



**Country  
Commercial  
Guide  
Finland**

**FY 2004**

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This Country Commercial Guide (CCG) presents a comprehensive look at Finland's commercial environment, using economic, political and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. government agencies.

## **1: EXECUTIVE SUMMARY**

Since joining the European Union in 1995, Finland with its population of 5.2 million and once viewed as a remote northern outpost, has become a robust market for a variety of international businesses. A Nordic country, Finland is currently the only EU member state to share a border with Russia. Finland has a unique position as the center of a rapidly developing marketplace formed by northwestern Russia, Scandinavia and the Baltic states, with about 80 million prospective consumers. Finland was also the first Nordic country to chair the EU in 1999 and the only Nordic country to replace its national currency, the Finnish mark, with the Euro in 2002.

Finland's business attitude towards the United States is very positive. Commercial relations between Finnish and U.S. companies are often based on many years of mutual experience. New companies, with innovative and competitively priced products, will find a welcoming market – with new partners often willing to go the extra mile to ensure success. Finland's import climate is open and receptive to U.S. products and investments. There are no significant trade barriers or regulations that U.S. firms need to take into consideration.

### **Nokia – A Big Company in a Small Country**

No guide about Finland would be complete without mentioning Nokia. Headquartered in Finland, this mobile phone maker has grown to become a multi-national giant in a small country. Its contribution to the Finnish economy is significant. Nokia's exports alone are larger than the total paper industry – the previously dominant sector in the Finnish economy. Nokia remains the major player in the ICT cluster. But it is not alone. There are thousands of small and medium-sized companies in the cluster. Hundreds are direct first-tier suppliers to Nokia, known in Finland as the "Nokia network".

Finland's mobile communications standard-bearer, Nokia, has established itself as one of the world's most valuable and prominent brands. However, Finnish high-tech is much more than just mobile phones and telecommunications technology - high-tech has also been the foundation of Finland's economic stability and continued GDP growth evident in recent years. The technology spill off from the electronics area can be seen in other market sectors, such as environmental products, biotech and the medical industries.

### **Finnish-U.S. Trade**

The United States is Finland's most important trading partner outside of Europe. With a 6.6 percent share of imports in 2002, the United States is Finland's fourth largest supplier after Germany, Sweden and Russia. The total value of U.S. exports to Finland in 2002 was \$2.2 billion. Major exports from the United States to Finland continue to be

machinery, telecommunications equipment and parts, aircraft and aircraft parts, computers, peripherals and software, electronic components, electric machinery, chemicals, medical equipment and some agricultural products. The primary competition for American companies comes from European suppliers, especially German, Swedish, and British (see Leading Sectors for U.S. Exports and Investment chapter for detailed description of competitor market shares by industry sectors).

The main export items from Finland to the United States are ships and boats, paper and paperboard, refined petroleum products, telecommunications equipment and parts, and automobiles. In 2002 the United States was Finland's second largest customer after Germany, with an export share of 8.9 percent, or \$4.0 billion.

### **Finland, a Springboard to Russia and the Baltic States**

The value of Finland's gateway position between east and west was also noted when Finland became a member of the EU; this position was strengthened during Finland's EU Presidency (July-December 1999). As the only EU member state bordering Russia, Finland remains vital as a trans-shipment channel to Russian markets, especially the northwestern regions. Over 40 percent of the EU's road shipments to Russia are shipped from Finland or arrive via Finland.

Finns know how to do business in Russia and the Baltic States. Finland's excellent infrastructure and its geographical proximity to Russia and the Baltic countries, especially Estonia, give Finland an advantage as a gateway to these burgeoning markets. Many foreign and U.S. companies are using Finland as a base for opening their transportation and marketing activities to the former Soviet Union, taking advantage of established logistics and distribution networks.

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**NOTE:** For this report \$1 equals 1.06 EUR (Year 2002 average)

## **2: ECONOMIC TRENDS AND OUTLOOK**

### **Major Trends and Outlook**

The Finnish economy has continued its recovery from the devastating 1990-93 recession. Output growth averaged a robust 4.8 percent over the long recovery from 1993 to 2000. But in 2001 output grew by only 1.2 percent, well below the euro area average for the first time since 1993, as key exporters like telecom equipment maker Nokia and the forest products industry were hit by a global slowdown. During the course of 2002 the economy

recovered, although quarterly movements in GDP remained extremely volatile. Overall, economic growth in Finland was weak in 2001 and 2002.

On January 1, 1999, eleven EU member countries including Finland joined the third stage of the European Monetary Union (EMU). This third and final stage of EMU commenced with the irrevocable locking of the exchange rates of the eleven currencies participating in the Euro area and with the conduct of a single monetary policy under the responsibility of the European Central Bank (ECB). The Finnmark (FIM) was pegged to the Euro at 5.9457. On January 1, 2002, the Finnmark was replaced by the Euro, and the Finnmark ceased to be legal tender as of March 1, 2002.

In 2002, the GDP was EUR 139.7 (\$132.7) billion and the growth rate 2.2 percent, of which 26.9 percent was generated in industry, 11.6 percent in trade, restaurants and hotels, 11.2 percent in transport and communications, 5.7 percent in construction, 3.5 percent in finance and insurance, 3.4 percent in agriculture, forestry and fishing, and 37.7 percent in other services. The GDP growth for 2003 is forecast at 1.8 percent, and at 2.9 percent for 2004. Growth in total output will be based largely on domestic demand, particularly on private consumption, which is being fueled by better household purchasing power.

In 2002, labor demand grew slightly, but by the last quarter of 2002 there were less employed people than a year ago. With growth in the labor supply having slowed down, the unemployment rate remained the same in 2002 as in 2001 -- 9.1 percent. The average unemployment rate in 2003 is forecast at 9.4 percent, labor demand is expected to slightly decrease from 2002 and labor supply to grow. Regional differences in unemployment are becoming more pronounced.

In 2002, the index of wage and salary earnings grew by a nominal 3.3 percent, or 1.7 percent in real terms. Inflation was slow, falling below the euro average in the latter part of 2002. The average rise in the consumer price index for 2002 was 1.6 percent. The wage and salary index is estimated to increase by an average of 3.7 percent in 2003. The cost effect of the wage increases in the two-year collective bargaining agreement amounted to 2.9 percent from beginning of March 2003 and 2.2 percent from March 2004, and wage drift is anticipated to be small. The consumer price index is estimated to rise by an average of 1.5 percent in 2003.

Private consumption grew by 2 percent in 2002, and is estimated to grow by 2.5 percent in 2003. Consumer durables increased particularly strongly, as car sales accelerated. The slowdown in economic growth was not mirrored in private consumption patterns and few changes are expected in 2003. Consumption is expected to grow steadily both in 2003 (by 2.5 percent) and in 2004 (by 3 percent). Consumer confidence in the Finnish economy became weaker in early 2003 but consumers still have confidence in their own prospects. Tax cuts and pay raises planned over 2003 together with low interest rates and slow inflation are perking household purchasing power. Investment was down by 1 percent in 2002, and fixed investment in manufacturing industry declined by about a fifth in 2002. Investment is anticipated to decrease slightly more in 2003 than in 2004, mainly due to postponements in business investment. The largest decline is expected to occur in machinery and equipment acquisitions.

Finnish exports fell in 2002 as a result of the general slowdown in the world economy and particularly the problems in the telecommunications sector. In 2002 the value of export

(EUR 47.1 billion) was 1.3 percent smaller than in 2001. Export volumes are calculated to grow by 2.5 percent in 2003 but export prices to be 3.5 percent lower than 2002 as an annual average. The value of exports is estimated to decrease by over one percent on 2002. With industrial investment having been low in 2002, the volume of imports grew only 1.7 percent, owing to an appreciation in the euro and a fall in world market prices, import prices were down by 3.4 percent. The value of imports decreased by 1.7 percent to EUR 35.4 billion in 2002, leading to a trade balance surplus of EUR 11.7 billion, and is estimated to increase by close to 1 percent in 2003. Import growth is predicted to be slack in 2003, and increase by 2 percent; import prices are still falling and are estimated to drop by 1 percent.

Finland's foreign trade figures have remained unchanged for the past three years. A large number of mobile phone exports later in the year was crucial for the good result in 2002. The value of high technology exports was EUR 9.7 billion in 2002, of which mobile phones accounted for 5.1 billion. Finland has three more or less equal exporting sectors; the share of the electrotechnical industry in total exports was 27.5 percent, the share of metal, machinery and vehicle industry 27.1 percent, and the forest industry accounted for 26.5 percent. Germany continued to be Finland's most important foreign trade partner, both in exports (11.8 percent) and imports (14.5 percent). The U.S. was Finland's third biggest export partner (8.9 percent), and fourth biggest import partner (6.6 percent) in 2002; both export to (-9 percent) and imports from (-5 percent) the U.S. declined, year-on-year.

In 2002, the surplus in general government was larger than anticipated -- 4.7 percent of GDP, and remains one of the largest in the euro area. In 2003 the surplus is expected to decrease to 2.4 percent of GDP, as the central government will slip into a small deficit (-0.2 percent). State debt stood at EUR 59.3 (42.2 percent of GDP) billion at the end of 2002, and is expected to be 42.7 percent of GDP in 2003.

### **Principal Growth Sectors**

**FOREST INDUSTRY:** Finland's forest industry production rose by 3.5 percent and exports by 5 percent compared to the low figures in 2001. The main market for the Finnish sawmill industry is Europe, which in 2002 accounted for 63 percent of exports. Exports to the European market decreased by 1 percent while exports to Japan increased by 16 percent to 946,500 m<sup>3</sup> and to the U.S. by 22 percent to 88,200 m<sup>3</sup>. Finland sees the largest potential for growth to be in the Asian markets, where consumption of forest products is relatively low, but rising faster than in other markets. In 2003, output is forecast to decelerate to 2 percent.

**METAL, ENGINEERING AND ELECTRONICS INDUSTRY:** This sector represents 46 percent of total Finnish sales, 60 percent of total exports, 46 percent of total manpower and 80 percent of total investment in R&D. The metal industry grew 2.5 percent in 2002. Output in the electronics industry increased 8 percent altogether, and the engineering industry grew nearly 3 percent in 2002. In 2003 output is projected to grow by 2 percent.

**BIOTECHNOLOGY:** The Finnish biotechnology industry is in a dynamic growth period, with the number of biotechnology firms growing rapidly since the mid-1990s. However, most firms in this industry are quite small – around 60 percent have fewer than ten employees - and are still in the early stages of their development. High-level research and know-how in the life sciences, advanced infrastructure, improved risk financing, and

a relatively positive public attitude together provide a solid basis for development of Finland's biotech industry. Finland's 119 active biotech firms are most active in medicine and diagnostics.

**SERVICES:** Service production grew slightly faster than total output in 2002. Demand grew fastest in transport services. Output in trade and commerce was up by 2 percent in 2002. Following 2002's decision reducing auto taxes, the motor vehicle trade clearly accelerated; new passenger car registrations went up by 7 percent. Car sales are expected to be brisk in 2003 too, owing to tax decisions relating to used-car imports. The Car Tax Act was amended as stipulated by the European Court of Justice in terms of the taxes imposed on imported second-hand vehicles.

**AGRICULTURE:** The five-year transitional period granted when Finland joined the EU in 1995 came to an end in 1999. The new support measures, effective from year 2000, do not differ from the transitional arrangements. Agriculture continues to receive support in basically the same way as before. Decisions on national measures will be in force until the end of 2003. Finland has introduced EU practices on imports of agricultural products, which are subject to the standard import licensing system, EU-wide quotas, import taxes or other provisions. However, Finland maintained the right to continue some of its food safety standards. For meat and livestock, Finland maintains what is essentially a zero tolerance for salmonella. Output in agriculture was up by 1 percent in 2002.

**HRI:** Finland's hotel, restaurant and institution (HRI) food service sector has enjoyed positive developments in the past five years. The HRI sector has become more diversified and could entertain potential for U.S. food and drink products. The ready meals segment is in particular showing a high growth rate in Finland as in-store eating and take away are becoming more and more common. It is estimated that about 20 percent of meals are eaten out of the home at present and the fast food sector is gaining the most from this new trend. Restaurant sales are expected to continue to increase. Hotel and catering services grew by 1 percent in 2002, but slightly better performance is expected for 2003.

**FOOD PROCESSING:** The food processing industry is the fourth largest branch of industry, after metal and engineering, forest and chemical industries. In 2002, the value of Finnish food exports was approximately 991 million euros and the value of food imports was 2,01 billion euros. The gross value of production was 8,6 billion euros and value added 2 billion euros. The main sectors of the industry are meat processing, dairy and bakery industries. The food industry employs approximately 40,000 people.

### **Government Role in the Economy**

During the severe recession of the early 1990s, the Finnish government's financial position deteriorated rapidly. The government became deeply indebted because, as tax revenues fell, transfer payments under the country's extensive social welfare programs rose dramatically. At the same time, the government was forced to bail out several major banks whose failure would have prompted a collapse of the banking system. Since then, the major aim of the government's fiscal policy, in addition to curbing unemployment, has been to curb the growth of debt.

Over the next few years, the aim of Finland's new government is to keep central government finances strong and cut the central government debt-to-GDP ratio. This will

be essential if public finances are to cope with the growing responsibilities of an aging population without placing a large burden of taxation on the shoulders of future generations. The Finnish government's main economic goal is to find jobs for at least 100,000 persons, and achieve a 75 percent employment rate by the end of the electoral period. Throughout its term, the Finnish government will carry out measures aimed at supporting entrepreneurship, growth and employment, and at reducing unemployment. These will affect education policy, R&D and other growth-inducing areas, tax policy, support for incomes policy settlements, reform of labor policy, and two inter-administrative policy programs (the entrepreneur- and the employment program)

The Finnish government has traditionally played a dominant role in the economy. In the decades since World War II, state-owned companies have held a dominant position in Finland's national economy. The basic strategy for the privatization process has been to treat each company as an individual case. The aim of the new government is to be an active shareowner, to develop the companies concerned and to increase the value of the holding. Incomes from any sale of state-owned companies are channeled into R&D financing or into capital finance for Finnish Industry Investment Ltd, a government-owned investment company. It engages in equity capital investment and invests in venture capital funds, private equity funds and directly in selected target companies. Finnish Industry Investment Ltd is administered by the Ministry of Trade and Industry.

In 2002, Finland began cutting its stake in a number of firms, including Avena, Vapo, StoraEnso, Fortum, and Partek. In 2002, the new arrangements and sales of shares by the government brought more than EUR 1.3 billion to the State Treasury. The state has share holdings in 47 major companies, of which 11 are listed. The state controls three stock exchange listed companies: the national airline Finnair, the energy group Fortum and the chemicals group Kemira. In 2002, state-owned Sonera and Swedish Telia announced their plans to merge, and the merger was accepted by the European Commission. The Finnish government owns 19.1 percent of the new company.

### **Balance of Payment Situation**

With the onset of Stage Three of EMU on January 1, 1999, Finland's balance of payments lost its importance for monetary and exchange rate policy. In the future, the European Central Bank will aggregate all of the EMU member states' balance of payments and report them quarterly. Only the current account for the whole Euro area can affect the Euro's exchange rate against other major currencies. The surplus in Finland's current account reached another record year in 2002 to EUR 10 billion, representing 7.1 percent of GDP. In 2003, the surplus to GDP ratio is expected to fall to 6.5 percent, and the current account surplus to EUR 9.3 billion.

The surplus on the trade account decreased by EUR 0.3 billion in 2002 to EUR 13.8 billion. Nevertheless, the surplus was still very large – 9.9 percent of GDP. In 2003, the trade account surplus is expected to be slightly smaller, as export prices will fall more than import prices, EUR 13.7 billion or 9.5 percent of GDP.

Finland's net foreign debt (excluding equity items) is turning into net receivables; debt totaled only about EUR 1.4 billion in 2002. The net international investment position (including shares and other equity items) showed a debt surplus of EUR 48.6 billion at the end of 2002. With falling share prices, debt computed in these terms has also decreased rapidly. Both businesses and the public sector are in a financial surplus in Finland, the fundamental outlook on the financial markets is still buoyant in Finland.

In 2002, net exports of capital totaled EUR 10.56 billion. Inward direct investment was EUR 9.72 billion and outward direct investment EUR 10.40 billion in 2002. Portfolio investment was outward on net in 2002, in the amount of EUR 4.59 billion. Nonresidents invested EUR 2.76 billion in Finnish shares, EUR 4.39 billion in Finnish bonds and EUR 2.45 billion in Finnish money market paper. Residents invested net EUR 5.68 billion in foreign shares, EUR 6.54 in foreign bonds, and 1.99 billion in foreign money market paper. Finland's net international investment position at year-end 2002 was a negative EUR 46 billion. The external debt (NIIP excl. equity items) totaled EUR 1 billion.

Investment outflows continue to exceed direct investment in Finland. Some tax changes, the promotion of Finland as a gateway for Russian markets and Finnish membership in the EU encourage foreigners to invest more in Finland.

## **Infrastructure**

Finland has a well-developed infrastructure. Finland's transportation system is based on an efficient rail and road network, supported by a wide network of freight forwarders and trucking companies. Finland's domestic distribution system for goods and services is efficient. Finland has over 50 merchant shipping ports, of which more than 10 are located on inland waterways connected to the Baltic Sea by the Saimaa Canal. Twenty-three seaports are open year round. Finnish ports, 15 of which deal with transit traffic through Finland, can handle a wide range of cargo. The 10 biggest ports handle more than 75 percent of all sea-borne cargo traffic. The ports near the Russian border (Hamina, Kotka and Mustola) concentrate on forestry goods, bulk cargo and free zone activities. Ports are secure and automated; loading and unloading operations are consistently quick and trouble-free.

The well-functioning transportation system and the fact that Finland's rail gauge is the same as Russia's make the country a good transshipment point for Russian trade. Among other projects, Finland is developing the "gateway" concept further by maintaining and extending a highway in southern Finland that would reach the Russian border at the southern Vaalimaa border crossing point. The E18 road, from Kristiansand, Norway, through Sweden and Finland, to St. Petersburg, Russia, is part of the European Union Trans European Road Network system, connecting EU-member Nordic capitals with efficient roads.

Finland's international telecom set-up began to admit limited competition in 1993, with further deregulation on July 1, 1994. On the domestic telecommunications front, competition entered the picture at the beginning of 1994. Finland's telecommunications environment is one of the most advanced in Europe and the growth of international telecom is of significant importance to the Finnish economy. Mobile phone penetration is estimated to have reached 92 percent in Finland in 2002. The number of mobile telephones exceeded the number of fixed line connections already in 1998 in Finland. The number of Internet hosts per 1000 inhabitants amounts to 183; Internet penetration in Finland is the second highest in the world, right after the U.S. Finland was the first country to grant licenses for third generation mobile networks. Four telecommunications companies received licenses to construct a third generation (3G) mobile network. Construction of 3G mobile networks in Finland has been delayed, and the reason given is the lack of available UMTS terminals in the retail market. Sonera is the only one of the Finnish mobile phone operators to have launched commercial services on the 3G network. Nokia's 3G phone was introduced to the public on September 26, 2002, and

commercial shipments of its new and long-awaited 3G phone have started. However, Finnish mobile operators estimate that the real commercial exploitation of the new networks will not come before 2004-2005.

Almost every Finn has access to broadband networks. Fiber optic cables cover 95 percent of Finnish municipalities and 99 percent of the population live in these municipalities. Altogether 98 percent of Finns live within a few kilometers of high-speed fiber optic cable networks. However, two years ago Finland's high-speed broadband network penetration rate was 0.73 per 100 inhabitants, according to Eurostat. The large number of connections in educational institutions and workplaces compensate for the relative lack of household connections. The change in household structures in the direction of single-person households is slowing down the spread of IT through the population.

In 1999, significant steps were taken to establish a digital television system in Finland, when the Ministry of Transport and Communications granted licenses for digital television channels. The licenses were granted for 10 years, from September 2000 to August 2010. The government also granted licenses for three special digital channels and a television channel that broadcasts regional programs. Digital transmissions began on August 27, 2001. The start was sluggish because some of the promised nine channels announced that they would not commence transmissions. In addition, set-top boxes needed for viewing digital broadcasts were not then available. At present 72 percent of Finns have access to digital television broadcasting. So far, 58,000 Finnish households have set-top boxes, corresponding to 2.5 percent of all households. The fourth digital television network will be reserved for mobile services. These could include new types of news services, information society services, video clips and television programs. Finland is one of the first countries to explore the use of digital television networks as a distribution channel for services received via mobile stations. The services of the fourth digital television network would be based on technology that combines digital mobile networks, television networks, the Internet and reception via mobile stations.

Under an existing plan, Finland plans to make a complete switch to digital television broadcasting and phase out analog television by the end of 2006.

### **3: POLITICAL ENVIRONMENT**

#### **Nature of Political Relationship with the United States**

Relations between the United States and Finland are excellent and free from bilateral disputes except for occasional trade disputes, now largely covered by the broader U.S. - EU trade relationship. The U.S. cooperates with Finland in various international organizations such as the UN, OSCE and OECD. Finland's 1995 accession to the European Union (EU) has added a new dimension to U.S.-Finnish relations. Both countries share a deep interest in the stable political and economic development of Russia and the Baltic States. This interest is reflected in the U.S. Enhanced Partnership in Northern Europe initiative (ePINE) and the Finnish-inspired EU Northern Dimension program, which was an integral part of the Finnish EU Presidency platform from July through December 1999.

Finland remains militarily non-aligned; it is an active member in NATO's Partnership for Peace (PfP) program. Finland's participation in NATO-led peacekeeping operations in Bosnia and Kosovo demonstrated Finnish commitment to PfP. At present, Finnish troops are serving in Kabul in the ISAF operation. Finland is the only non-NATO member to command a sector in the Alliance's Peace Support Operation in Kosovo (scheduled for May-November 2003).

### **Major Political Issues Affecting Business Climate**

Finland took the historic step of joining the European Union in January 1995. A new parliament was elected in March 2003. The president, the governing coalition, the opposition and the Finnish public hold firmly to Finland's current policy of non-alignment. Public debate about possible Finnish membership in NATO, which began in 1996, continues, but polls indicate Finnish NATO membership is not popular among the Finnish people. One of the key issues of Finland's EU Presidency (July-December 1999) was the reconstruction of Kosovo. Finland switched over to the Euro as of January 1, 2002. EU membership for the Baltic States has been a Finnish policy priority.

In March 2003, the opposition Center Party won nationwide parliamentary elections. Party leader Anneli Jäätteenmäki became Prime Minister in April, but served only until June 18, when she resigned over a scandal in which it appeared she had improperly obtained and used classified Ministry for Foreign Affairs documents during the election campaign. The Center retained the PM's seat, however; Matti Vanhanen took over as Prime Minister. The Center's main coalition partner, the Social Democratic Party, holds many of the powerful ministries in the government, such as foreign affairs and finance. It is expected that the government's program will not differ dramatically from that of the previous administration. In essence, the government has been trying to prune, but preserve, the welfare state. It has also been paying off the high public debt left over from the economic crisis of the early 1990s, at the cost of some political capital. The government is facing its first budget deficit in some years, as well as stubborn structural unemployment left over from the deep recession a decade ago.

In December 2002, cooperation among the government, labor unions and employers brought about a two-year general income policy settlement. Around 95 percent of Finnish wage and salary earners came under the agreement. The State participated in the settlement by offering income tax relief in both years: USD 5.3 billion in 2001 and USD 4.2 billion in 2002. The net effect on an average family's income of the pay increases and the tax relief amounts to 4.8 percent in the first year and nearly three percent in the second year. Of the unions that did not join the settlement, the public sector Medical Association was on strike from March until August in 2001. Its demand for a 20 percent pay increase was termed excessive by the employers, and eventually the striking physicians in municipal hospitals received a raise of one-half of what they demanded.

### **Brief Synopsis of Political System, Schedule for Elections, and Orientation of Major Political Parties**

Finland is a parliamentary democracy headed by a president, although presidential power has been somewhat reduced by the country's new constitution, which took effect on March 1, 2000. The president is elected for a six-year term and has primary responsibility for bilateral relations and national security issues. The Prime Minister, on the other hand, is the head of government and has responsibility for domestic and EU

affairs. The President of Finland is Tarja Halonen, who took office in March 2000. She is the first female president of Finland and is quite popular; a June 2003 poll showed her approval rating was an astounding 94% among Finns.

Parliamentary elections are normally held every four years; the most recent were in March 2003. The Social Democratic Party, which had been the leading government party for the past eight years with chairman Paavo Lipponen as Prime Minister lost the elections to the Center by just 6,400 votes. Therefore, Center Party chair Anneli Jäätteenmäki (now Matti Vanhanen; see above) became Prime Minister in a so-called Red-Earth coalition, where the SDP received eight weighty portfolios. The Swedish People's Party, the third in the Cabinet, holds two ministerial posts. There are eight political parties in Finland's 200-member unicameral legislature, Eduskunta: the Center Party (55 seats), the Social Democratic Party (53), the Conservative Party (40), the Left Alliance (19), the Greens (14), the Swedish People's Party (8), The Christian Democrats (7), and the True Finns (3).

### **Principal Political Parties**

**Center Party (Keskusta):** Formerly known as the Agrarian Party, the Center Party pursues the interests of rural and agricultural communities. The party was strongly divided over Finnish membership in the EU, as well as accession to the EMU. While the Center Party may have the widest geographical support in Finland, a challenge for the future will be attracting urban and suburban votes in southern Finland. Esko Aho, the party chair at the time, made a strong, but unsuccessful, bid for the presidency in the 2000 presidential elections. Aho took a one-year leave of absence in 2000-2001 to lecture and study at Harvard University. No longer running for re-election at the Party Congress in mid-June, 2002, he was replaced by Anneli Jäätteenmäki, who served as acting chair during Aho's stay in the United States and proved very successful, securing the party a victory in the local elections. After she lost her position as PM, she announced her decision to resign the post of Party Chair as well. An extraordinary Party Congress in October 2003 is likely to replace her with PM Matti Vanhanen. Many observers consider the Center Party to be the truly "conservative" party, especially with respect to social issues.

**Social Democratic Party (SDP):** The SDP is an urban-based party with close ties to the labor unions. Despite its Marxist origin a hundred years ago, the modern SDP is supportive of the market economy and individual rights. This said, it supports the Nordic welfare state. Under party chair and Speaker of Parliament Paavo Lipponen (who was Prime Minister from 1995 until April 2003), the SDP has strongly supported Finnish membership in the European Union, as well as Finnish entry into the EMU in 1999. For the past few years the SDP has attempted to lower Finland's high rate of unemployment and cut the budget deficit, while retaining the core of the welfare state.

**Conservative Party (Kokoomus):** The largely urban-based Conservative Party would not, by US standards, be termed "conservative," especially in terms of social issues. Like other major Finnish political parties, the Conservatives are supportive of the welfare state, but set themselves apart by supporting fiscal conservatism, economic growth through private enterprise, and strong ties to the EU and across the Atlantic. The Conservatives performed badly in the March 2003 parliamentary elections, dropping from 48 seats to 40 in Parliament. Following this poor performance, the party dropped out of the ruling government coalition for the first time since 1987. Ville Itala took over as party leader in

2001; he is unlikely to take the party far from its fiscally responsible roots. The Conservative Party strongly supports Finnish EU membership and draws support from the business community, professionals, and the white-collar sector in general. Even though individual Conservative leaders and the party's youth organization have openly advocated Finnish NATO membership, the party backs the government's posture of non-alignment.

**Left Alliance (Vasemmistoliitto):** A conglomeration of Socialists, ex-Communists, and disenchanting Social Democrats, the Left Alliance also draws support from trade unions. A strong leftist tradition, combined with workers' concern that the Social Democrats are too centrist, helps maintain Left Alliance support. Dynamic young chairperson Suvi-Anne Siimes, elected in the spring of 1998, has attracted greatly needed young voters. Siimes' academic training as an economist and non-doctrinaire approach to politics have been important for her success individually, as well as for the success of the party in general. Cooperation with the Conservatives and Social Democrats within the Lipponen government was difficult, however, mainly because of the hard-line faction that still exists in the Left Alliance as well as the party's desire to assert itself as different from the SDP.

**Swedish People's Party (Svenska Folkpartiet/Ruotsalainen Kansanpuolue):** The party draws its support from Finland's small Swedish speaking minority (around six percent). It is generally center-right in orientation and supportive of EU membership. The party has cooperated with both socialist and non-socialist governments in the past, using its swing vote to protect the interests of the Swedish speaking community. Prominent party officials have advocated Finnish NATO membership, although the party has not officially adopted this stance. Among the supporters of NATO membership in SFP/RKP is Elisabeth Rehn, who came in second in the 1994 presidential elections and ran again in 2000, although without as much success. Party chairman Jan-Erik Enestam, Minister of the Environment in the present government and Defense Minister in the previous one, gave statements in his former capacity that clearly suggested his support for Finnish NATO membership.

**Green League (Vihrea liitto):** The first green party to serve in government in Europe, the Finnish Greens stress social and environmental issues. While they are staunchly opposed to the increased use of nuclear power in Finland, they take more moderate positions on issues such as forestry, taxation, and the welfare state. They have a strong appeal to young urban voters, especially women. The Greens are a progressive party. Eleven of their fourteen MPs are women, and they make up a disproportionately large bloc in the Finnish delegation to the European Parliament.

#### **4: MARKETING U.S. PRODUCTS AND SERVICES**

##### **Establishing a Local Office**

If a foreign organization intends to establish an office in Finland, the following steps should be taken:

- 1) Drafting the Memorandum of Association
- 2) Drafting the Articles of Association
- 3) Subscription of the shares
- 4) Constituent meeting of the shareholders

5) Adoption of the Articles of Association

6) Payment of the capital share

7) Registration of a limited company

For further information, please contact the Employment and Economic Development Center ([www.te-keskus.fi](http://www.te-keskus.fi)) and/or Invest in Finland Bureau ([www.investinfinland.fi](http://www.investinfinland.fi)).

### **Creating a Joint Venture**

Several U.S. companies have established themselves in the Finnish market with subsidiaries or joint ventures, with particular interest in access to Finnish-Russian joint ventures. A number of Finnish firms are interested in using their long-established contacts in the former Soviet Union and the Baltic countries to market U.S. goods. Due to its physical proximity and Finland's network of railroad and air connections, there are many strong selling features regarding access to Russia. As a full member of the European Union, Finland has its feet firmly planted in the west but possesses unique access to and expertise about the Russian market.

### **Use of Agents and Distributors; Finding a Partner**

One exclusive agent/distributor is usually appointed to cover the entire country, mainly due to the relatively small size of the Finnish market. Finnish importers often represent several different product lines. In selecting a representative, the exporter should check whether that company handles competing products. Consumer goods and similar merchandise requiring maintenance of stock are often imported through wholesalers or trading houses. Such products may also be sold directly to retail chains, department stores, and other retail outlets.

Contacting local trade associations for a list of importers is a good way of finding a distributor in Finland. Finnish importers attend major trade fairs in Europe and in the United States in order to find new products and ideas, but also to find new representation. The Commercial Section of the American Embassy also assists in finding agents/distributors for U.S. exporters through International Partner Search (IPS), Gold Key Matching Service, and other networking activity.

### **Checking the Bona Fides of Banks, Agents, Business Partners, Contractors and Subs, and Customers**

Dun & Bradstreet Finland Oy and Suomen Asiakastieto Oy offer a variety of business and credit information services. For further information, please contact:

Dun & Bradstreet Finland Oy  
Vattuniemenkatu 21 A  
FIN-00210 Helsinki, Finland  
Tel: +358-9-2534 4400, Fax: +358-9-502 2940  
E-mail: [asiakaspalvelu@dnb.com](mailto:asiakaspalvelu@dnb.com)  
[www.dnb.com](http://www.dnb.com)

or any Dun & Bradstreet office in the U.S.

Suomen Asiakastieto Oy  
P.O. Box 16  
FIN-00581 Helsinki, Finland  
Tel: +358-9-148 861, Fax: +358-9-753 3231  
E-mail: [palvelut@asiakastieto.fi](mailto:palvelut@asiakastieto.fi)  
[www.asiakastieto.fi](http://www.asiakastieto.fi)

or their partner in the U.S.:  
Veritas  
121 Whitney Avenue  
New Haven, CT 06510  
Tel: (203) 503-6700, Fax: 781-3833  
E-mail: [sales@veritas-usa.com](mailto:sales@veritas-usa.com)  
[www.veritas-usa.com](http://www.veritas-usa.com)

### **Distribution and Sales Channels**

Distribution channels in Finland are similar to those in the United States. Goods may be sold through an agent, distributor, established wholesaler, or selling directly to retail organizations. Most of the larger importers, wholesalers and trading houses are members of the Federation of Finnish Commerce and Trade (FFCT), which is a central organization of 41 trade associations covering the bulk of foreign goods sold to Finnish trade and industry. The members of FFCT are particularly strong in certain specialized sectors, such as electronics, electric components and instruments, pharmaceutical and health care products, technical products and machinery, raw materials and chemicals.

The majority of Finnish commission agents are members of the Finnish Foreign Trade Agents' Federation, which has 18 divisions for different products. These commission agents are relatively small, private companies, most of them operating in sectors such as textiles, apparel, furnishings and raw materials.

### **Franchising**

The total market for franchising in Finland was estimated at \$3.75 billion in 2002. This is an increase of about 17 percent from the previous year. According to a survey made by the Finnish Franchise Association (FFA), there are about 164 franchise chains in Finland of which about one-third are foreign owned. Franchising has increased in popularity during the past few years, as investors better understand the business concept; e.g. franchising involves lower risks for companies expanding their operations. For more information on franchising see chapter 5: Leading Sectors for U.S. Exports and Investment.

### **Selling Factors/Techniques Best Suited to the Local Culture**

Selling factors and techniques are very similar in Finland to those in the United States. Terms generally applied to international trade with industrialized countries apply to selling in Finland. When selling to the Finnish market, it is recommended that a local agent/distributor who has a sales network covering the whole of Finland be appointed. Only one local distributor is needed to cover the whole country, since Finland is a small market, but distances are long and therefore a distributor with a countrywide network is most desirable. Consumer goods and similar merchandise requiring maintenance of stock are often imported through wholesalers or trading houses. These products can also be sold directly to retail chains, department stores and other retail outlets. U.S. suppliers should provide the local distributor with English language product literature and export prices. Strong promotion efforts are very important to introduce new products into the Finnish market.

## **Pricing and Licensing**

Product Licensing agreements are quite common in Finland because of the good quality of Finnish manufacturing, the small size of the market and the relatively high cost of transporting goods to the country. Royalties and licensing fees may be freely transferred out of Finland.

All goods and services are subject to VAT, which ranges from 8 percent on books, drugs and pharmaceuticals, 17 percent on foodstuffs and feeds, to 22 percent on industrial goods. Excise taxes are levied on fuel, alcohol, beer, tobacco, soft drinks and mineral water.

Finland is an EU (European Union) country. Imports from the other EU (European Union) countries enter Finland duty-free and without customs formalities. The EU also has free trade agreements with a large number of non-EU countries (e.g. countries that belong to the PAN-European cumulation and EFTA (European Free Trade Association) countries. Imports from these countries, with some exceptions, enter Finland duty-free if the products have been manufactured in one of these countries. However, import duties are levied on imports from countries such as the United States, Australia, Japan and Canada, depending on specific product lines.

## **Advertising**

About USD \$1.2 billion was spent on advertising in the Finnish mass media in 2002. Newspapers account for 55 percent of all media advertising, television 19 percent, periodicals 17 percent, radio 4 percent and Internet 1 percent. The advertising value of Internet advertising is increasing. All media in Finland is open for advertising.

There are two regulatory structures in place concerning marketing, the Consumer Protection Act and the Act on Unfair Business Practice. The Consumer Ombudsman and the Marketing Court control advertising. The general rule is that advertisements may not contain claims which cannot be substantiated or which are offensive to minorities (race, sex, etc.). There are also restrictions concerning the use of children in advertising. Advertising of tobacco products and spirits is completely prohibited in Finland's mass media. However, advertising of beer, wines, and low alcohol level beverages (less than 22%) has been allowed since 1995.

Major Newspapers:

Helsingin Sanomat  
P.O. Box 77  
FIN-00089 Sanomat, Finland  
Tel: 358-9-1221, fax: 358-9-605 709  
Internet: [www.helsinginsanomat.fi](http://www.helsinginsanomat.fi)

Aamulehti  
P.O. Box 327  
FIN-33101 Tampere, Finland  
Tel: 358-3-266 6111, fax: 358-3-266 6259  
Internet: [www.aamulehti.fi](http://www.aamulehti.fi)

#### Business Magazines/Journals:

Kauppalehti (Business daily)  
P.O.Box 189  
FIN-00101 Helsinki, Finland  
Tel: 358-9-507 81, fax: 358-9-660 383  
Internet: kauppalehti.fi

Taloussanomat (Business daily)  
P.O. Box 35  
FIN-00089 Sanomat, Finland  
Tel: 358-9-1221  
Fax: 358-9-122 4179  
Internet: www.taloussanomat.fi

Talouselama (Business weekly)  
P.O.Box 920  
FIN-00101 Helsinki, Finland  
Tel: 358-20 442 40  
Fax: 358-20 442 4130  
Internet: www.talentum.com

#### E-Commerce Websites:

SoneraPlaza  
fi.soneraplaza.net

Elisa Communications  
www.elisa.com

Jippii Group  
www.jippii.fi

#### **Trade Promotion**

The main fair centers in Finland are located in the cities of Helsinki, Jyvaskyla, Turku, Tampere and Lahti. In 2002, they had approximately 168 million visitors. For further information, please contact:

The Finnish Fair Corporation  
P.O. Box 21  
FIN-00521 Helsinki, Finland  
Tel: 358-9-150 91  
Fax: 358-9-142 358  
www.suomenmessut.fi

Jyvaskyla Fair Ltd.  
P.O. Box 127  
FIN-40101 Jyvaskyla, Finland  
Tel:358-14-334 0000  
Fax: 358-14-610 272  
www.jklfairs.fi

Turku Fair Center Ltd.  
P.O. Box 57  
FIN-20201 Turku, Finland  
Tel: 358-2-337 111  
Fax: 358-2-2401 440  
[www.turunmessukeskus.fi](http://www.turunmessukeskus.fi)

Lahti Fair Ltd.  
P.O. Box 106  
FIN-15141 Lahti, Finland  
Tel: 358-3-525 820  
Fax: 358-3-525 8225  
[www.lahdenmessut.fi](http://www.lahdenmessut.fi)

Tampere Trade Fairs Ltd.  
P.O. Box 163  
FIN-33201 Tampere, Finland  
Tel: 358-3-2516 111  
Fax: 358-3-2123 888  
[www.tampereenmessut.fi/html/indeng.html](http://www.tampereenmessut.fi/html/indeng.html)

### **Sales Service/Customer Support**

As a rule, one exclusive agent/distributor is appointed to cover the entire country. Finnish importers often represent several different product lines. Importers may serve large customers themselves while dealers work with smaller customers, often located outside the Helsinki metropolitan area. Dealers are often specialized in supplying a specific industry area. Training, usually organized and carried out by dealers, is an important aspect. Service points should cover the whole country rather than just the southern parts.

### **Selling to the Government**

Finnish procurement agencies follow the procurement procedures of the EU and the World Trade Organization (WTO). The EU rules of procurement and the WTO's GPA agreement only apply to procurements of or above the threshold value. National legislation requires procurement units to submit competitive tenders for procurements that fall below the threshold value. This is done by sending requests for tenders to a number of potential suppliers or by publishing an announcement.

The main principles of procurement are that purchases should be made on an open and competitive basis, and that suppliers should be treated equally. The principle of openness stipulates that the procurement unit announce, on a sufficiently large scale, that it is making a purchase. The principle of equality and non-discrimination entails that the decision to buy must be made in accordance with established criteria. Of the offers received, the lowest offer or the one which is the most affordable in terms of overall economy, has to be selected. Information on threshold values can be found at [www.vn.fi/ktm/2/julha/english/index.html](http://www.vn.fi/ktm/2/julha/english/index.html).

## 5: LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

### Best Prospects for Non-Agricultural Goods and Services

1. **FRANCHISING (FRA)**
2. **TELECOMMUNICATIONS SERVICES AND EQUIPMENT (TEL, TES)**
3. **TRAVEL AND TOURISM SERVICES (TRA)**
4. **ENVIRONMENTAL TECHNOLOGIES (ENV)**
5. **MEDICAL EQUIPMENT (MED)**
6. **COMPUTER SOFTWARE (CSF)**
7. **COMPUTERS AND PERIPHERALS (CPT)**
8. **BIOTECHNOLOGY (BTC)**

Rank of sector: 1  
Name of sector: **FRANCHISING (FRA)**

Narrative: The total market for franchising in Finland was estimated at \$3.75 billion in 2002. According to a survey made by the Finnish Franchise Association, franchising sales increased by about 17 percent in 2002. As a result there are 164 franchising chains operating in Finland, of which 119 are Finnish and 27 are from other countries.

Local trade sources predict that the sales volume will increase at an annual rate of 15 percent. The increase is explained by expansion of franchising as a business concept - franchising involves lower risks for companies expanding their operations. The highest number of chains is in the retailing and services sector. However, the largest increase in sales volume is predicted for food and beverage franchising, which has expanded rapidly in Finland over the past few years. The fast food hamburger market is shared by two main operators: McDonald's and Hesburger. Hesburger acquired the third main operator, Carrols in 2001, resulting in the transfer of the Carrols brands and operations. About six hamburger restaurants still continue under the Carrols name.

McDonald's market share is about 47 percent and the domestic franchise chain Hesburger's share is now about 53 percent. Besides the traditional hamburger (McDonald's) and pizza (Pizza Hut) chains, there are market opportunities for U.S. fast food restaurants such as salad bars, Tex-Mex food and coffee shops.

There are about a dozen U.S. franchise chains now operating in Finland: Avis, Budget, Esso Snack & Shop, Glass-Tech, Hertz, Homecare, Novus (car windows), McDonald's, PC-Super-Store, Mail Boxes Etc/IB Your Office, and Pizza Hut. Many typical U.S. franchise operations are still unknown in Finland. According to local sources, franchising chains operating in the service sector now have the strongest growth potential in Finland. These especially include personal welfare and nursing services. In 2002, there were 67 service sector chains in the Finnish market.

The future for franchising in Finland looks promising. It is evident that franchising as a whole will increase during the coming years. This projection is based on statistics as well as recent positive economic developments.

<b>Data Table – \$Millions</b>	2001	2002	2003
A. Total market size	3200	3750	4310
B. Local Production	2300	2750	3150
C. Exports	0	0	0
D. Imports	900	1000	1160
E. Imports from the U.S.	600	650	700
F. Avg. Exchange rate: \$1= EUR 1.06			

Source: The Finnish Franchising Association.

Note: The above statistics are unofficial estimates.

Rank of sector: 2  
Name of sector: **TELECOMMUNICATIONS SERVICES AND EQUIPMENT (TEL, TES)**

Finland's telecommunications market is one of the most developed in Europe and arguably one of the most developed anywhere in the world. In Finland, telecommunications operations have been opened up gradually to competition since 1985. The liberalization process has not been as difficult as in many other countries because some of the telecommunications operators are privately owned. The Finnish government has invested substantially in training and education, especially in the field of information technology, in order to meet the needs of the country's fast-growing ICT industry.

The fact that Finland was among the first to open its telecommunications market has resulted in one of the lowest tariffs today. Both the volume of telephone lines and the volume of telephones are among the densest in the world. The Finnish telephone network is one hundred percent digital with extensive use of intelligent network (IN) technology. Finland is also one of the world's largest users of mobile telephones (92% penetration in 2002). In December 1998, Finland became the first country in the world where the number of mobile phones exceeded wired phones. The use of mobile phones has extended to areas other than speech. Short text messages are very popular, especially among young people. Operators provide news and entertainment services through text messages that enable the supply of information directly to a personal mobile phone. Finland was the first country in Europe to grant licenses for third-generation mobile networks in March 1999 and has one of the highest rates of computer Internet connectivity per capita in the world.

One striking aspect of Finnish life is how seamlessly information technology has been integrated into production, work and home life. Banks, schools, libraries and hospitals exist virtually as well as physically. Thanks to the early acceptance of strong encryption, e-business has developed briskly and reliably. Several of the world's top Internet security companies are based in Finland. Online banking is so well established that individuals engaging in traditional banking are the clear minority.

There are two key players in Finland's telecom services: the state-owned Sonera, a company that merged with Swedish state controlled Telia and 43 privately owned local

telephone companies operating under the Finnet Group. Both TeliaSonera Corporation and Elisa Communications, the largest of the privately owned telecommunications companies, have subsidiaries and sister companies, which are involved in the provision of data, mobile and advanced technology services. Among other network operators in Finland are Eqvant, Cubio Communications and RSL COM Finland Oy, which provide network and other services for their contracting customers.

Headquartered in Finland, Nokia is the world leader in wireless and wireline telecommunications, the world's leading mobile phone supplier, and the top supplier of fixed telecom networks and services. Nokia's 2002 sales volume was \$30.8 billion. The company has 17 production facilities in 9 countries around the world as well as research and development centers in 14 countries. The company employs about 52,000 people worldwide.

A major factor behind Finland's highly advanced telecommunications technology has been strong competition in Finland's liberal telecommunications market, especially between the service providers. This has had a beneficial impact on telecommunications know-how in terms of the variety of telecommunications services available. Due to high technical standards and the liberal telecommunications market, Finland also serves as an excellent test base for new technologies for U.S. companies in the IT field. Companies such as Hewlett-Packard, ICL and Siemens have chosen to locate their wireless Internet development in Finland. These companies are forging new strategic partnerships with Finnish companies to ensure a wireless future.

U.S. companies wishing to enter the Baltic markets and Russia (especially St. Petersburg) should view Finland as a natural gateway and Finnish companies as experienced partners in any such effort.

### Telecommunications Equipment

<b>Data Table – \$Millions</b>	2001	2002	2003
A. Total market size	11620	11200	11220
B. Local Production	18000	17280	17280
C. Exports	7560	7260	7260
D. Imports	1180	1180	1200
E. Imports from the U.S.	120	120	125
F. Avg. Exchange rate: \$1=EUR 1.06			

Sources: Telecommunications Statistics 2002 (Ministry of Transport and Communications) and local contacts.

Rank of sector: 3  
 Name of sector: **TRAVEL AND TOURISM SERVICES (TRA)**

The United States is one of the main long-haul destinations for Finns. In 2002, over 65,000 Finns traveled to the United States. However, the number is expected to increase in the near future. Florida, California and New York continue to be the best prospects for

the U.S. travel industry. First time travelers, families with children and senior citizens favor Florida, whereas younger people and experienced travelers favor the West Coast.

A growing interest in travel has increased the number of Finns traveling abroad. Finns favor long-haul travel and Mediterranean destinations. Majority of Finns traveling abroad, favor sun and sand followed by city destinations. The most active travelers are from the capital area, in the age group 45-64, well educated and belong to the upper middle class.

Although Finns generally favor sun and sand and city destinations, a growing number of travelers are looking for activity holidays. Local culture, golf, fishing, diving, sailing, skiing and many other activities have become important for Finns when traveling abroad. Therefore, Finns have shown interest in other destinations such as Alaska, Arizona, Hawaii, Nevada, and New Mexico.

Business travel to the United States has been increasing at the average rate of 10 percent during the last few years. In 2002, Finns made 27,000 business trips to the United States. This number is also expected to increase in the future. New York, Chicago, Boston, Los Angeles and Atlanta are the most important destinations for Finnish business people.

Finnair, the national air carrier is the only airline based in and operating flights from Finland to the United States. During the high season, Finnair has daily non-stop flight service to New York. During winter 2003-2004, Finnair will also operate direct flights from Helsinki to Miami twice a week. Out of U.S. air carriers, Delta Air Lines has a sales office in Finland, Continental Airlines has a representative, Northwest Airlines is represented by KLM, American Airlines and America West are represented through sales offices in Stockholm, Sweden.

There are no restrictions on the Finnish foreign travel. From October 1, 1991, Finland has been included in the visa waiver program for visits up to 90 days in length.

<b>Data Table – \$Millions</b>	2001	2002	2003
A. Total Travel	3915	4060	4310
B. Domestic travel	4325	4540	4720
C. Incoming travel*	1560	1920	2110
D. Foreign travel*	1970	2400	2520
E. Travel to the U.S.*	105	135	140
F. Avg. Exchange rate: \$1=EUR 1.06			

\* Source: Statistics Finland, Balance of Payments (travel), Preliminary Information. Domestic travel and 2003 figures are unofficial estimates.

Rank of sector: 4  
Name of sector: **ENVIRONMENTAL TECHNOLOGIES (ENV)**

The environmental sector in Finland has evolved into a dynamic area where production of new technologies is gaining international prominence. Finland takes the lead in assisting her neighbors to the east, by using technology transfer and knowledge diffusion to help

solve their environmental problems. Both individuals and leaders of industry have become highly conscious of the high standards of environmental protection and preservation. In Finland, the necessity for utilizing the best available technology is included in the Water Act, Air Pollution Control Act, Waste Act and Sea Protection Act.

Finland's membership in the European Union in January 1995, the 1994 Waste Act, amendments in 1997 and especially the Finnish National Waste Plan 2005, were positive indicators that capital investment into solid waste recycling equipment would increase. This in turn will offer foreign companies increased business opportunities in Finland.

Demand for air pollution control equipment is strong in Finland due to increasing environmental concerns among the surrounding countries (i.e. in Russia the Kola Peninsula, St. Petersburg and the Baltics). The pulp and paper industry represents 26 percent of Finland's exports, and is the main end-user of air pollution control equipment. Finland encourages development of environmentally friendly products. Given the U.S. reputation for providing top quality air pollution control equipment, these products are in strong demand in Finland.

For the last decade, supporting Finnish know-how in different fields has been a central aspect of Finnish government policy. Accordingly, Finland grants subsidies and tax breaks for companies who buy or export Finnish pollution control equipment. The government has also funded technology centers such as TEKES (Technology Development Center) and VTT (Technical Research Center of Finland), which have established environmental departments for R&D of new pollution control technology. As a result of this government promotion, the growth of R&D in relation to GDP has been one of the fastest in the world. The increase of know-how has led to an increase of local competition in the market.

The best sales prospects for U.S. companies are within the residential and industrial solid waste-recycling sector. Additionally, best prospects include equipment such as monitoring and measurement instruments for air pollution, sulphur and dioxide and nitrogen oxide emissions removal and protection technology, etc. Yet another strong area for U.S. companies is the emerging Baltic markets and Russia, which are most easily accessed through Finland.

<b>Data Table – \$Millions</b>	2001	2002	2003
A. Total market size	1560	1570	1595
B. Local Production	1390	1400	1420
C. Exports	1115	1120	1140
D. Imports	1285	1290	1315
E. Imports from the U.S.	193	195	198
F. Avg. Exchange rate: \$1=EUR 1.06			

Source: The above statistics are unofficial estimates from local contacts.

Rank of sector: 5  
 Name of sector: **MEDICAL EQUIPMENT (MED)**

Due to continuous budget cuts, the operating costs of Finnish hospitals have been reduced and the major hospital procurement is mainly replacing older equipment and buying some new equipment, e.g. for radiology and tele-medicine equipment.

The United States continues to be the most important external supplier of medical equipment in Finland, with an import market share of about 30 percent, followed by Germany, Sweden, Japan and the Netherlands. High-quality and technically sophisticated medical equipment have the best market potential in Finland, especially equipment that increases efficiency and reduces occupancy rates in hospitals. Products such as patient monitoring systems, mini invasive surgery (MIS), day surgery equipment, magnetic resonance imaging (MRI) equipment, video endoscopes, digital image processing, and picture archiving have the best sales potential in Finland. Medical trade is duty free within the EU. Import duties are collected from production coming from non-EU countries. The duty fluctuates significantly according to the specific product, ranging from 5-12 percent for medical equipment.

Local production was \$730 million in 2002, consisting mainly of dental equipment, anesthesia monitors, specialized x-ray equipment, and chemical analyzers. Local production and imports do not overlap, as they do not compete with each other. About 80 percent of local production is exported because of the small domestic market size.

<b>Data Table – \$Millions</b>	2001	2002	2003
A. Total market size	415	470	515
B. Local Production	715	730	760
C. Exports	595	605	615
D. Imports	295	345	370
E. Imports from the U.S.	99	98	100
F. Avg. Exchange rate: \$1=EUR 1.06			

Source: The Association for Finnish Healthcare Industries and Finnish Customs. The year 2003 figures are unofficial estimates.

Rank of Sector: 6  
 Name of sector: **COMPUTER SOFTWARE (CSF)**

In recent years, Finland has gained publicity through technological success stories, with Nokia leading the way. Today perhaps the most well known Finn on the global software scene is Mr. Linus Torvalds, known as the brains behind the Linux operating system.

The software industry is one of Finland's most prominent industry sectors. The industry - along with software entrepreneurship - has grown rapidly since the early 1990s. Presently, there are more than 3,000 software companies in Finland. The majority of them are start-ups or in early growth stages. Their business ranges from infrastructure software and data security solutions to various Internet and wireless applications, with

strong technology forming the basis for innovative products. An increasing number of Finnish software companies seek to expand their operations to global markets and welcome contacts from U.S. companies.

Finland's software market was estimated at about \$1.3 billion in 2002. The United States is the number one supplier of standard, non-customized application software. Competition for new-to-market computer software companies is strong and comes from previously established U.S. companies, such as Microsoft, Novell etc.

The Finnish software industry is characterized by the following trends:

- Expanding focus and application areas beyond traditional ICT software market (convergence)
- Fast-growing number of new start-up software companies
- Increasing role of Web-related software
- Fast-growing role of embedded software
- Increase in software exports
- Consolidation of the software industry (mergers, acquisitions)
- Increase of mobile software

More than two out of three Finnish software companies develop and produce traditional ICT software. The international software vendors have, however, rapidly increased their shares in the Finnish market. This trend is expected to continue in the next five years, forcing the Finnish software houses to search for other business opportunities that are based on utilization of the newest technologies.

In addition, Finnish companies have increased their activities in system and tools software segments. Examples of these kinds of products are Web-related infrastructure software packages and security software. Growth in these sectors is fueled by exports. It is estimated that there are about 1,100 companies providing their own software products in Finland. Simultaneously, at least 100 companies have products in development or in pilot phase. These estimates do not include companies only importing software, e.g. subsidiaries or distributors of international software vendors.

Due to changes in recent years in Russia and the Baltic countries, Finland also serves as an excellent gateway to these emerging markets.

<b>Data Table – \$Millions</b>	2001	2002	2003
A. Total market size	1120	1300	1360
B. Local Production	900	1000	1100
C. Exports	410	400	440
D. Imports	630	700	700
E. Imports from the U.S.	470	525	525
F. Avg. Exchange rate: \$1=EUR 1.06			

Source: The above statistics are unofficial estimates from local contacts.

Rank of sector: 7  
Name of sector: **COMPUTERS AND PERIPHERALS (CPT)**

Finland's population of 5.2 million people comprises a highly sophisticated market for computer hardware and software. This is illustrated by the fact that Finland has one of the highest numbers of computers per capita connected to the Internet. Presently, about 70 percent of Finnish homes have computers and about 60 percent of the population has access to the Internet either at home, at work, or through a local institution, such as a library.

Finland's total market for computers was estimated at \$970 million in 2002. The United States is Finland's leading external source of computers and peripherals. There are about 4,200 local computer related companies in Finland. 3,700 companies have less than five employees and the five largest companies cover about 60 percent of the industry sector's sales volume.

Manufacture of computers and displays, which was still a strongly growing sector in the middle of the 1990s, has nearly ceased in Finland. Fujitsu ICL Computers Oy (owned by British ICL) dominated domestic production of microcomputers until March 2000 when the production plant was closed and the operations were moved to ICL's factory located in Germany.

Reflecting the global development, the Finnish ICT hardware business is also undergoing strong transition and restructuring. The declining share of hardware sales and the strong price erosion has accelerated the consolidation worldwide. This trend has already resulted in fewer larger players in the Finnish hardware market. Almost all traditional hardware vendors have repositioned themselves as service vendors, and only a few companies can be considered as hardware vendors. Simultaneously, the Internet is increasingly reshaping the distribution of computer products.

During the next five years, the multi-user system market is expected to experience faster growth than PC and workstation marketplaces. Simultaneously, especially PCs are expected to meet fast-growing competition from other Internet appliances, including different types of mobile and wireless alternatives.

Consumer purchases represent a tenth of the total ICT hardware spending in Finland. At the moment, the majority of consumer purchases are PCs. During the next few years consumer spending is expected to increase in hardware and services beyond the current ICT market, e.g. new types of Internet devices, digital TV sets and related services. Demand for computers and peripherals in Russia and the Baltic countries is expected to provide distributors in Finland with excellent future market potential.

<b>Data Table – \$Millions</b>	2001	2002	2003
A. Total market size	1305	970	975
B. Local Production	25	20	25
C. Exports	0	0	0
D. Imports	1280	950	950
E. Imports from the U.S.	155 *	160*	160*
F. Avg. Exchange rate: \$1=EUR 1.06			

Sources: The Board of Customs, Bureau of Statistics and local contacts.

Note: U.S. imports are much higher due to the fact that a lot of U.S. computer hardware is exported from the plants located in the EU countries.

Rank of sector: 8  
Name of sector: **BIOTECHNOLOGY (BTC)**

The biotechnology industry is one of the most promising high-technology sectors. High-level research and know-how in the life sciences, advanced infrastructure, improved risk financing and relatively positive public attitude together provide a solid basis for development of Finland's biotechnology industry. Most of the new biotechnology companies are operating in medical and diagnostic fields or biomaterials, while others offer services in clinical research, patents and marketing analysis.

Finland's biotechnology industry ranks sixth in Europe. About seven percent of Europe's biotechnology companies are Finnish. There are over 100 biotechnology companies in the country today. Finnish biotechnology companies are mostly connected to universities, biocenters and technology centers. The main areas of strength are pharmaceuticals, diagnostics and enzyme production. The past has seen a dynamic bioscience industry spring up in and around Finland's universities and science parks. As a result of the Government's efforts to boost biotechnology in the 1990s there are now some 180 research groups, 14 biotech graduate schools and several science parks and biocenters dedicated to the sector. Government funding for biotechnology research totaled USD 150 million in 2002; about 85% of biotechnology companies in Finland are private.

Cooperation in international research and participation in joint research projects has brought Finland into the spotlight. A substantial number of new biotechnology companies are collaborating with large international companies. Many international companies have established a business in Finland – companies such as Schering, Perkin Elmer and Thermo Electron.

Note: No statistics available.

### **Best Prospects for Agricultural Products**

Finland's geographical proximity and long-established connections to the Baltic States and Russia offers an ideal business base in Northern Europe. The impressive progress

in structural reforms and the market economy development in the Baltic states, along with the development of the Russian market place, have generated increased demand for consumer goods, agribusiness, food-industry investments and tourism. Thus, Finland's access to the rapidly emerging adjacent markets is vital for firms interested in this region for trade development.

### **Consumer-Oriented Agricultural Products - USD Millions**

Data Table – \$Millions	2001	2002	2003
A. Total Consumption	12100	12300	12300
B. Local Production	8600	8600	8800
C. Exports	708	751	760
D. Imports	1309	1424	1500
E. Imports from the U.S.	27	24	28
F. Exchange rate	1.12 *	1.06 *	

Source: UN Trade Data

\* Average exchange rate for calendar year

Note: The above statistics are unofficial estimates

High Priority: - Beverages: wine, beer; Snack foods: health snacks, dried fruits and nuts, corn chips; Ethnic foods; Organic foods; Health and Diet foods; Convenience foods: rice mixes, frozen juices, pancake/cake mixes, sauces/seasonings; Preserved: Canned fruits and vegetables; Frozen ready-made foods.

Medium Priority: - Fresh fruits/vegetables: apples, pears, grapes, cherries, avocados; Food grains: rice; Convenience foods: microwavable items like popcorn; Seafood: salmon, frozen crayfish, whitefish roe; Pet food for dogs and cats.

For current data on agricultural trade prospects with Finland, the reader is referred to the following Internet site: [www.usemb.se/Agriculture](http://www.usemb.se/Agriculture). This site is maintained by the USDA office in Stockholm, which has regional responsibility for Sweden, Finland, Norway, Latvia and Estonia. Its content includes an analytical overview of agricultural marketing opportunities and reports, marketing activities of possible interest to U.S. firms, an array of exporter/importer services and links to sites containing a detailed current breakdown of individual country imports/exports of agricultural products subdivided into several product categories (bulk, intermediate, consumer-oriented, forestry and fishery).

## **6: TRADE REGULATIONS, CUSTOMS, AND STANDARDS**

### **Membership in Free Trade Arrangements**

Finland joined the EU on January 1, 1995, which means that Finland complies with trade agreements that the EU has made with third countries. Finland is also a member of the European Free Trade Association and the European Economic Area.

## **Tariff and Non-Tariff Barriers**

Finland's adoption of EU internal market practices in 1995 defines Finland's trade relations both inside the EU and with non-EU countries.

Finland replaced its turnover tax with a value-added tax in June 1994. While the change has had little effect on overall revenues, several areas not previously taxed or taxed at a lower rate, including many corporate and consumer services and construction, are now subject to the new VAT in conformity with EU practices. The government has kept the basic VAT rate at the same level as the old turnover tax, which is 22 percent. Food products are taxed at 17 percent. Sport facilities usage, medicines, books, cinemas, passenger transport services, hotel and other accommodation, entertainment performances, sporting events, zoos, museums, and other such events or institutions are taxed at 8 percent. Other services, including health care, education, insurance, newspaper & periodical subscriptions and rentals are not subject to VAT. Agricultural and forestry products continue to be subject to different forms of taxation outside the VAT. A uniform tax rate of 28 percent on capital gains took effect in 1996, which includes dividends, rental income, insurance, savings, forestry income, and corporate profits. The tax rate on capital income and corporate income was raised from 28 percent to 29 percent from the beginning of year 2000.

In March 1997 EU commitments required the establishment of a tax border between the autonomously governed, but territorially Finnish, Aland Islands and the rest of Finland. As a result, the trade of goods and services between the rest of Finland and Aland Islands is now treated as if it were trade with a non-EU area. Even though the Aland Islands are part of the EU, just as Finland is, Aland does not belong to the Union's tax area. This exception was drafted in order to protect the important shipping traffic and the tax-free sales when EU countries abandoned duty-free sales. The trade effect of this treatment is minimal since the Aland Islands are part of the EFTA tariff area.

Finland has also introduced EU practices on imports of agricultural products. Some agricultural goods are subject to the standard import-licensing system, EU-wide quotas, import taxes or other provisions. Finland, along with other new members, was permitted to take measures, accepted by the EU, to shelter its agriculture or foodstuff sector during a limited transition period. In a temporary exception to general EU procedure, Finland could impose higher tariffs than the EU level on the following items: footwear, rubber, plastic, metals, raw hides & skins and some electric machinery. The transition period ended in 1998. As of July 1, 1996 higher tariffs on textiles, clothing and headgear were abolished.

In mid-1996 the Finnish government's inter-ministerial licensing authority began, within the EU, selectively to oppose American company applications for commercialization of genetically modified organisms (GMOs) such as insect-resistant corn. Finland's attitude towards biotechnology is markedly more open than in many other EU Member States and Embassy Helsinki has been working actively with Finnish partners to distribute accurate and scientific information on this issue.

## **Tariff Rates**

Duties and other import taxes are levied on the customs value of the goods at the point of importation. The customs value is based on the transaction value of the goods imported. In practice, the C.I.F. value is commonly used as the customs value. To assess customs

value, the place of importation must be indicated. In the case of sea and air cargo, the place of importation is the unloading location. In surface transportation, it is the Customs Office at the frontier. The customs value is determined according to the GATT Valuation Agreement and the Community Customs Code (Council regulation 2913/92) and the Regulation Laying down Provisions for Implementation of the Customs Code (Commission regulation 2454/93).

### **Prohibited Imports**

Finnish law prohibits the import of the following products:

- PCB and PCT chemicals used in transformers and condensers causing problem waste products
- Whale meat

### **Standards**

Finland uses the metric system. Products for sale in Finland should be adapted to the metric system whenever possible. It is also highly recommended that U.S. products imported into Finland meet international or European standards. Examples of products where conformity to directives is mandatory are electric equipment, machines, toys, pressure vessels and personal protective equipment. In these cases CE-marking acquired in any EU/EEA country is also valid in Finland. There are several Notified Bodies in Finland participating in the CE-marking procedures.

The central body for standardization in Finland is the Finnish Standards Association (SFS). SFS and its standards writing bodies, the Finnish Electrotechnical Standards Association and Telecommunications Administration Center are members of the European standards organizations CEN, CENELEC and ETSI.

National SFS Standards are sold in Finland only by SFS. National ISO member bodies abroad handle distribution of SFS standards. SFS is the Finnish source for all international standards and drafts of the International Organization for Standardization (ISO), for European standards and drafts of CEN and for publications of ISO member bodies. SFS also distributes other foreign standards and technical regulations.

### **Export Controls**

Finland is an active participant in all export control regimes, notably the Nuclear Suppliers Group (NSG), the NPT Exporters Committee (Zangger Committee), the Missile Technology Control Regime (MTCR), the Australia Group (AG) and the Wassenaar Arrangement (WA). Finland chaired the Zangger Committee in 1989-93 and the NSG in 1995-96 and was the chair of the MTCR until fall 2001.

A basic principle of Finland's export control policy is that there is no published or unpublished "black list" of undesired destinations except those subject to sanctions by the UN or the EU. All license applications are considered on a case-by-case basis, taking into account the information exchanged within the relevant export control regime.

## **Export Control Authorities**

**Ministry for Foreign Affairs** - The Ministry for Foreign Affairs (MFA) is in charge of Finnish non-proliferation policy as well as the security and trade policy aspects of export controls. In the MFA, the Political Department and its Division for Non-Proliferation, Arms Control and Disarmament, coordinates Finland's participation in the international cooperation concerned, for example in the export control regimes. The MFA's Department of External Economic Relations monitors export controls from the trade policy point of view.

Further information:

Ministry for Foreign Affairs

Division for Non-Proliferation, Arms Control and Disarmament

Tel. +358-9-16005

Fax +358-9-16056066

<http://formin.finland.fi/english>

## **Import Taxes and License Requirements**

Most goods can be imported into or exported from Finland without a special permit. Some restrictions apply, however. Finland follows the import-licensing procedures of the EU. Licenses can be applied for from the National Board of Customs. Certain agricultural products are subject to import duties and/or fees imposed in accordance with EU rules and regulations. Among the products subject to these duties and fees are cereals, flour, certain fats and oils, fish products, butter, cheese, eggs, poultry, meat, cattle and hogs. The transitional period that allowed Finland to maintain its stricter (than EU) import regulations on certain agricultural products (primarily meat and livestock) expired in 1998.

## **Customs Regulations and Contact Information**

Customs duties are levied on goods imported to Finland. As a member of the EU, Finland is part of the EU-wide Customs Territory and applies EU Custom's legislation.

You can consult Customs Information for customs related matters.

Suomen Tulli (Finnish Customs)

PL 512

FIN-00101 Helsinki, Finland

Tel: +358 20 391 100

Fax: +358 20 492 1812

(See also [www.tulli.fi](http://www.tulli.fi))

## **Temporary Goods Entry Requirements**

Temporary exemption from duty can be granted, for instance, to the following:

- Goods intended for public displays at exhibitions and fairs
- Commercial samples
- Professional tools and equipment

If the goods are put to unauthorized use or are not exported within the prescribed time they must go through normal customs clearance and become liable for relevant duties and taxes.

In Finland, the ATA-Carnet, the international customs documentation for temporary duty-free admission is issued by the Chamber of Commerce. The ATA-Carnets are frequently used for temporary imports e.g. samples, exhibition materials, and professional equipment (laptop computers, software), and are valid for one year.

### **Special Import/Export Requirements and Certifications**

Certain import/export items need to meet with special requirements and certifications set by the EU or national standards. These are mostly articles that might damage health, welfare or country's economy, or result in the spread of animal and plant diseases.

The following items, among others, are subject to restrictions:

- Foodstuffs, fodder and fertilizers, alcoholic beverages and other products containing alcohol, pharmaceuticals, narcotics and dangerous drugs, some chemicals, nuclear and radioactive substances, explosives, blade knives firearms and ammunition, obscene publications, pressure vessels.

### **Labeling**

Labeling and marking requirements in Finland are based on the Act on Product Safety, which was enacted in accordance with the EU directive on general product safety. The following information should be included in retail packaging, or otherwise marked on the product (a sticker, label, etc.):

- Name of the product (indicating clearly the contents of the package)
- Name of the manufacturer or the name of the company that had the product manufactured
- Amount of contents (weight or volume of the contents to be specified, measures in metric system).

If warranted by safety considerations or economic security of the consumer, the following information should also be included on the retail packaging or otherwise clearly identified on the product: contents of the product, care instructions, operating instructions, and a warning of possible danger related to the use or disposal of the product.

Finland has precise labeling requirements for foodstuff. A retail-size food package must show the name of the manufacturer, packer or importer, commercial name of the product, net metric weight or volume, ingredients in descending order of weight, last recommended date of sale, and storage instructions if perishable or intended for infants. Mandatory information described above must be provided in Finnish and Swedish.

### **Free Trade Zones/Warehouses**

Finland has one free port in Hanko, located at the southernmost tip of the country. The port has a year-round railway-ferry link with Turku. In addition, there are 20 storage areas in other locations in the country. The duty-free storage areas, which are usually run by municipal corporations, are available to domestic and foreign-owned companies.

Warehousing, assembly and manufacturing are allowed in these areas, with permission from the Board of Customs.

## **7: INVESTMENT CLIMATE**

### **A.1. Openness to Foreign Investment**

The Finnish Government maintains a favorable attitude toward direct foreign investment. In 1993, laws restricting foreign ownership were abolished to support the already commonly accepted liberal treatment of foreign investments in Finland. Because of liberalization, Finland's EU entry, the opening of former Soviet markets - creating opportunities for Finland to act as a gateway - and the economic recovery, foreign investment in Finland has accelerated in recent years. Unlike many other countries, however, Finland does not "positively" discriminate in favor of foreign-owned firms by giving them tax holidays or other subsidies not available to other firms in the economy. Instead, Finland relies on "condition-providing policies" which means pursuing policies that offer all firms in the economy appropriate conditions and sufficient pools of advanced factors of production, including an educated labor force and well-functioning infrastructure.

There are some legal requirements for non-European Area residents (persons or companies) to conduct business in Finland. In certain areas involving specific safety or health hazards or financial risks, specific conditions must be met to conduct trade. These regulated forms of trade are governed by section 3 of the Trade Act as well as by specific legislation. A non-European Economic Area resident (person or company) operating in Finland must refer to the authorities to obtain a license or a notification when starting a business in the "regulated" forms of trade, including: banking and insurance, nuclear energy-related activities, mining, manufacturing and sale of medicinal substances, dangerous chemicals and explosives, private security services, travel agencies, restaurant and catering services. Supply of mandatory labor pension insurance and workers' compensation is possible only through a company established in Finland. This provision is designed to ensure compliance with social security legislation.

The Aland Islands are an exception to common Finnish practice. Based on international agreements dating from 1921, property ownership and the right to conduct business are limited to only those individuals with right of domicile in the Aland Islands.

Foreign direct investment in Finland has increased substantially; during the last decade, the inward FDI stock has increased about six fold. Today, foreign owned companies employ more than 160,000 Finns, 17% of the total workforce of all companies in Finland, and 13% of the turnover of all the companies in Finland is generated by foreign owned companies. In 2002, 177 new foreign companies moved to Finland, of which 23 (or 13%) were U.S.-owned. The largest foreign employers in Finland are Swedish-owned firms (30%), followed by U.S.- (15%) and Swiss-owned (11%) firms. Firms from the EU employ over 60% of foreign-owned firms' employees. There are 2,300 foreign owned firms in Finland. Approximately one third of Finland's 500 biggest companies (by sales volume) are foreign-owned. In 2001, the number of U.S. companies in Finland amounted to 290, their turnover was EUR 7,426 million, and they employed 20,696 people.

The “Invest in Finland” Bureau operates within the government-sponsored Finpro (formerly Finnish Foreign Trade Association). Its purpose is to provide potential investors with detailed information on investing in Finland (www address: [www.finpro.fi](http://www.finpro.fi)).

## **A.2. Conversion and Transfer Policies**

Finland does not have any exchange controls. There are no restrictions on transferring investment capital or profits abroad in freely convertible currencies at a legal market rate. There is no limit on dividend distributions, as long as they correspond to a company's official earnings records. Foreign investors are not required to pay tax on capital gains or investment income derived from Finland. The stamp duty on transactions conducted on the Stock Exchange and on the OTC market has been abolished.

The Bank of Finland compiles the country's balance of payments data in accordance with International Monetary Fund (IMF) standards. To this end, the main details of all single payment items exceeding EUR 8,000 (USD 8,480) are to be submitted on a form either to the Finnish bank effecting the payment or directly to the Bank of Finland.

## **A.3. Expropriation and Compensation**

Private property rights are well protected in Finland. There have been no cases of expropriation or nationalization since the Second World War.

## **A.4. Dispute Settlement**

In 1969, Finland became a member of the International Center for the Settlement of Investment Disputes (ICSID). There is no record of any significant investment dispute in the last three decades.

## **A.5. Performance Requirements/Incentives**

There are no performance requirements or commitments imposed on foreign investment in Finland. However, to conduct business in Finland, some residency requirements must be met to ensure that persons liable for the company's acts can be brought to court if necessary.

At least half of the founders (natural or legal persons) of a company to be established in Finland must reside within the EEA. Otherwise, a special permit issued by the Ministry of Trade and Industry is needed. The residence requirement can, in most cases, be fulfilled by appointing a legal representative with residence in Finland to be in charge of the business. The nationality of the founder is thus irrelevant.

The extensively revised Companies Act came into force in September 1997. In line with common Western European practices, the law divides limited liability companies into public (Oyj) and private limited (Oy) companies. New financing instruments, such as capital loan and preference shares, were made available to companies.

All companies registered in Finland have access to government assistance under special development programs. Foreign-owned companies are eligible for government incentives on an equal footing with Finnish-owned companies. Assistance and subsidies are granted by the Ministry of Trade and Industry (MTI) or other ministries depending on

the field of business activity, the Technology Development Center (TEKES), the Parliament-managed venture capital fund, and the Finnish National Fund for Research and Development (SITRA). Companies operating in Finland have access to EU structural funds through national programs. EU funding may cover half the total costs of a program provided that the other half comes from national private and/or public sources.

Finnish policy on business aid has sought to reduce sectoral aid and channel aid into intangible investments and development of the operating environment. The business support system has been simplified and supervision intensified. Support is provided in the form of tax benefits, loans, guarantees, cash grants and investment in equity, as well as in supply of expertise and employee training, and most of the support is for SMEs. Small firms can also get start-up aid to help with their first 12 months of operation. This subsidy can amount to as much as 45 percent of the project's wage costs. Subsidies may be given for manufacturing, tourism and business services. MTI provides subsidies for investments in the form of regional investment aid, aid for small businesses or development aid for small and medium size enterprises (SMEs) and aid for improvement of the operational environment of the undertaking. SITRA's corporate funding operations comprise venture capital, which is divided between seed funding and growth funding, fund investment and the commercialization of trading technology. TEKES is the main financing organization for applied and industrial R&D in Finland. Its funds are awarded from the state budget. The Foundation for Finnish Innovations provides risk financing for developing the innovations of private investors and small entrepreneurs.

Firms established in development regions may receive subsidies for the transportation costs of products. MTI provides grants to promote internationalization. Aid for export promotion projects to be undertaken in EU/EEA territory is available only to SMEs as defined by EU/EEA state aid regulations. MTI grants energy subsidies to companies and organizations for investments promoting energy conservation and the use of domestic energy sources. To promote venture capital investments in Finnish SMEs, Finnvera grants venture capital guarantees.

#### **A.6. Right to Private Ownership and Establishment**

Private ownership and entrepreneurship is the norm in Finland. In most fields of business activity, participation by foreign companies or individuals is unrestricted. As the government pursues privatization of state-owned companies, both private and foreign participation is welcome except in some enterprises operating in sectors related to national security.

Competitive equality is the official standard applied to private enterprises in competition with public enterprises. Private companies do not face discrimination. With the end of the Restriction Act in January 1993, Finland removed most restrictions on foreign ownership of property in Finland. Restrictions, such as requirements to obtain permission of the local government in order to purchase a vacation home in Finland were abolished January 1, 2000, bringing Finland fully in line with EU norms.

#### **A.7. Protection of Property Rights**

The Finnish legal system protects property rights, including intellectual property, and Finland adheres to numerous international agreements concerning intellectual property. Finland has joined the most important copyright agreements. Patent rights are consistent

with international standards. In Finland a granted patent applies for 20 years. In 1996, Finland joined the European Patent Convention (EPC) and the European Patent Organization (EPO). Finland is clearly the leader when the number of so-called high-tech patent applications (8 applications/ 1 million Finns) is compared in proportion to the population of different countries. Finland is a member of WIPO, and participates primarily through its membership in the EU. The idea of protection of intellectual property is well developed.

Information on copying and copyright infringement is provided by several copyright holder interest organizations such as the Copyright Information and Anti-Piracy Center. The Business Software Alliance (BSA), a worldwide software anti-piracy organization, began operations in Finland in January 1994. According to a recent survey, the rate of software piracy in Finland was 25 percent in 2002. According to BSA, retail software revenue lost to piracy amounted to EUR 19 million in 2002. However, the number of pirated CD's, video's etc brought mainly from Estonia and Russia into Finland is estimated at 3.5 million a year to a value of EUR 33 million. The total annual value of Finland's recording market is EUR 126 million. In addition, the "Commercial Music Piracy 2003" report by the International Federation of the Phonographic Industry (IFPI) claims that more than 20 percent of recordings sold in Finland are counterfeit. That is by far the highest rate in the Nordic region. It is more than double the level in the other Nordic countries. The industry organization says this is of because of Finland's proximity to Russia.

Finland has been a member of the Paris Convention for the Protection of Industrial Property since 1921, the Berne Convention for the Protection of Literary and Artistic works since 1928 and the Rome International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations since 1983.

The Finnish Copyright Act, which traditionally also grants protection to authors, performing artists, record producers, broadcasting organizations and catalog producers, has been adjusted to comply with EU directives. As part of this harmonization, the period of copyright protection was extended from 50 years to 70 years. Protection for database producers (currently a part of catalog producer rights) has been defined consistent with EU practice. National transition period procedures are defined in Parliament. The Finnish Copyright Act provides for sanctions ranging from fines to imprisonment for up to two years. Search and seizure are authorized in the case of criminal piracy, as is the forfeiture of financial gains. The Copyright Act has covered computer software since 1991.

#### **A.8. Transparency of the Regulatory System**

The Trade Act, as well as specific legislation referred to in it, provides more detailed information on trade practices in Finland. Section V of the Trade Act names "regulated forms of trade" in which a non-EEA resident needs permission from the Ministry of Trade and Industry. Also, according to the Trade Act, everyone launching a business in Finland is obliged to submit a notice to the Trade Register, which is maintained by the National Board of Patents and Registration.

The Securities Market Act contains regulations on corporate disclosure procedures and requirements, responsibility for flagging share ownership, insider regulations and offenses, the issuing and marketing of securities, and trading. The law defines and takes into account new instruments, which have become common in financial markets, such as

securities lending and repurchase agreements. Finnish legislation recognizes the same internationally common financial market contractual arrangements as legislation elsewhere in EU. Regulations concerning clearing of securities trades have been incorporated in the law since 1998. Clearing has become subject to licensing, and is supervised by the Financial Supervision Authority, which oversees the financial markets. The law defines the requirements of clearing parties and their mutual responsibilities. Clearing institutions are now subject to a minimum capital requirement of \$ 5.7 million. The capital of a clearing member must be at least \$1.9 million.

Finnish tax, labor, health and safety, and related laws and policies are largely neutral towards the efficient mobilization and allocation of investment. Finnish legislation does not normally influence regional distribution of investments except when specifically designed to do so, such as through regional incentive programs.

### **A.9. Efficient Capital Markets and Portfolio Investment**

Credit is allocated on market terms and is made available to foreign investors in a non-discriminatory manner. The private sector has access to a variety of credit instruments. Legal, regulatory, and accounting systems are transparent and consistent with international norms.

Helsinki Stock Exchange's measure of stock values, the HEX general index, peaked at 18,000 in spring 2000, while in February 2003 it scored barely over 5,000, where it had dipped in summer 2002. The market value of shares quoted on Helsinki stock exchanges reached EUR 430 billion at its highest, but by the end of January 2003 it amounted to a mere EUR 137 billion. At the same time, the proportion of Finnish shares held by foreign investors dropped from over 70 percent to around 57 percent. International shares indexes have likewise been falling, mirroring growing risks and uncertain prospects in the global economy. A special feature in Finland is the high level of dividends for 2002, largely explained by plans discussed to change the taxation of dividends.

Between 1991-1996, Finnish banks received support following the heavy losses from the deep recession. Estimates suggest that overall losses from the support to banks amounted to a net value of about FIM 50.2 (\$9) billion, nearly 8 percent of GNP for 1999.

The total profit of finance and banking groups based in Finland fell in 2002 from the year before, caused by a decrease in net income from financial operations due to lower market rates, as well as the stock market slump, now in its third year. Credit, however, was in high demand and the housing loans granted by banks showed a 13 percent year-on-year increase. A national breakdown of the performance of multinational banking groups is not feasible, and therefore the financial results of banking groups covers all group activities: the balance sheet of the biggest banks in Finland (Nordea, OKO, Sampo, Savings bank, Aktia, Local co-operative banks, Bank of Aland, Svenska Handelsbanken (SH), SEB and Danske Bank) amounted to USD 806 billion in 2002 -- excluding SH, SEB and DB, the balance sheet was USD 320 billion.

At the end of 2002, Parliament approved changes to the banking legislation aimed to improve the availability of banking services. The Act, which entered into force in early 2003, facilitated the use of agents to offer banking services, put banks under the obligation to offer a number of basic services and enabled companies other than credit

institutions to accept a maximum of EUR 3,000 from customers and deposit them in so-called customer accounts.

#### **A.10. Political Violence**

There have been no instances of political violence since the struggle for independence in 1918.

#### **A.11. Corruption**

Corruption in Finland is covered by the Criminal Code (R1 101/19.12.89) and provides for sanctions ranging from fines to imprisonment for up to four years, depending on the seriousness of the crime. Both giving and accepting a bribe is considered a criminal act under the Criminal Code. Finland does not have statutory rules concerning bribes paid to foreign officials. The Finnish Parliament has started to review amendments to the criminal code with a view to eliminating the current dual criminality provision relating to the offence of bribing of a foreign public official. Corresponding payments to domestic public officials are non-deductible on the basis of case law and practice of the tax authorities. In case law, the same rule applies to bribes paid to foreign public officials and the same rule is applied by tax authorities. Finnish authorities declare that the non-deductibility of bribes is self-evident, and that the issue has never been raised in Finland.

In June, 2002 the Finnish Parliament passed a government bill implementing the European Council's Criminal Law Convention on Corruption which, when in force, would make it possible to prosecute also Members of Parliament (MPs), as well as MP candidates, and Members of the European Parliament for unlawful conduct in office, including corruption. In October 2002, Parliament gave the final formal approval to the new legislation. Previously, corruption of MPs had not been a criminal offense in Finland, and Finland had been one of the few European countries where MP's still had immunity.

Only a few persons are convicted of bribery each year in Finland. The high moral standard of Finnish civil servants, the independence in the exercise of their duties, the monitoring systems built into public administration and the transparency of Finnish society and institutions promotes an almost corruption-free environment in Finland. Transparency International has rated Finland the least corrupt country in terms of business practices (August 2002). Finland scored almost the maximum possible score, 9.7 of 10 (=highly clean).

Finland ratified the 1959 European Convention on Mutual Legal Assistance in Criminal Matters and its 1978 Additional Protocol. The U.S and Finland have an extradition treaty, signed in June 1976; it entered into force in May, 1980. Finland is a party to the 1957 European Convention on Extradition. Finland is a signatory to the OECD Convention on Combating Bribery. The instruments of ratification of the convention were deposited in December 1998. The amended Penal Code entered into force on 1 January 1999. The convention entered into force on 15 February 1999.

#### **B. Bilateral Investment Agreements**

Finland has concluded bilateral investment agreements with the following 45 countries: Albania, Argentina, Belarus, Bosnia-Herzegovina, Bulgaria, Chile, China, the Czech Republic, Egypt, El Salvador, Estonia, Ecuador, Hungary, India, Indonesia, Kazakhstan,

Croatia, Kuwait, Latvia, Lithuania, Macedonia, Malaysia, Morocco, Mexico, Oman, Peru, Philippines, Poland, Qatar, Republic of Korea, Republic of Lebanon, Republic of Moldova, Republic of Slovenia, Romania, Russia, Slovakia, South Africa, Sri Lanka, Tanzania, Thailand, Turkey, Ukraine, United Arab Emirates, Uzbekistan, and Vietnam.

In September 1989, Finland and the U.S. signed a convention (TIAS 12101) for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital. The convention entered into force December 30, 1990.

### **C. OPIC and Other Investment Insurance Programs**

In January 1996, OPIC and Finnvera (former Finnish Guarantee Board FGB) signed an agreement to encourage joint U.S. - Finnish private investments in Russia and the Baltic States. Under the agreement, OPIC and Finnvera will work together to enhance the development of joint ventures by promoting private investment, encouraging cooperative efforts in specific target sectors, and working jointly with appropriate authorities in the host country to promote foreign investment. OPIC is the U.S. Government agency that assists U.S. investors with project financing, political risk insurance, and privately managed equity investment funds in developing markets and emerging economies. Finnvera is a Finnish government-operated export credit guarantee agency.

The 1996 agreement was preceded, in 1992, by a Principles of Cooperation Agreement between OPIC and the Finnish Fund for Industrial Cooperation (Finnfund). The two organizations agreed to share information concerning opportunities for private investment, exchange knowledge of techniques for the encouragement and sustenance of investment, including approaches to risk mitigation and management, and encourage cooperative enterprises among their nationals to finance private investment in developing economies. The former Soviet Union and Eastern Europe were targeted as areas of focus. Finland has been a member of the Multilateral Investment Guarantee Agency (MIGA) since 1988.

### **D. Labor**

The Finnish labor force is highly skilled and well educated. Of total employment of 2.372 million persons in 2002, 5 percent were employed in the primary sector, 27 percent in industry and construction and 67 percent in services. Women make up 47.9 percent of the 2.687 million-member work force (May, 2003). About 72 percent of the work force is organized.

The Act on Employment Contracts is the main regulating act applied to employment relationships. It includes the minimum conditions regarding working hours, annual leave, safety conditions etc. In addition, in most industrial sectors the employer and employee organization have concluded collective agreements on payment and working conditions.

Finland has suffered from high unemployment throughout the 1990s; unemployment during the recession peaked in early 1994 at 20 percent. The unemployed are granted compensation which, if linked to earnings, as has been the case for about 60 percent of the unemployed, guarantees moderate income for a period up to 500 working days. Despite high unemployment levels, there is a shortage of skilled labor in some specialty sectors.

Although Finnish labor is relatively less expensive than during the late 1980s, labor costs are still high. Labor costs rose in Finland faster in the post-recession years of 1993 - 1995 than in competitor countries. In 2002 labor costs, i.e. the index of wages and salaries, grew by 3 percent in real terms. In 2003, the index of wage and salary earnings is forecast to rise by an average of 3.7 percent; growth in the wage bill will slow down as the hours worked will no longer increase.

High costs have led much of Finnish industry to use labor-saving high technology whenever possible. High unemployment has made trade unions somewhat more open to discuss increased labor flexibility. Finland adheres to most ILO conventions; enforcement of worker rights is effective.

**E. Foreign Trade Zones/Free Ports** – See the Trade Regulations, Customs, and Standards section.

## **F. Foreign Direct Investment Statistics**

See [www.bof.fi](http://www.bof.fi) for statistical information

### **F.1. Capital Outflow Policy**

No policies exist that govern the export of capital and outward direct investment. Holders of capital, Finnish and foreign, can move funds at will. Finnfund, the Finnish counterpart of OPIC, provides insurance and financing for investment in emerging markets and the Baltic Rim. (Web site: [www.finnfund.fi](http://www.finnfund.fi))

### **F.2. Major Foreign Investors**

The six largest foreign companies in Finland in terms of turnover (2002):

- Nordea Bank Finland, USD 13 billion  
Country of Origin: Sweden/Finland (Merita and Nordbanken merger)  
Sector of operation: Finance/investment
- ABB, USD 1.6 billion  
Country of origin: Sweden/Switzerland  
Sector of operation: Electronics
- Nordea Henkivakuutus, USD 1.5 billion  
Country of Origin: Sweden/Finland (Merita and Nordbanken merger)  
Sector of operation: Life insurances
- Skanska, USD 1.2 billion  
Country of origin: Sweden  
Sector of operation: Construction
- Dynea, USD 1.1 billion  
Country of origin: Norway  
Sector of operation: Industrial adhesives/coatings/chemicals

- Kvaerner Masa-Yards, USD 1.0 billion  
Country of origin: Norway  
Sector of operation: Shipbuilding

There are about 160 U.S. subsidiaries in Finland. Among the largest U.S. companies are OMG Finland, Tellabs and Hewlett-Packard .

Host Country Contact Information for Investment Related Inquiries:

Invest in Finland Bureau  
(See section U.S. and Country Contacts)

Bank of Finland  
Statistics Desk  
P.O. Box 160  
FIN-00101 Helsinki  
Finland  
Tel: +358 9 183 2090  
Fax: +358 9 183 2556

## **8: TRADE AND PROJECT FINANCING**

### **1. The Banking System**

In the last few years, the Finnish banking system has undergone rapid change. The initial impetus for this process was the step-by-step deregulation of financial markets and capital movements in the 1980s as part of the overall financial integration in Europe. Then the recession in the early 1990s and a severe banking and financial sector crisis, aggravated by bad lending practices in the late 1980s, touched off a consolidation of excess banking capacity. Tighter competition ensued from Finland's EU entry, accelerating cost cutting in the sector. Financial consolidation has been accomplished by reducing personnel, closing branch offices and introducing modern banking technology.

The Finnish banking system is dominated by three major groups of deposit banks: Nordea as well as OKO Bank (the Cooperative Bank Group) and the Sampo Group. At the end of 2002, a total of 344 banks were operating in Finland, eleven of these being commercial banks, 243 co-operative banks as part of the OKO bank group, 42 local cooperative banks and 40 savings banks. In addition to domestic banks, eight foreign credit institution branch offices are entitled to accept deposits, and four foreign banks have representative offices in Finland. Banks employed a total of 24,440 people at the end of 2002.

Finland is a global leader in electronic banking. Finnish banks have been providing their corporate and retail customers with on-line services for nearly 25 years. In 2002, more than 90 percent of payments between the bank and the customers were electronic, and 99 percent of inter-company payment transfers are automated. As many as 2.8 million tele-banking agreements were signed in 2002. Nordea has an electronic banking service offering the widest range of financial services in the world and is also one of world's biggest Internet banks. The Finnish OKO bank group was the first in the world to offer banking transaction services on the Internet in 1996.

Most Finnish banks offer banking services through WAP (wireless application protocol). Customers are able to handle bank transfers, pay bills, ask for accounting info, send/receive customer mail, shop and even buy shares on the Finnish stock market using a WAP phone. The first bank in the world to offer WAP banking services was Merita Nordbanken (now Nordea). The service has been available since October 1999.

## **2. Foreign Exchange Controls Affecting Trade**

All Finnish foreign exchange controls have been abolished.

## **3. General Availability of Financing**

The Finnish financial market is typical of European countries where banks and financing institutions have the dominant role, although insurance institutions play a major role in credit supply. Insurance companies, through their management of compulsory insurance schemes of the public social security system, lend a substantial part of the money back to the companies that pay the compulsory premiums. Financing is also available through the stock exchange and the government's financing systems.

Finland's venture capital/GDP ratio is well below the level of the leading industrial economies. In 2002, venture capital investors made 462 investments worth a total of EUR 391 million -- compared with 2001 the amount invested increased by 15 percent. Private independent funds made up 89 percent of the investments while the government-related sector accounted for 11 percent. In terms of the number of investments the most companies most invested in were in the ICT sector (13 Percent), in the Life Sciences sector (19 percent), and in the service sector (10 percent).

## **4. How to Finance Exports/Methods of Payment**

Government-owned companies or agencies provide financing and guarantees for exports. Depending on the nature of the goods exported and on the risks connected to trading partners, a portion of the export costs must be provided by the company in question. Finland prefers that, in subsidized export financing, (where Finland adheres to OECD principles), international arrangements be made with a minimum of government involvement. In addition to government activities, commercial banks provide financing, with guarantees when possible, for exports. The banks advise their customers on bank loans as well as on loans granted by other credit institutions.

## **5. Types of Available Export Financing and Insurance**

Financing and guarantees for exports are provided for by the Sampo Group and Finnvera. Major Finnish government and other programs are detailed below.

**Sampo** - is Finland's first full service financial group, providing financial, investment and insurance services to its customers. The insurance company Sampo and the banking group Leonia merged at the beginning of 2001 to Sampo-Leonia and in April 2001 the name was shortened to Sampo. Sampo provides medium- and long-term financing for the export of capital goods and services from Finland to markets throughout the world. Credit structures applied by Sampo bank in export and project finance transactions are divided into buyer-credit, credit line and project finance. Credits extended by Sampo can

be divided to three major groups according to the level of official support; market-term credits, OECD term-export credits and concessional credits. Sampo has in-depth expertise in structuring, arranging and financing international projects, especially in the following defined industry sectors; pulp and paper, energy and infrastructure, and telecommunications (www address: [www.sampo.fi](http://www.sampo.fi))

**Finnfund** - The Finnish Fund for Industrial Cooperation: Similar to the U.S. government-sponsored OPIC, Finnfund promotes investments in developing countries. Finnfund acts as an agent in Finland for EU programs for the financing of investment in emerging continents. Finnfund provides equity capital as well as long-term investment loans and also participates in guarantee arrangements. In addition to financing, the corporation offers a broad range of fund-management and advisory services. Finnfund is owned by the State of Finland, Finnvera, the Confederation of Finnish Industry and Employers, and the state-owned company Solidium (web site: [www.finnfund.fi](http://www.finnfund.fi)).

**NIB** - Nordic Investment Bank: NIB is a multilateral financial institution owned by the five Nordic countries. Its head office is located in Helsinki. NIB extends loans and provides guarantees on normal banking terms for export and investment projects in line with Nordic interests. Loans and guarantees are given to investments that assure energy supply, improve infrastructure or support research and development. The core of NIB's international lending consists of project investment loans, which are granted to projects with Nordic participation, usually with a government guarantee. Outside the Nordic area, NIB finances a variety of international projects, both in emerging market and the OECD countries. The bank extends credits for projects supporting economic development in the Nordic countries' neighboring areas and for investments in parts of the world which are of mutual interest to the recipient country and the Nordic countries. (web site: [www.nib.fi](http://www.nib.fi)).

**Finnvera** - Finnvera is a specialized finance company promoting Finnish exports by offering export-credit guarantees and supporting domestic operations of small and medium-sized companies by offering risk financing and guarantees. Owned entirely by the Finnish State, Finnvera was formed by merging the activities of Kera Corporation and the Finnish Guarantee Board (FGB) on January 1, 1999. Finnvera's domestic development and financing solutions are particularly geared towards small and medium-sized companies, and thus Finnvera also helps to promote the government's regional policy objectives. Finnvera is the official Finnish export-credit agency (ECA), in addition to FIDE, providing export guarantees and insurance. Finnvera also acts as an Intermediary for financing by the EU Joint European Venture Initiative (JEV) and by the European Investment Fund. It is involved in cooperation in the OECD, EU and Berne Union. It represents Finland at meetings of the Paris Club and works in cooperation with the European Mutual Guarantee Association (EMGA). Finnvera's export credit guarantee and insurance commitments are fully guaranteed by the state of Finland (web site: [www.finnvera.fi](http://www.finnvera.fi)).

**FIDE Ltd:** FIDE Ltd is a state-owned limited liability company that began operations on January 1, 1997. The Company was set up by virtue of the Act on an Interest Equalisation Company for Officially Supported Export Credits and its activities are governed by the Act on the Interest Equalisation of Officially Supported Export Credits. The Company has been accorded the Export Credit Agency (ECA) status based on international agreements. From January 1, 1999 FIDE is a subsidiary of Finnvera. FIDE Ltd offers companies and financial institutions an internationally competitive possibility to utilize OECD-term export credits by administrating the interest equalization system and

by developing the Finnish export finance system. FIDE provides companies and financial institutions with interest equalization offers and concludes interest equalization agreements with Finnish and foreign financial institutions. FIDE advises companies on the financing of exports and participates in the international co-operation of export financing, particularly in the OECD and the EU. FIDE is an internationally notified official Export Credit Agency (ECA) (web site: [www.fide.fi](http://www.fide.fi))

**SITRA and TEKES:** SITRA (the Finnish National Fund for Research and Development) and TEKES (the Technology Development Center) are public financing institutions with the purpose of strengthening the role of research in economic life and promoting new products with the aim of introducing internationally competitive high-technology products and production methods. SITRA makes equity-related investments in high-tech companies during their start up and growth stages and finances management buy-outs and spin-offs from large and medium-sized companies (corporate venturing) and the incorporation of these new businesses. It is a shareholder in about 100 different technology enterprises. TEKES stimulates and coordinates research and development projects between Finnish companies, universities and research institutes and their foreign counterparts. Activities should diversify production structures, increase production and exports, and create a foundation for employment and well-being (web site: [www.sitra.fi](http://www.sitra.fi) & [www.tekes.fi](http://www.tekes.fi))

**Ministry of Trade and Industry:** The ministry and its regional Employment and Economic Development centers offer subsidies for investment in the form of regional investment aid, aid for small businesses or development aid for small and medium-size enterprises (SMEs). Special investment and start-up aid is available for small companies in the whole country, especially in rural areas and structural adjustment areas. This subsidy can be up to 45 percent of the investment in development areas and up to 15 percent elsewhere in the country. SMEs can obtain special development aid for improving their competitiveness in the long run or operations increasing internationalization. The ceiling of aid for product development projects is 35 percent which, however, can be exceeded by 5 percentage points inside the development area. (web site: [www.ktm.fi](http://www.ktm.fi))

## **6. Project Financing Available**

Sampo Group and Finnfund provide financing for overseas projects. The participation of third-country firms in projects is possible. The Nordic Investment Bank (NIB) can help finance projects presenting adequate security and good risk classification, both within and outside the Nordic area.

## **7. Banks with Correspondent U.S. Banking Arrangements**

All principal Finnish banks have extensive correspondent relationships with U.S. banks, maintaining relationships with banks in every state as well as with all of the larger financial center banks. Further information on correspondent relationships can be obtained from the Finnish Bankers' Association, P.O. Box 1009, FIN-00101 Helsinki; Tel: 358-9-4056 120, fax: 358-9-40561-291 (web site: [www.pankkiyhdistys.fi](http://www.pankkiyhdistys.fi)).

## 9: BUSINESS TRAVEL

### **Business Customs**

Finland is a modern, commercially mature country that enjoys close relations with its Nordic neighbors. Social and business protocol is similar to that in the United States and requires no special mentions of taboos. It is worth noting that relationships are important within the social and business world, as Finns prefer to deal with people they know and trust.

### **Visa Requirements and Business Mobility Generally**

With the exception of Nordic (Sweden, Norway, Denmark, Iceland) citizens, citizens of EU countries (except Greece), and citizens of Switzerland, San Marino and Liechtenstein, foreigners entering Finland must have a valid passport. A tourist or business visa is not required for stays of up to three months. For non-EU citizens a visa is needed for stays exceeding 90 days. Visa applications should be submitted to a Finnish diplomatic mission before entry into Finland.

A foreigner needs a residence permit in order to stay in Finland for a longer period of time. However, residence permits are also needed for short stays of less than three months if the purpose of the stay is to work in Finland. Residence permits require either a valid passport or a travel document. Foreigners must have work permits if they intend to work in Finland. Exceptions are citizens of the Nordic countries or citizens of EU/EEA countries. EU-citizens outside the Nordic countries need to apply for an EEA-card from the local police for stays exceeding 90 days. An EEA-card is a combined work and residence permit. For more travel information please go to [www.travel.state.gov](http://www.travel.state.gov)

### **Holidays**

2003 Year end holidays are:  
All Saints' Day (November 1)  
Independence Day (December 6)  
Christmas (December 25-26).

The national holidays in 2004 are:  
New Year's Day (January 1)  
Epiphany (January 6)  
Good Friday (April 9)  
Easter (April 11-12)  
May Day (May 1)  
Ascension Day (May 30)  
Mid-Summer (June 26)  
All Saints' Day (November 6)  
Independence Day (December 6)  
Christmas (December 25-26)

### **Workweek**

The average Finnish workweek is 40 hours per week, with annual leave of 25 days, 12.5 free days, and 9 paid holidays. Part-time employment averages to 17.8 hours per week.

## **Business Infrastructure**

Transportation and communications - see section Economic Trends and Outlook - Infrastructure

### Language

The two official languages in Finland are Finnish and Swedish. About 92.1 percent of the population speak Finnish and 5.6 percent speak Swedish. Both languages are compulsory at school. English is widely spoken in Finland, especially among younger people and in major cities.

### Education

Finland invests more in education than the EU countries on average. All children aged 7-15 – even disabled – attend school in Finland.

Comprehensive school is a nine-year compulsory general schooling for all children aged 7-16. The municipalities pay for teachers' salaries, books, health care, and school meals. After completing comprehensive school, students may attend high school for three years or receive vocational education. High school prepares students for university studies. Tuition at universities is minimal.

Helsinki has international, English, German, Russian, French, and Jewish schools in which classes are taught partly in foreign languages and partly in Finnish. The International, English, German and Jewish schools are private and charge tuition. University level education is mainly in Finnish, with exception of English language BBA and MBA programs in certain universities and polytechnics.

### Medical Services

Medical facilities are widely available. The public hospital system will not honor foreign credit cards and/or U.S. insurance coverage. However, private hospitals and clinics that accept major credit cards are widely available. Travelers have found that, in some cases, a letter from their carrier describing supplemental medical insurance with specific overseas coverage has proved useful.

A foreigner is usually covered by the Finnish social security after moving to Finland, with health care as one of the benefits. Services are provided within each municipality. The quality of public health care is equivalent to care given by private doctors. In addition, the employers subsidize occupational health care.

### Housing

Most people in Finland own their own housing. The cost to rent an apartment varies depending on the size, age, condition and location. Rents are generally quite high, especially within the Helsinki area, and most places come unfurnished.

## Food

Despite prices converging with other EU levels, Finland's price structure regarding food and household needs is the lowest of the Nordic countries and only slightly above the OECD average. Finnish food is consistent to produce that is in season, which provides an array of berries, mushrooms, seafood etc. Potatoes are a main staple and accompany most evening dishes.

Temporary Entry of Goods - see section Trade Regulations, Customs, and Standards

### **Contact Information**

The Commercial Service staff in Helsinki provides several services for U.S. companies interested in doing business in Finland or using Finland as a gateway to Russia and the Baltic countries, especially Estonia. Please contact us at the following address to set up an appointment prior to your visit to Finland:

Commercial Service Helsinki  
American Embassy  
Itainen Puistotie 14 B  
FIN-00140 Helsinki, Finland  
Tel: (358-9) 616 250  
Fax: (358-9) 616 2 5130  
E-mail: Helsinki.Office.Box@mail.doc.gov

## **10: ECONOMIC AND TRADE STATISTICS**

### **APPENDIX 1: Country Data**

Population: 5.200.000  
Population growth rate: 0.2%  
Religion/s: Lutheran 84.6%, Orthodox 1.1%, no denomination 13.1%, other 1.1%  
Government system: Republic  
Language/s: Finnish 92.14%, Swedish 5.58 %, Lappish 0.03%, Russian 0.64%,  
Other 1.61 %  
Length of workweek: 38.1 h (employed full time); 20.1 h (part time employees)  
Employment rate (persons aged 15-64): 67.7%  
Source: Statistics Finland

## APPENDIX 2: Domestic Economy

Domestic Economy (USD millions, except as noted):

<b>Data Table – \$Millions</b>	2001	2002 (P)	2003 (F)
GDP	122,212	132,747	149,904
GDP growth rate percent	1.2	2.2	1.8
GDP per capita	23,525	21,375	28,733
Government spending as % of GDP (public expenditure)	45.5	42.4	44.2
Inflation percent	2.6	1.6	1.6
Unemployment percent	9.1	9.1	9.4
Foreign exchange reserves	8,731	8,901	9,267*
Debt service ratio (ratio of principal and interest on foreign debt to foreign income)	N/A	N/A	N/A
U.S. economic/military assistance	N/A	N/A	N/A
Exchange rate USD/EUR	0.90	0.95	1.05**

P = provisional, F = forecast, \* = End May, 2003, \*\* = MOF estimate for 2003

Sources: Statistics Finland, the Ministry of Finance, and the Bank of Finland

Sources: Board of Customs, Bureau of Statistics, Confederation of Finnish Industry and Employers (TT), Ministry of Finance.

## APPENDIX 3: Trade Statistics

<b>Data Table – \$Millions</b>	2001	2002	2003
Total country exports	45,094	44,570	45,640
Total country imports	33,859	33,595	34,200
Export to U.S.	4,377	3,969	4,048
Imports from U.S.	2,393	2,208	2,230
Exchange rate: \$1= EUR 1.06			

Sources: Board of Customs, Bureau of Statistics, Confederation of Finnish Industry and Employers (TT), Ministry of Finance

## **11: U.S. AND COUNTRY CONTACTS**

### **U.S. Embassy Trade Personnel**

Commercial Service of the United States  
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PSC 78, Box H  
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Fax: (358-9) 6162 5130  
E-mail: Helsinki.Office.Box@mail.doc.gov  
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Ms. Tarja Kunnas, Senior Commercial Specialist  
Ms. Mia Maki, Commercial Specialist (on leave)  
Ms. Merja Poikolainen, Commercial Assistant  
Ms. Johanna Aaltonen, Commercial Assistant

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U.S. Department of Agriculture  
Foreign Agricultural Service  
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Tel: (202) 720-7420  
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Internet: [www.fas.usda.gov](http://www.fas.usda.gov)  
E-mail: [info@fas.usda.gov](mailto:info@fas.usda.gov) / [TAPO@fas.usda.gov](mailto:TAPO@fas.usda.gov)

TIC Trade Information Center in Washington  
Tel: 1-800-USA-TRADE  
Internet: [www.trade.gov/td/tic](http://www.trade.gov/td/tic)  
E-mail: [TIC@ita.doc.gov](mailto:TIC@ita.doc.gov)

U.S. Department of State  
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2201 C Street NW, Room 2318  
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Fax: (202) 647-3953  
Internet: [www.state.gov/www/about\\_state/business/index.html](http://www.state.gov/www/about_state/business/index.html)  
E-mail: [cbaweb@state.gov](mailto:cbaweb@state.gov)

Overseas Private Investment Corporation (OPIC)  
1100 New York Avenue, NW  
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Tel: (202) 336-8400  
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### **Country Trade Associations**

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Internet: [www.kaupankl.fi](http://www.kaupankl.fi)  
E-mail: [guy.wires@kaupankl.fi](mailto:guy.wires@kaupankl.fi)

Central organization for 40 branch associations

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Internet: [www.tt.fi](http://www.tt.fi)  
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Mr. Martti Maenpaa  
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## 12: MARKET RESEARCH

### List of Available Industry Sector Reports – FY 2002:

A complete list of market research is available on the Department of Commerce National Trade Data Bank (NTDB) or at the following web sites: [www.BuyUSA.com](http://www.BuyUSA.com), [www.usatrade.gov](http://www.usatrade.gov) and [www.export.gov](http://www.export.gov)

## 13: TRADE EVENT SCHEDULE

EVENT	VENUE	DATE
Finnish Medical Convention 2004	Helsinki Fair Center	4-8 Jan 2004
Matka 2004 (Travel)	Helsinki Fair Center	15-18 Jan 2004
Telecommunications 2004	Jyvaskyla Fair Center	4-6 Feb 2004
Helsinki International Boat Show 2004	Helsinki Fair Center	6-15 Feb 2004
VISIT USA Travel Seminar	Marina Congress	11 Mar 2004
Gastro 2004 (Hotel, Restaurant, Catering)	Helsinki Fair Center	17-19 Mar 2004
Viiniexpo (Wine)	Helsinki Fair Center	17-20 Mar 2004
American Car Show 2004	Helsinki Fair Center	9-12 Apr 2004
FinnTec 04 (Technical)	Helsinki Fair Center	11-14 May 2004
Environment 2004	Helsinki Fair Center	September 2004
Finnish Dental Congress 2004	Helsinki Fair Center	11-13 Nov 2004

More information from:

Helsinki Fair Center	<a href="http://www.suomenmessut.fi">www.suomenmessut.fi</a>
Wanha Satama	<a href="http://www.wanhasatama.com">www.wanhasatama.com</a>
Tampereen Messut	<a href="http://www.tampereenmessut.fi">www.tampereenmessut.fi</a>
Jyvaskylan Messut	<a href="http://www.jklfairs.fi">www.jklfairs.fi</a>
Turun Messu- ja kongressikeskus	<a href="http://www.turunmessut.fi">www.turunmessut.fi</a>
Lahti Fair Center	<a href="http://www.lahdenmessut.fi">www.lahdenmessut.fi</a>