contraction, low savings rates, cold exports. At the same time, considering that the trade union has a strong political influence in Finland, the reform of labor market can not be completed in a short time, either. In such existing circumstances, for keeping the debt within a controllable range and satisfying domestic democracy, as well as the reforming economic structure to boost growth and employment, (OECD 2016) strategic evaluation is needed.

With many factors’ influence, on the one hand, in the long term, for alleviating the pressure of public finance, promoting the EU’s superstructure reform and the domestic labor market reform (Andersen et al. 2014, 9-12) should be the direction to put efforts. On the other hand, maintaining and developing existing risk-sharing mechanism and social security networks to respond to risks and changes (Andersen et al. 2014, 3) and seeking breakthrough under bilateral trade cooperation framework in a wider scope is necessary.

4.9 Finland under the OBOR

The sea transportation hugely influenced the global economic activity distribution. Vast inland areas in Eurasia were at disadvantage in global economic map because of lack of convenient transportation and matching infrastructure.

However, just like the world changed in 1492. New science, technology and historical background brought new possibility to the world. In the long-term proposal, the high-speed railway network proposed by the OBOR could solve the problem by shortening the freight time between Beijing and London from 15 days to 2 days. (Ilie 2012)
Global distribution of Economic Activity (LRP)

Source: The Rise of the Mega-Region Richard Florida, Tim Gulden & Charlotta Mellander

Figure 26. Global Distribution of Economic Activity (Florida, Gulden & Mellander 2008)

Figure 27. Revival of the Silk Road on the rail (Ilie 2012)
It will take a lot of time and energy to implement the high-speed rail program. But change has taken place now. Since March 19, 2011, the first column of China Railway Express started from Chongqing, China to Duisburg, Germany, until May 2017, China Railway Express had connected 28 Chinese cities and 29 European cities. (Baidu Encyclopedia) In the first five months of 2017, China Railway Express ran 1000 times in total with a growth of 158% over the same period compared to 2016. (Baidu Encyclopedia) Compared to shipping, China Railway Express saved time around 30 days for transportation. (Baidu Encyclopedia) China Railway Express currently has three main lines, along with Russia, Mongolia, Kazakhstan, Belarus, Poland, Germany, Holland and other countries. Society is relatively stable in those countries and geopolitical friction is relatively mild.

Finland has a very good geographical location in the prospect of OBOR. Besides for being radiated by two land-based economic corridors on the northern line, Finland also has another potential sea route, the Arctic route. Arctic shipping is shorter and safer than traditional sea route. Therefore, Finland is very promising to become a freight hub for Eurasian trade.

The Rotterdam port in Holland benefited from maritime trade, Finland's cities can benefit from land trade. Finland, as a logistics hub, will create more job opportunities and promote local industrial development. At the same time, the economic development of the countries along the way will also bring Finnish enterprises broader markets and more opportunities.

Infrastructure and related investments are essential to achieve the wonderful blueprint. Up to now, around 1,700 infrastructure projects have been invested by Chinese companies. (Huang 2017) As a founding member of AIIB, on the one hand, investment in countries along the route will improve the macroeconomic environment stability of Finland, on the other hand, investment provides insurance for its own debts. At the same time, Finland can promote domestic infrastructure construction in a planned way, and increase fixed capital investment, releasing pressure from reform and provide space for economic
structural reform. In addition, Finland can also have an opportunity to maintain or moderately expand production capacity for seizing the market in the future.

However, as mentioned before, the OBOR is just an initiative, more details of the implementation need to be achieved by diverse ways according to diverse situations. Countries along the route should find and choose suitable strategies for themselves according to their own conditions. The national conditions and the development levels of countries along the route are quite different. It is impossible to establish many deep norms and standards simply under multilateral trade framework. Otherwise, the negative effects of globalization will continue. Therefore, in line with the principle of achieving shared growth through discussion and collaboration, bilateral cooperation will play an important role in the OBOR.

4.10 Benefits from bilateral trade framework

As mentioned above, Finland's productivity level has fallen relatively faster compared to other EU countries since the 2008 crisis. Besides, Finland's export was still lower in 2016 than pre-crisis level. There was a necessary link between them. However, in this process of decline, in addition to the impact of economic factors, the impact of non-economic factors can not be ignored, either.

In 2014, the EU imposed economic sanctions against Russia. Because of the EU sanctions against Russia, the share of Finland’s exports has shifted more towards the EU's internal trading partners, and the trade dependence on the EU market has increased. Between 2014 and 2015, bilateral trade between Finland and Russia decreased by $8.4 billion, of which exports decreased by $2.7 billion and imports decreased by $5.7 billion. (Russian Exports 2016) Among diverse exports from Finland to Russia. Products below decreased most in term of value. (Russian Exports 2016)

- Machinery, nuclear reactors, boilers, etc.
- Paper and paperboard, articles of pulp, paper and board
- Electrical, electronic equipment
- Plastics and articles thereof
- Pharmaceutical products
- Mineral fuels, oils, distillation products, etc.

In contrast, imports from Russia to Finland were having very single structure. More than 80% are: (Russian Exports 2016)

- Mineral fuels, oils, distillation products, etc.
- Organic chemicals
- Wood and articles of wood, wood charcoal

In 2016, affected by the devaluation of the Russian ruble, Finland's exports to Russia only accounted for 5.9% of total, imports from Russia accounted for 10.9% of total. (Mundi Index) Even so, Russia was still an important trading partner to Finland.

Geographically, Finland is located at the juncture of the EU and the CIS countries. Finland has great natural advantages in developing economic and trade relations with CIS countries. The ratio of wealth redistribution to benefit gained has been very high under EU framework because of the high free trade level. Therefore, If Finland gives up economic and trade cooperation space with countries like Russia, it is likely to exacerbate Finland’s domestic wealth redistribution, increase the public welfare burden and consequently have negative impact on the risk-sharing mechanism, which was the key of Nordic Model’ success in globalization. Furthermore, reduction of the competitiveness of industry and enterprise will accelerate the marginalization of Finland in the EU.

Economic and industrial structures of Finland, Russia and countries along the OBOR are highly complementary. Rise of free trade level between Finland and those countries will not cause obvious change of economic structure and wealth
Redistribution (in a negative way). Imported products from those countries will not impact domestic industries much in Finland because they are not the same type.

In the short and mid-term, Finland has little structural industrial competition with countries along the OBOR. At the same time, the rich resources, young labor force and relatively mature society in the countries along the OBOR will reduce the industrial production cost of Finland with cooperation. Therefore, the eastern marching strategy will help to maintain and improve Finland's existing industrial competitiveness instead.

Strengthening cooperation under the bilateral trade framework is also helpful to the adjustment of Finland's domestic economic structure. A broader market will help nurture new industries and provide growth opportunities for new ventures. The combination of technology and service innovation with a broader market can unleash the economic potential to the greatest extent. The scale production and diffusion of high-end industries can alleviate the competitive pressure in the original industry and consequently improve employment situation.

What is more, strengthening bilateral economic and trade ties with countries along the OBOR will increase Finland's bargaining ability in the reform talks within the EU. Strengthening bilateral trade framework does not mean abandoning the efforts on multilateral trade framework. While strengthening bilateral cooperation with other countries, Finland should make more efforts to promote reform within the EU. Besides, strengthening bilateral cooperation with foreign countries will help Finland to manage the risk from the EU’s uncertainty.

Ultimately, overall, strengthening bilateral economic cooperation will also have positive effect to promote the reform of existing multilateral framework. If every country has more domestic policy space to optimize development strategies for themselves, the advantage gap between core nations and peripheral nations will shrink. A huge amount of middle class supports the domestic democracy. Similarly, relatively balanced competitive advantage distribution will also contribute to the international democracy within multilateral framework.
5  DISCUSSION

5.1  Conclusion

Global economic development needs globalization. Globalization itself is not wrong, the key is how to look at and use it. The world is so big and diverse, and there are many problems left over from history. Each country has the right and should choose its own development path according to its national conditions. The country’s economic and social development should rely on both the market and the government powers. Compared to economic cost, social cost is the index that policy makers should consider more.

The global governance has a long way to go. In the existing circumstances, existing international institutions and multilateral trade frameworks are insufficient to support deep globalization. In other words, the deep globalization lacks sufficient economic, political and social bases. Existing multilateral trade frameworks are systematically defective because boundaries between rights and responsibilities are vague. On the contrary, historical experience has pointed out that shallow globalization could provide more space for economic and social development policies of various countries. However, because the shallow globalization covers less fields, bilateral economic cooperation will inevitably play an important role in the shallow globalization.

Globalization has brought about extreme inequalities both worldwide and within the nation in different fields. The economic and social development of the peripheral countries is facing challenge. The lack of infrastructure restricted the economic development of the peripheral countries. The differences within the peripheral countries are enormous, and it is difficult to construct standards and norms that can be applied to all. Specific circumstance needs specific analysis and solution, only through more detailed understanding to each other, relatively fair trade standards and rules could be formulated. In this process, the role of the bilateral trade framework is obvious.
From a historical perspective, the global economy needs to move on and it will move on. The historical lesson pointed out that it is very important to strengthen bilateral economic cooperation to avoid the terrible consequences of extreme trade protectionism and populism by breaking through the rigid pattern and ideological differences.

Strengthening bilateral cooperation will help each country choose the right development path according to its national conditions, provide more policy space for governments and play a positive role in the maintenance and optimization of the economic and industrial structure.

In the long term, the reform of the multilateral trade framework and superstructure is very important. Bilateral economic cooperation, as a more realistic way, can both promote the reform and carry out risk management of the multilateral trade framework reform.

Microscopically, as entrepreneurs who are dealing with international business, it is important to realize that business expansion in other regions should respect local laws, customs and social contracts. Enterprises should consider the commercial viability more from the angle of social cost. Entrepreneurs should have responsibility for both domestic and international society. International companies play an important role of collecting information and giving feedback to both home countries and countries of operation. Entrepreneurs are supposed to strengthen communication with governments and present a more real world to decision makers and the public.

Proper protection to economy is reasonable and necessary. But the use of protection should be cautious. The principle of the use of trade protection is an important charter which is worth exploring and incorporating into the multilateral trading framework. In a dynamic world, the protection to economy roots from the purpose to protect social form, preference, value, culture tradition and other things which were formed historically. However, the history never ends, so it is important to figure out if the protection fits the real-world tendency.
5.2 Thesis Process and Own Learning

The thesis process lasted for around 6 months and it involved with many books and plenty of online material and data. Changes from the thesis plan happened during the process implementation because of length limitation, material accessibility and re-selection need according to relevance.

Reference and data were selected carefully, and validity was evaluated. Differences between different sources existed but the deviation was in a reasonable range. OECD based data were finally selected and put in the paper, but other sources like Eurostat, CIA Factbook were also checked and compared at the same time to ensure the credibility. The content is compact and different chapters have strong relevance. Research methods worked well in the thesis process even though some methods did not share large part of the whole paper. Data was processed and adapted to an easier way to understand. For example, vertical comparison of global competitiveness of Finland in 2008 and 2017 was edited in figure 25. Reference years of industrial production, government debt and unemployment rate were adjusted from 2010 to 2008 to show the tendency after crisis.

Initial objectives were achieved and answers to research questions have been acquired. The necessity and importance of bilateral trade framework in globalization have been proved by analyses of both general world economy and specific case of Finland under the OBOR. The specific objectives were achieved in order. Firstly, globalization was discussed generally and both positive and negative effects of globalization have been given. Secondly, the OBOR was introduced by clarifying what it is, what background it occurs from, what it means to the regional and world economy, what challenges behind it are, what China’s purpose of pushing it is and what other countries like Finland can benefit from it. What is more, principle over how the bilateral trade framework helps the globalization become better has been explained from two layers. For the first place, existing multilateral trade framework is not perfect, and it is not able to promote a more equal and inclusive globalization which needs more specific
solution to specific problem. For the second place, bilateral trade framework, as a supplementary tool, provides the opportunities for maintaining global competitiveness, promoting domestic economic structure and multilateral trade framework reform and managing risks.

There are possible improvements in future research. For example, more detailed scheme could be made beforehand in the planning phase to avoid risk of incapability. First hand material could be applied more, and independent survey could be conducted to enhance research originality. Sources could be more diverse and different sources could cross in the same section to improve the objectiveness. Future research based on this paper could go deeper to technical details and narrow the discussion content.

Here are some possible research directions:

- The function boundary between multilateral and bilateral trade framework and correlation between them
- The principle and standard of using trade protection policy in international trade and influencing factors to change of it
- Enterprise behavior in global and transnational business operation
- Role of international corporation in globalization

Through this paper, my previous knowledge has been systematically combed, and I gained more than I expected both academically and mentally. I realized that this world is very diverse, and it has been increasingly complicated. To grasp the essence of things, it is necessary to conduct a holistic analysis. This increasingly complicated world requires both linear thinking and nonlinear thinking. The essence of things has objectivity and regularity. However, for individuals, the essence of what can be observed will change consistently as time and environment change, therefore, being humble and never rushing to conclude is very important in a real world to achieve comprehensively optimal results.
Commonsense will make mistakes if people do not stand high enough and see far. People can always be inspired by history, but history can never be copied because everything has its premises that root from reality. Similarly, people can always be inspired by success, but success can never be simply copied until the whole story has been told, which is impossible in practice.
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