

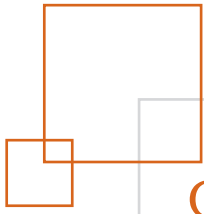
FORTRESS FINLAND

Towards a collective security of Finland

PwC Finland and Jones Group International

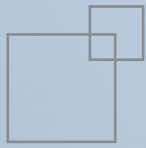
White paper summary, October 2024





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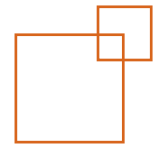
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A word of introduction

In our white paper, Fortress Finland – Towards a collective security of Finland (2024), PwC Finland, in cooperation with Jones Group International, identified 11 key defence and security focus areas for Finland. The white paper explores the complexities of present threats and points out potential opportunities. Although not comprehensive, it suggests a holistic approach for Finland to maintain its global standing and strengthen its leadership in NATO and Europe for the future. This summary highlights the key insights.





Rapidly evolving security environment of Finland

During the past few years, Finland has found itself in a shifting and increasingly unstable security environment in its neighboring areas and Europe. The 2024 government report concluded that the threats to Finland's security have not categorically changed since the time of the Government Defence Report in 2021 but have heightened significantly due to factors such as great power competition, cyber threats, technological advancements, and changes in the international rules-based system.

From Finland's perspective, all these factors converge around a few key countries, with Russia being the central denominator. Russia's aggressive actions have destabilised regional security and increased the scope and magnitude of threats to both Finland's external and internal security, threatening critical infrastructure, public and private organisations, the government, and the country and its citizens.

In response to these threats and changes, Finland has taken decisive action. Finland improves credible deterrence against external threats through increased diplomacy, more capable defence forces and proactive planning. The country has increased defence spending by allocating additional resources for the procurement of new military capabilities, increasing, and updating material and ammunition stocks, and providing more refresher training for reservists. Finland has enhanced its resilience against hybrid and cyber threats and bolstered its deterrence through international cooperation and alliances. The cooperation consists of joining NATO and strengthening bilateral and other multilateral partnerships and networks. The Finnish defence budget has roughly doubled from 2020 to €6.2 billion in 2024, and the country is committed to the NATO 2 percent guideline.

The country has also long embraced a concept of total defence, aimed at enhancing the societal resilience against foreign threats through proactive planning and preparation across the society. Most recently, Finland has enacted new laws and launched programmes aimed at deterring and defending against hybrid operations and cyber threats.

With new Government Defence Report under preparation, Finland needs to translate its long-term strategic outlook into actionable plans and concrete preparatory actions, requiring strong leadership

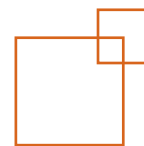
from the government and government organisations. The economic development in Finland is a key consideration, as increased defence spending needs to be financed. This is preferably achieved by a growing economy and productivity improvements in public services instead of plain budget cuts in welfare funding.

Topical focus areas of Defence and Security

In the white paper 11 key defence and security focus areas were identified for Finland. These areas were selected based on their importance and timeliness and have been validated by generals, CEOs of leading defence industry companies, and other DefSec professionals.

The focus areas work as a structured and holistic framework for key defence sectors, government officials, military leaders, and industry executives. Defence and security focus areas focus your attention on the most critical areas and delve into critical components that are pivotal for bolstering Finland's defence capabilities and ensuring national security in alignment with regional and global frameworks:





1 Strategic Defence Review in the face of heightened security threats: To address the evolving security landscape Finland need an updated and well implemented strategic defence review. This includes assessing current defence capabilities, identifying gaps, and developing strategies to counter emerging threats.

2 Integration of Finland into NATO: Finland has taken steps to enhance its security by joining NATO. Integration into the alliance provides Finland with a collective defence framework and strengthens its position within the international community.

3 The economic and military importance of the Arctic: The Arctic region holds significant economic and military importance for Finland. As climate change opens up new opportunities and challenges, Finland aims to secure its interests in the Arctic through increased presence and cooperation with other Arctic nations.

4 Northern European integration in defence, infrastructure and trade: The small countries in the Northern Europe are better off by combining forces in areas of defence, infrastructure and trade.

5 Safeguarding critical infrastructure and logistics in Finland: Finland is almost an island from the point of view of logistics. Protecting critical infrastructure and logistic lines is crucial and robust measures are needed to ensure resiliency and to prevent disruption that could undermine national security.

6 The new era of expansion in defence industry: Finland is experiencing a new era of expansion in the defence industry. This includes increasing investments, fostering innovation, and developing domestic capabilities to support national defence and contribute to the global defence market. The EU and Finnish Government have a role on contributing on the mitigation of investment risk.

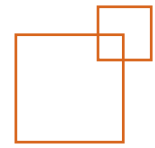
7 Cyber security and the resiliency to hybrid threats: Regulation and authorities are catching up with the development. Cyber security and hybrid threats concerns the whole society from individuals to organizations to government.

8 Safeguarding Finland's borders: The modern border security is present in both physical and virtual worlds. Measures are being taken to enhance border control, improve surveillance, and prevent unauthorised access to the country.

9 Military and civil intelligence: The objective is to proactively identify and assess potential risks, make informed decisions, and effectively collaborate with the allies. Before NATO membership Finland already had strong bi- and multilateral relationships. NATO membership has further strengthened the cooperation and enables new opportunities in military and civil intelligence.

10 F-35 integration: A holistic approach to integration covers training, infrastructure and sharing intelligence across the operators on land, sea and air. F-35 is complex and exceptionally advanced defence system which will be in future one of the main capabilities of the Defence Forces.

11 Integrated air and missile defence: Cost efficiency is achieved by ensuring all the potential of existing systems is used and by collaborating with the allies. Interoperability is a key to share successfully IAMD systems among allies.



Holistic considerations for enhancing Finland's security and resilience

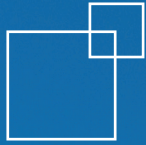
To develop its credible defence and crisis-resilient society and to strengthen its global standing and leadership among its allies, Finland must act across multiple fields in a disciplined manner. Based on our findings in the white paper, we would like to highlight the importance of four themes, that are key considerations for both public and private sectors and have major significance for the future development of Finnish security and society.

- 1. Ensuring economical sustainability:** Maintaining and developing the comprehensive security of Finland through the 11 security topics requires constant funding from the government. The economic development of Finland is crucial for maintaining national security, as a thriving economy and balanced public finances provide a stable foundation for security investments. Without this stability, funding would likely need to come from cuts to mainly welfare programmes, as they are the biggest category in the government budget.
- 2. Integrating with European infrastructure:** Finland should actively develop its cross-border infrastructure and logistical connections to allied countries. New road and rail connections to Sweden and Norway, a tunnel to Estonia or Sweden, hydrogen pipelines, data cables and electricity network connections to neighbouring allies and central Europe would improve the resilience of the country. These developments would not only facilitate trade and economic growth but also increase Finland's political stance and position of Finland as a key enabler in Europe's transition to sustainable and resilient energy.
- 3. Strengthening integration with allies:** Finland stands to benefit greatly from its new alliances, but it also needs to show what it can bring to the table. The country needs to continuously deepen integration with allies politically, militarily, and economically. Proper political integration and roles allow Finland to increase its influence bigger than its size, while military integration ensures the maximum level deterrence and preparedness. Finland has lot to offer to its

allies and needs to export its know-how and industrial produce in arctic operations and key equipment categories. Proper integration within the alliance's supply chain also supports Finnish industry and opens new export opportunities for Finnish companies, driving new growth and innovation across the alliance. The Finnish concept of integrating defence with the society through conscription, security of supply and educating people to take threats seriously can also be exported for the benefit of the allies.

- 4. Accelerating internationally competitive defence industry:** Finland has a capable and innovative defence industry with specialist expertise in few key products, playing a vital role in supporting security of the alliance. With a high demand in the market both domestically and internationally, it is arguably one of the fastest growing sectors in Finland with great outlook for continued growth, to which the industry needs to respond. However, the industry also needs public sector support in terms of, long-term commitment for orders to be able to ramp up production volumes, highest-level political support to create new export and cooperation opportunities and better access to capital by reconsidering sustainability and government investment and funding policies.





A wealth of knowledge and expertise at both local and global levels

In producing the white paper, PwC has partnered with Jones Group International to bring a wealth of expertise and understanding of the unique challenges and opportunities the defence and national security sector faces. The partnership is distinguished by combined local and global defence experience and professional knowledge. We pride ourselves on being a trusted partner,

working closely with defence institutions, military forces, and industry leaders to drive innovation, efficiency, and growth. Especially for this paper, we have interviewed selected generals and CEOs. PwC Finland has worked together with major defence decision-makers and companies to develop the sector. The cooperation with the sector covers the whole defence value chain: design, production, maintenance, system integration and platform upgrades.

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