



U.S. Department of State FY 2001 Country Commercial Guide: Finland

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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.

I: EXECUTIVE SUMMARY

Situated in northern Europe, Finland is a country with an open market economy; about 35 percent of GDP comes from foreign trade. Finland's membership in the EU (1995) has resulted in a further opening of the markets to international companies. Most Finnish enterprises are privately owned. Most state-controlled companies operate on a commercial basis, according to free-market principles. Finland's business attitude towards the United States is positive, and business relations between Finnish and U.S. companies are often based on many years of mutual experience.

Besides holding a leading position in wood-based industries, Finland is the world leader in the manufacture of cellular phones, paper machinery, medical devices and instruments for environmental measurements. The primary competition for American companies comes from European suppliers, especially German, Swedish, and British (see best prospects section for detailed description of competitor market shares by industry sectors).

Finnish - U.S. Trade

The U.S. position as Finland's most important trading partner outside of Europe was solidified in 1999. With 7.9 percent share of imports, the United States is Finland's third largest supplier after Germany and Sweden, moving ahead of the United Kingdom and Russia. The total value of U.S. exports to Finland in 1999 was \$2.5 billion. Major exports from the United States to Finland are machinery, aircraft, aircraft parts, computers, peripherals and software, electronic components, electric machinery, chemicals, telecommunications equipment and services, medical equipment, and some agricultural products. This trend is expected to continue through the year 2000.

The main export items from Finland to the United States are paper and paperboard, ships and boats, ferrous and non-ferrous metals, paper industry machinery and electric machinery. The United States is Finland's fourth largest customer after Germany, Sweden, and the United Kingdom. The U.S. share of Finnish exports in 1999 was 7.9 percent, or \$3.3 billion.

Finland's Surging High-Tech Sector

Finland's electronic and electrical sector overtook the forest products and metal industries as the country's largest export industry. In 1999, high-tech exports were 20 percent of total Finnish exports and increased in volume by 8 percent over 1998. Production in this sector has increased almost five-fold since 1990. The sector also accounts for 60 percent of all industry R&D funds in Finland.

Finland's largest company, Nokia, is the number one manufacturer of mobile phones in the world. Presently, 68 percent of Finns own a mobile phone and there are more Internet connections per capita in Finland than in any other country in the world. Finland's impact on the future of the information technology and wireless communications industries will certainly continue to be very significant in the future (see best prospects section – telecommunications services and equipment).

Finland, a Springboard to Russia and the Baltic Countries

Finland's gateway position between east and west was also emphasized when Finland became a member of the EU and was strengthened during Finland's EU Presidency (July-December 1999). As the only EU member state bordering Russia, Finland is a vital transit channel to the Russian markets. 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 the east. Many foreign and U.S. companies are using Finland as a base for opening their transportation and marketing activities to the former Soviet Union.

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II: ECONOMIC TRENDS AND OUTLOOK

Major Trends and Outlook

The Finnish economy has continued its recovery from the devastating 1990-93 recession; in early 1997 GDP returned to pre-1990 levels.

From June 1991 to September 1992 the Finnmark was pegged to the European Currency Unit, the ECU. The fluctuation margins and the midpoint were set so as to correspond to

the fluctuation margins and midpoint of the old currency index. In September 1992, the Bank of Finland decided to abandon the limits of the fluctuation range and allow the Finnmark to float. Finland joined the Exchange Rate Mechanism (ERM) of the European Monetary System in October 1996, at the central rate of 1 ECU = FIM 5.80661 (currently 1 ECU = USD 0.9405). As of January 1, 1999, 11 EU member countries including Finland joined the third stage of the 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 ECB. The Finnmark was pegged to the Euro at 5.9457.

Economic growth in Finland has shifted from export led growth to domestic demand led growth. EU and EFTA countries have continued to absorb the bulk of Finnish merchandise exports. In 1999, their average share was 58 percent. Over the same period, Finland's exports to other European countries (including Russia) accounted for 13.2 percent, developing countries 9.1 percent and the USA 7.9 percent. Germany is the largest trading partner of Finland with 13 percent of Finland's exports. In the course of 1999, the global economy recovered from the worldwide recession that arose from the Asian economic crisis of 1997. Low interest rates and slow inflation have increased domestic demand in Finland. International trade has revived.

The regional distribution of Finland's imports has been quite similar to that of exports with the EU and EFTA countries accounting for 63 percent and other European countries for 12 percent. Imports from outside Europe are primarily from Asia and the USA; less than one percent comes from Africa. In 1999, average overall import prices fell by one percent. This year imports are expected to increase by 5 percent and import prices are expected to rise by 4 percent. The rise in the price of imports has been precipitated by the increased cost of raw materials such as oil. The weakness of the EURO against other currencies has also caused a rise in the cost of imports. With industrial production growing faster this year, demand for imports is expected to increase.

In 1999, the share of paper industry exports was 28.7%, the share of machinery and metal production 23.3%, and the share of electrical equipment and electronics 27.9%. Raw materials accounted for 40.9% of total merchandise imports, energy 8.9%, investment goods 25.8%, durable consumer goods 10.5% and other consumer goods 6.2%.

GDP in 1999 was FIM 718 (\$123.8) billion and the growth rate during 1999 was in the range of 3.5 percent per annum. The GDP(change in volume %) for 2000 is forecast at 5.2 percent.

With economic growth, labor demand is expected to increase towards the end of the year. In 2000, the index of wage and salary earnings is projected to rise by an average of 4.0 percent from 1999. With the number of work hours continuing to rise, the wage bill is set to increase by 6 percent. The rise in labor costs appears to be growing more quickly than in the EURO area on average. In 2001, the pressure on costs and prices caused by import prices is estimated to be much smaller than this year. If the next wage settlements in the

labor market are favorable to competitiveness in the EURO area, the rise in consumer prices could decrease to less than 2 percent next year.

Private consumption grew by 2.8 percent in 1999 and is forecast to grow by 3.3 percent in 2000. Private consumption is forecast to grow by 2.9 percent in 2001. Consumer confidence remains high overall.

With the European markets recovering and with continuing demand in the main market groups, exports are forecast to increase this year. Total output is expected to grow by 4.7 percent from last year. Fuelled by low interest rates, the growth in lending and economic development is creating a sharp increase in employment. The unemployment rate was 10.2 percent in 1999. It is forecast to be 9.5 percent in 2000 and 8.5 percent in 2001.

Central government expenditure decreased last year. This year with expected economic expansion, tax receipts are likely to grow. In 1999, general government finances reached a 2.3 percent surplus relative to GDP. This surplus will most likely continue throughout this year. Local government finances were in a small deficit last year. Differences between municipalities were quite large. Eighty-five(85)municipalities were fiscally in the red. This year, local government finances are expected to become balanced, provided that expenditures are tightly controlled.

Principal Growth Sectors

Manufacturing: Manufacturing output grew by 5.5 percent in 1999. The electrical and electronic industry accounted for a large part of the growth. With solid growth in both the electrical and electronics industry and in the more traditional sectors of industry, production is forecast to grow by 8.5 percent this year. Global success in telecommunications warrants growth in demand, but capacity limits and shortages of skilled labor are gradually beginning to set limits on the growth potential in Finland.

The metal industry grew 10 percent from the previous year, growing faster than the other major industrial sectors. Output increased during 1999 and is expected to grow by 12.5 percent this year.

Demand for machined and fabricated metals had increased because of investment in Finland and Central Europe. Metal prices have risen and production is growing at a steady pace. Because of the rise of stock orders in the main metal industry sectors, the growth prospects in the metal industry look positive for this year.

The output in the forestry industry fell during the beginning of 1999 due to a lack of world market demand. However, output in the forest industry grew by 3.5 percent in 1999 due to brisk autumn production. Output in the forest industry is expected to grow by 8.5 percent this year. Production in the pulp and paper industry is expected to grow by one-tenth this year. A number of stoppages occurred during early 1999 due to lack of demand. With brisk construction activities and improving export demand, the wood products industry looks promising for this year.

Finland's advanced biotechnology industry is also experiencing growth at this time. Recently ranked as #7 in Europe, Finland has over 80 biotech firms in operation.

Overall economic growth was strong in 1998. The growth was driven mainly by domestic consumption, which increased by approximately 3%, while exports decreased. Domestic consumption is expected to stay at the same level in 1999 and 2000.

Agriculture: In 1999, Finland had the second crop failure in a row, only this year it was due to drought, while in the year before crops suffered from too wet conditions. The difficult weather conditions in 1998 and 1999 has decreased the agricultural productivity and lowered the agricultural income by more than 10%. The five-year transitional period for the adjustment to the EU membership came to an end in 1999, but a similar agricultural support system for the future has been agreed on. The agricultural reform of the EU, Agenda 2000, did not bring along any dramatic changes in the support policy from a Finnish perspective. Price support for arable crops, milk and beef is lowered by degrees, and losses to agriculture are compensated for through an increase in direct payments. In the dairy regime the reform will start in the marketing year 2005-2006. New elements in the support system include the support for silage grass, which was very important for Finnish livestock production, as well as additional support for cereals and oil-seed crops in Finland. The shift in the emphasis of the support measures from price support to direct payments follows the trend started by the reform of 1992. The objective is to prevent oversupplies, which are very costly. The reduction in price support brings the EU prices closer to the world prices, and the need for export subsidies decrease.

Services: Private services increased by 2.5 percent in 1999. The increase was less than in 1998. The outlook for this year looks good and demand in the private services sector is expected to increase this year.

Output in transportation services dropped by 3 percent last year following several years of growth. Due to administrative difficulties in Russia, transit traffic decreased. However, with activities in the traditional industrial sectors on the rise, demand in the transport industry is expected to rise this year. In other private services areas growth is expected this year. It is forecast that technology and information services such as the media, Internet, and digital television, will become increasingly important.

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 has been to curb the growth of debt.

Over the next few years it is the government's intention to pursue an economic policy of stable development and sound structural change, so that Finland will be prepared to meet

serious challenges, such as the aging of the population, the internationalization of the economy, the welfare of the whole population and the requirements of a balanced regional development. Success will largely depend on fiscal policy, which in the Euro environment plays a particularly important role. There are four reasons for persisting with a tight fiscal policy in the next few years; sustainable economic growth must be ensured without creating new imbalances, the impending increase in pension outlays as well as the ground for tax cut set out in the government program must be prepared for, and there must be sufficient room for maneuver to cope in periods of cyclical downswing.

The government has promised decisive action to increase employment and adopted a package of measures aimed at cutting the number of jobless over the next few years. This employment program aims to deepen the process of gradual re-employment, cut the tax wedge by reducing unemployment insurance, social security and pension contributions with a view to stimulating purchasing power and increasing demand for labor. The program also aims to create the basis for a stronger labor market by reforming working life, improving vocational training, introducing job sharing, encouraging private sector growth, and stimulating the housing and building industry.

The Finnish government has traditionally played a large 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 and act in a practical way, on market terms. The program's aim is to reduce the government's stake through stock transactions rather than by selling off companies to individual investors. Recent examples include the IPO of Sonera (former Telecom Finland) and Elisa (former Helsinki Telephone Company) and the selling of Enso to Stora. In virtually every case, however, the Finnish government has retained significant minority stakes in privatized companies.

However, in June 2000, Finland's parliament granted the Finnish government permission to sell the state's entire stake (53.3 percent) in Sonera. Part of the revenues from the sale of Sonera will be used to help cut state debt.

Balance of Payment Situation

With the onset of Stage Three of EMU on January 1, 1999, Finland's national 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 effect the EURO's exchange rate against the major currencies. Despite the slowdown in the rate of growth of exports towards the end of 1998, the surplus on the current account was FIM 37.2 (\$6.2) billion representing 5.2 percent of GDP. This year the surplus is estimated at FIM 41 (\$6.8) billion. Finland's net foreign debt was FIM 1261 (\$226) billion at the end of last year. Because of a sharp rise in share prices, net debt more than doubled from the year before.

The surplus on the trade account amounted to FIM 64.5 (\$11.6) billion in 1999, nearly the same as in 1998, despite a 5 percent decline in the trade of merchandise. This year, the trade account surplus is expected to grow because of good export prospects.

The financial health of Finnish companies has improved substantially in the last four years. As a result of the exceptionally deep recession, households and enterprises have become increasingly cautious in their behavior. The savings rate of households is high, as they pay off their debts and housing investment remains low. The savings rate for the economy as a whole exceeds the investment rate, which is reflected in the wide current account surplus.

Central government tax receipts are anticipated to grow by about 6 percent in 2000; with earned income and private consumption increasing, taxes levied on earnings and production activities will grow. Corporate tax accrual is expected to grow by one-fifth this year. Central government tax receipts increased because of good performance in technology-oriented enterprises and tax receipts from production. Central government revenue growth was 2 percent in 1999.

Central government expenditure will remain restrained. The decade-long period of deficit, which was at times substantial, is coming to an end this year, and central government finances will likely move into a small financial surplus. The surplus as a ratio of GDP is estimated to be around ½ percentage points. Total central government expenditure are expected to have little growth this year. The year 2000 Budget is in surplus, and state debt will be amortized for an estimated value of FIM 7 (\$1.2) billion. State debt will be down to FIM 400 (\$66.7) billion, about 53 percent of GDP.

There was a net direct investment outflow of FIM 34.7 (\$6.5) billion in the financial account of 1998. Finnish direct investment abroad totaled FIM 99.6 (\$18.6) billion and foreign direct investment in Finland was FIM 64.9 (\$12.2) billion. Finnish companies' income from foreign direct investment totaled FIM 10.5 (\$2.0) billion and foreign investors' income on direct investment in Finland was FIM 10.8 (\$2.0) billion. (Note: 1999 figures will not be published until August 2000).

Foreign direct investment by Finnish companies has expanded at an accelerating pace over the last few years. The figures for the first quarter of 1999 were FIM 17.8 (\$3.2) billion outward and FIM 5.2 billion (\$933 million) inward.

At the end of 1998, the listed value of Finnish direct investment abroad was FIM 144.9 (\$27.1) billion. Manufacturing companies accounted for FIM 114.9 (\$21.5) billion of the total. Among the manufacturing investors were metal and forest industries. In 1998, the major immediate host countries for Finnish direct foreign investment were Sweden, Netherlands and the United States.

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 may encourage foreigners to invest more in Finland, but their main emphasis is expected to remain on share and bond investments

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 more than 50 ports and loading places. Twenty-three seaports are open year round. Finnish ports, 15 of which deal with transit traffic through Finland, can handle a wide range of shipments and goods. The ports on the Gulf of Finland handle about 50 percent of all general sea borne cargo traffic. The ports near the Russian border (Hamina, Kotka and Mustola) concentrate on forest industry 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 crossing point. The E18 road 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. In the next few years, the sectors of telecommunications and information technology will continue to grow rapidly. Finland's telecommunications environment is one of the most advanced in Europe and the growth of international business in telecommunications is of significant importance to the Finnish economy. Access to telecommunications networks and information services by operators in electronic commerce is currently being planned, as is the availability of efficient cryptographic products in national and international communications and in electronic commerce. Finland was the first country to grant licenses for third generation mobile networks. Four telecommunications companies received a license to construct a third generation mobile network. Test use of the third generation mobile phone system is set to begin in the summer of this year. Operations will be launched by January 1, 2002 at the latest.

In 1999, significant steps were taken to establish a digital television system in Finland. In June, the Ministry of Transport and Communications granted licenses for digital television channels. The licenses were granted for ten years, from September 2000 to August 2010. The national digital channels licenses were granted to MTV 3 (MTV Group), Oy Ruutunelonen Ab (Channel Four Finland), Deuterium Oy (Canal+) and Wellnet Oy. The government also granted licenses for three digital special channels and a

television channel that broadcasts regional programs. Digital transmissions are planned to begin from the end of this year. The government plans to phase out analog television by the end of 2006. The Finnish government and private sector have advanced IT systems with well-trained staff.

III: 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 subsumed by the broader U.S.-EU trade relationship. The US 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. Northern European Initiative (NEI) 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 nonaligned; however, 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 are demonstrative of Finland's commitment to PfP.

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 1999. 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. One of the key issues of Finland's EU Presidency (July-December 1999) was the reconstruction of Kosovo. In 1998, Finland's parliament easily approved a government motion to allow Finland to enter the first round of the European Monetary Union (EMU). EU membership for the Baltic States is a Finnish priority.

Social Democratic Prime Minister Paavo Lipponen's broad, five-party coalition continues to face high unemployment, 9.5% in 2000, although this figure is projected to decrease slightly over the next two years and is well below its peak of 18.2% in 1994. In essence, Lipponen's government is trying to prune, but preserve, the welfare state.

In 1997, cooperation among the government, labor unions, and employers brought about a tripartite two-year incomes policy agreement. This helped dampen inflation and preserve prospects for continued growth. However, signals of an unwillingness to conclude a follow-on tripartite deal were present among major unions in late 1999, and no broad consensus among the government, unions, and employers could be reached. Consequently, the unions began to seek individual agreements with employers in their individual sectors. The metal workers union, among others, was successful in the

collective bargaining process, earning a modest 3.1% increase in pay for its workers. Other unions followed suit and accepted 3.1% rises in wages as well. Several sectors were not successful in the collective bargaining process, however. Workers in the paper, chemical, and transportation sectors went on strike and received larger increases in pay, around 4.6%. With its economy growing, energy needs in Finland are also expanding. In the future this could be problematic, as consensus on future energy production is hard to reach in a governing coalition that includes members of a Green Party strongly opposed to increased use of nuclear power.

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

Finland is a parliamentary democracy headed by a strong 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.

Parliamentary elections are normally held every four years; the most recent were in March 1999. Social Democratic Party chair Paavo Lipponen continues in his position as Prime Minister for his second consecutive term. Lipponen's government is a broad "rainbow" coalition of parties with the rural-based Center Party in opposition. Currently there are nine parties represented in Finland's 200 member unicameral legislature, the Eduskunta: the Social Democrats (51 seats), the Center Party (48), the Conservative Party (46), the Left Alliance (20), the Swedish People's Party (11), the Green League (11), the Christian League (10), the True Finns (1), the Reform Group (1) and Others (1). The current governing coalition in Finland consists of the Social Democrats, the Conservatives, the Greens, the Left Alliance, and the Swedish People's Party.

Principal Political Parties

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 being said, it supports the Nordic welfare state. Under current party chair and Prime Minister Paavo Lipponen, the SDP has strongly supported Finnish membership in the European Union from 1995 onward, 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.

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 its 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, made a strong, but unsuccessful bid, for the presidency in the 2000 presidential elections. Aho will take a one-year leave of absence in 2000-2001 to lecture and study at Harvard University. Many observers consider the Center Party to be the truly “conservative” party, especially with respect to social issues.

Conservative Party (Kokoomus): The largely urban-based Conservative Party would not, by US standards, be termed “conservative”. The party re-entered government in the 1980s after a twenty-two year hiatus, and in the most recent elections gained seven seats, the largest increase of any party. Under the leadership of its chairperson, deputy PM and Finance Minister, Sauli Niinistö, the party has favored fiscal restraint, deregulation, and lower taxes. However, like other major Finnish political parties, the Conservatives are supportive of the welfare state. 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 nonalignment.

Left Alliance (Vasemmistoliitto): A conglomeration of Socialists, ex-Communists, and disenchanted 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 Suvio 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 has been difficult, however, mainly because of the hard-line faction that still exists in the Left Alliance.

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.

Green League (Vihreäliitto): 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. Nine of their eleven MPs are women, and they make up a disproportionately large bloc in the Finnish delegation to the European Parliament

IV: 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 followed:

- 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 and/or Invest in Finland Bureau.

Creating a Joint Venture

Several U.S. companies have established themselves in the Finnish market with subsidiaries or joint ventures, with particular interest 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 rail road 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 also 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 Agent/Distributor Search, Gold Key Service, and other networking activity.

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

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www.asiakastieto.fi

or their partner in the U.S.:
Veritas
121 Whitney Avenue
New Haven, CT 06510
Tel: (203) 781-3830, Fax: 781-3833

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 and wholesalers and trading houses are members of the Federation of Finnish Commerce and Trade (FFCT), which is a central organization for 40 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 \$2.7 billion in 1999. According to a survey made by the Finnish Franchise Association (FFA), there are about 150 franchise chains in Finland of which about one-third are foreign owned. In 1999, the sales of franchising companies increased by 15 percent. 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 V: 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 population-wise, 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.

Product Pricing and Licensing

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, electricity, alcohol, beer, tobacco, soft drinks and mineral water. Imports from the EU (European Union) and EFTA (European Free Trade Association) countries 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 and Trade Promotion

Over \$1.1 billion was spent on advertising in the Finnish mass media in 1999. Newspapers account for 48 percent of all media advertising, television 17 percent, periodicals 14 percent and radio 3 percent. From 1998-99, the advertising value of Internet advertising increased about 70 percent. All media in Finland is open for advertising.

There are two different acts concerning marketing, the Consumer Protection Act and the Act on Unfair Business Practice. Advertising is controlled by the Consumer Ombudsman and the Marketing Court. 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 has been allowed since 1995.

Major Newspapers:

Helsingin Sanomat
P.O. Box 975
FIN-00101 Helsinki, Finland
Tel: 358-9-1221, Fax: 358-9-605 709

Aamulehti
Pieni Roobertinkatu 11 A
FIN-00120 Helsinki, Finland
Tel: 358-9-853 9560, Fax: 358-9-853 9579

Business Magazines/Journals:

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

Taloussanomat (Business daily)
P.O. Box 1230
FIN-00101 Helsinki, Finland
Tel: 358-9-1221, Fax: 358-9-122 4119

Talouselama (Business weekly)
P.O.Box 920
FIN-00101 Helsinki, Finland
Tel: 358-9-148 801, Fax: 358-9-685 6650

E-Commerce Websites: www.soneraplaza.net, www.elisa.com, www.saunalahti.fi, sirkus.com

Trade Promotion

The main fair centers in Finland are located in the cities of Helsinki, Jyvaskyla, Turku, Tampere and Lahti. In 1999, they had approximately 1.5 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

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

Turku Fair Center Ltd.
P.O. Box 57
FIN-20201 Turku, Finland
Tel: 358-2-337 111
Fax: 358-2-2401 440

Lahti Fair Ltd.
P.O. Box 106
FIN-15141 Lahti, Finland
Tel: 358-3-525 820
Fax: 358-3-525 8225

Tampere Trade Fairs Ltd.
33201 Tampere, Finland
Tel: 358-3-2516 111

Fax: 358-3-2123 888

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.

V: LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

Best Prospects for Non-Agricultural Goods and Services

- | | |
|---|------------|
| 1. Franchising | (FRA) |
| 2. Computer Software | (CSF) |
| 3. Aircraft and Parts | (AIR) |
| 4. Computers and Peripherals | (CPT) |
| 5. Telecommunications Services
and Equipment | (TES, TEL) |
| 6. Environmental Technologies | (ENV) |
| 7. Travel and Tourism Services | (TRA) |
| 8. Medical Equipment | (MED) |
| 9. Financial Services | (FNS) |

Rank of sector: 1

Name of sector: FRANCHISING (FRA)

Narrative: The total market for franchising in Finland was estimated at \$2.7 billion in 1999. According to a survey made by the Finnish Franchise Association franchising sales increased by 15 percent in 1998. As a result there are about 150 franchise chains in Finland.

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 are in retailing and in services. 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 three large operators, McDonald's, Hesburger and Carrols.

McDonald's market share is about 50 percent. Hesburger (27 percent) and Carrols (19 percent) are domestic franchise chains. These restaurants have been in Finland for about

30 years. 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 bars.

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. In the coming years, the following franchise operations are expected to offer good possibilities in the Finnish market: print shops, all kinds of automotive services; tires, mufflers etc., dry cleaning, one hour photo shops and packaging stores.

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.

Data Table - USD Millions	1998	1999	2000
A. Total market size	1900	2700	3100
B. Total sales by local firms	1400	1800	2000
C. Foreign sales by local firms	0	0	0
D. Sales by foreign owned firms	500	500	1100
E. Sales by U.S. owned firms	450	450	750
F. Exchange rate: \$1=FIM	5.34	5.58	6.00

Note: The above statistics are unofficial estimates.

Rank of sector: 2
Name of sector: COMPUTER SOFTWARE (CSF)

Narrative: Finland's high level of education and the independent mentality among software professionals seems to have created a good atmosphere for quality. Adoption of new methods and tools for software development is in most cases relatively easy in this country. Finland's software market was estimated at about \$885 million in 1999. The United States, with an import market share of about 90 percent, 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, Lotus, Borland etc.

Finland has about 400 local producers of computer software, mainly custom-made business software. Finns are experts in wireless software technologies and multimedia software. There are also Finnish CAD/CAM/CAE producers who play an important role in the local software market as well as Internet and new media companies. About 120 Finnish companies export applications software mainly to the United Kingdom, the United States, the Baltic countries and Sweden.

The trend in the Finnish computer market, as elsewhere, is toward downsizing. An increasing number of companies are converting from mainframes to smaller computers with network capabilities. For this reason, sales of software for mainframes have declined, while the use of microcomputer software has increased. The total software market is expected to increase by about 20 percent during the next three years. The electronic industry, in particular, is expected to increase investments in smaller, user friendly computers, thus increasing market potential for computer software.

Special applications software and specialized, high-tech software such as CAD/CAM products for PC's, information management data base products, software based on embedded systems and real time systems, vertical and horizontal applications for business, government and local government intranets and ERP (Enterprise Resource Planning) solutions have excellent market potential in Finland. Due to changes in recent years in Russia and the Baltic countries, Finland also serves as an excellent gateway to these emerging markets.

Data Table - USD Millions	1998	1999	2000
A. Total market size	585	885	1190
B. Total local production	285	545	800
C. Total exports	120	140	160
D. Total imports	420	480	550
E. Imports from the U.S.	295	340	385
F. Exchange rate: \$1=FIM	5.34	5.58	6.00

Note: The above statistics are unofficial estimates

Rank of sector: 3

Name of sector AIRCRAFT AND PARTS (AIR)

Narrative: The United States is the most important supplier of aircraft and parts in Finland with an import market share of over 80 percent. The U.S. share is based on Boeing's (McDonnell Douglas) market position in Finland both in civil and military aviation.

The civilian market for aircraft and parts is dominated by the Finnair group, the national airline. The Finnair fleet as of 1999 consisted of 55 aircraft of which 44 were McDonnell Douglas planes. The average age of Finnair's aircraft is 10.7 years. Finnair is going to replace its medium-range fleet of 37 aircraft DC-9's and MD-80's with the Airbus 320 series, as the new aircraft type for its European traffic. Twelve Airbus aircraft have been ordered and the contract also includes options of an additional 24. Delivery started in the beginning of 1999. Finnair has also bought five Boeing 757's for holiday traffic between Finland and the Mediterranean destinations.

The total market for aircraft and parts is estimated to increase annually by about 15-20 percent. The increase is explained by the 64 F/A-18 fighters contracted by the Finnish Air

Force and Boeing. The value of the Hornet purchase is estimated at \$3.35 billion during 1995 - 2000. Seven Hornet trainers have been delivered by Boeing (McDonnell Douglas). Fifty-seven fighters have been partly assembled in Finland by Finavitec as part of the offset program during 1996 – 2000. The program will be completed in August, 2000.

In 1999, there were a total of 1,342 aircraft in Finland: 642 airplanes, 386 gliders, 83 helicopters and about 231 other light airplanes. Demand for small aircraft, such as air taxis, air ambulances and service planes will continue in the future.

Data Table - USD Millions	1998	1999	2000
A. Total market size	787	875	1020
B. Total local production	170	205	235
C. Total exports	70	30	20
D. Total imports	687	700	805
E. Imports from the U.S.	632	650	690
F. Exchange rate: \$1=FIM	5.34	5.58	6.00

Note: The above statistics are unofficial estimates.

Rank of sector: 4

Name of sector: COMPUTERS AND PERIPHERALS (CPT)

Finland's population of 5.1 million people comprises a highly sophisticated market for computer hardware and software. This is illustrated by the fact that Finland has the highest number of computers per capita connected to the Internet in the world. Presently, about 45 percent of Finnish homes have computers and about 60 percent of the population have 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 \$1,9 billion in 1999. With about a 30 percent import market share, the United States is Finland's leading external source of computers and peripherals. There are about 4,200 local computer 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. In 1999, 500,000 PC's were sold in Finland, an increase of about 15 percent over the previous year.

In 1999, Compaq (21.7%) was the number one supplier of PC's followed by IBM (16%), Fujitsu Siemens Computers (15.3%) and Hewlett-Packard (10%). Competition in this sector comes mainly from the already established American suppliers in the local market. Computer hardware used in the Finnish market has changed substantially in the last few years. PC's lead the market with 65 percent market share, followed by workstations (35 percent). Local sources forecast strong growth in portable computers in Finland over the next three years.

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.

Mobile computing (PC's + cellular phones), a presently used technology, is considered to be the future for Finland's computer industry. Declining prices of computer peripherals has resulted in increased sales of high-end products as well as standard products. For example, sales of top end color laser printers are booming in Finland. Demand for computers and peripherals in Russia and the Baltic countries have begun to grow, providing distributors in Finland with excellent future market potential.

Data Table - USD Millions	1998	1999	2000
A. Total market size	2085	1945	NA
B. Total local production	1280	1070	NA
C. Total exports	1070	885	NA
D. Total imports	1875	1760	1850
E. Imports from the U.S.	565	530	555
F. Exchange rate: \$1=FIM	5.34	5.58	6.00

Note: The above statistics are unofficial estimates.

Rank of sector: 5

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

Narrative: 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 a part of the telecommunications operators have always been 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 network is one hundred percent digitalized. Finland is presently the world's largest user of mobile telephones (68 percent penetration – April 1, 2000). In December 1998, Finland became the first country in the world where the number of mobile phones exceeded the wired phones. The use of mobile phones has extended to other areas than just speech. Short text messages are very popular, especially among the young people. The operators provide news and entertainment services through text messages that enable the supply of information directly to a personal mobile phone.

Data transmission speeds are among the fastest in the world. Finland was the first country in Europe to take the ATM technology into commercial use and the first country in Europe to grant licenses for third generation mobile networks. Finland also has the highest number of computers connected to the Internet per capita in the world.

There are two key players in Finland's telecom services: the state-owned Sonera Corporation (previously Telecom Finland) and the 45 privately owned local telephone companies operating under the Finnet Group. Both Sonera Corporation and the private telecom companies have subsidiaries and sister companies, which are involved in the provision of data, mobile and advanced technology services. There are also a number of secondary companies, strongest being Telia Finland Oy, owned by Swedish State controlled Telia. Among other network operators in Finland are Global One Communications Ltd, Teleykkonen Ltd., and U.S. RSL COM Finland Ltd, 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 as well as top supplier of fixed telecom networks and services. Nokia's 1999 sales volume was \$19.7 billion. The company has manufacturing on three continents in over 10 countries, research and development centers on four continents and employs more than 56,000 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 market for development of new services. 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

Data Table - USD Millions	1998	1999	2000
A. Total market size	2355	2815	3440
B. Total local production	7325	8790	10550
C. Total exports	5535	6645	7980
D. Total imports	565	670	870
E. Total imports from U.S.	60	70	90
F. Exchange rate: \$1=FIM	5.34	5.58	6.00

Note: The above statistics are unofficial estimates.

Rank of sector: 6
 Name of sector: ENVIRONMENTAL TECHNOLOGIES (ENV)

Narrative: Environmental technology itself has become an area of high tech production in Finland. Finland has also helped its eastern neighbors to solve their environmental problems by using technology transfer. Both individuals and the industrial management are highly conscious of environmental protection and preservation of the present high standard. In Finland, the requirement for best available technology is included in the Water Act, Air Pollution Control Act, Waste Act and Sea Protection Act.

Demand for air pollution control equipment is strong in Finland due to the increasing environmental concerns in the surrounding areas (i.e. the Kola Peninsula, St. Petersburg and the Baltic countries). The pulp and paper industry represents about 30 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, their products are in strong demand in Finland.

There is support for developing new environmental technology in Finland. 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. This is expected to contribute to increased local competition in the market.

Finland's membership in the European Union in the beginning of January, 1995, the 1994 Waste Act, amendments in 1997 and especially the Finnish National Waste Plan 2005 give positive indications that investments into solid waste recycling equipment will increase. This in turn will offer foreign companies increasing business opportunities in the Finnish market.

The best sales prospects for U.S. companies are within recycling of solid waste from households and industry. Other best prospects include potential to supply equipment such as monitoring and measurement instruments for air pollution, sulphur and dioxide and nitrogen oxide emissions removal and protection technology, etc. as well as cooperation with Finnish companies in large projects. Another area for U.S. companies to look for is that of emerging markets of the Baltic countries and Russia, which are most easily accessed through Finland.

Data Table - USD Millions	1998	1999	2000
A. Total market size	1330	1430	1465
B. Total local production	1300	1390	1445
C. Total Exports	1070	1130	1230
D. Total Imports	1100	1170	1250
E. Imports from U.S.	150	160	165
F. Exchange rate: \$1=FIM	5.34	5.58	6.00

Note: The above statistics are unofficial estimates.

Rank of sector: 7
 Name of sector: TRAVEL AND TOURISM SERVICES (TRA)

The booming Finnish economy and 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.

The United States continues to be the main long-haul destination for Finns. In 1999, over 90,000 Finns traveled to the United States, a 6.3 percent increase from 1998. New York, Florida and California 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.

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 10-15 percent during the last few years. New York, Chicago, Boston, Los Angeles and Atlanta are the most important destinations for Finnish business people. According to statistics Finland, Finns made over 52,000 business trips to the United States in 1999.

Finnair, the national air carrier is the only major airline based in Finland offering direct flights to the United States. It has a marketing agreement including some code-share with American Airlines. Out of the other U.S. air carriers, Delta Air Lines has a sales office in Finland, America West and Continental have a representative, Northwest Airlines is represented by KLM, American and TWA 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 pilot program for visits up to 90 days in length.

Data Table - USD Millions	1998	1999	2000
A. Total travel	4249	4063	3935
B. Domestic travel	4682	4570	4463
C. Incoming travel*	1631	1528	1421
D. Foreign travel*	2064	2035	1949
E. Travel to the U.S.*	101	99	95

F. Exchange rate: \$1=FIM 5.34 5.58 6.00

* Source: Bank of Finland, Balance of Payments (travel).

Domestic travel and 2000 figures are unofficial estimates

Rank of sector: 8

Name of sector: MEDICAL EQUIPMENT (MED)

Narrative: 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, United Kingdom and Japan, in respective order. High-quality and technically sophisticated medical equipment have the best market potential in Finland, especially equipment which 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 about \$1,160 million in 1999, 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. Over 60 percent of local production is exported because of the small domestic market size.

Data Table - USD Millions	1998	1999	2000
A. Total market size	953	958	946
B. Total local production*	1161	1165	1138
C. Total exports	439	447	437
D. Total imports	231	240	245
E. Imports from the U.S.	57	63	64
F. Exchange rate: \$1=FIM	5.34	5.58	6.00

Source: The Association for Finnish Healthcare Industries and Finnish Customs.

*includes In Vitro Diagnostics equipment. The year 2000 figures are unofficial estimates

Rank of sector: 9

Name of sector: FINANCIAL SERVICES (FNS)

The demand for different financial services is increasing in Finland. The whole Finnish corporate financing structure is changing as companies work on decreasing their balance

sheets and using leasing, for example, for financing new equipment investments. In addition, lack of available securities for traditional loans is a continuous problem for Finnish companies. Also, companies that are at the growth stage need resources and are looking for available financial services.

The Finnish financial services market is divided between services provided by the traditional banking sector, in-house companies, and mostly foreign independent financial institutions. There are about 30 companies operating in the sector. The market share for the banking sector is 70 percent. However, other financial institutions are gaining market share as the financial services market further develops. Especially machinery and equipment leasing and financing offers opportunities for U.S. companies.

Finland lags behind in the issuance of so-called secured loans, such as leasing, factoring, and investment financing compared with other European union (EU) member countries. For example, in 1998 the share of leasing used for financing machinery/equipment investment was only 10 percent. This corresponds to an average of 17 percent in the other EU countries.

The traditional banking sector includes all the major Finnish banking groups. These have a strong foothold in the Finnish financial services market and are well known and respected. However, in the last few years customer loyalty has suffered as more non-traditional financial service providers have surfaced. As a result, banks have lost their market share and competition for customers is increasing.

Most of the in-house financing companies operate in the automotive sector and offer financial services mainly for new vehicle owners. The automotive in-house financing providers are restricted to offer financing only to specific car make and therefore, their services are limited to an exclusive clientele. The major information technology and capital equipment firms also have their own in-house financing services for their clients.

GE capital is the only U.S. independent financing company offering financial services mainly for new vehicle and capital equipment investments. Their share of the new automotive financing in 1999 was about 16 percent. The 8 percent sales increase in new passenger cars, which is expected to continue, will likely increase the demand for financial services thus offering market potential for U.S. companies.

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 Baltics, 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 these rapidly emerging adjacent markets is vital for firms interested in this region for trade development.

Consumer-Oriented Agricultural Products - USD Millions

	1998	1999	2000
A. Total Consumption	7,900	8,500	9,000
A. Total Imports	1,714	1,700	1,800
B. Total Exports	900	718	800
C. Imports from the U.S.	36	34	40
F. Exchange rate:\$1=FIM	5.34	5.58	6.00

High Priority – Beverages: wine, beer; Snack foods: health snacks, dried fruits and nuts, corn chips; Convenience foods: frozen juices, TexMex items, sauces/seasonings; Pet food for dogs and cats; Preserved: Canned fruits and vegetables; Frozen ready-made foods.

Medium Priority – Fresh fruits/vegetables: apples, grapes, pears, avocados, cherries, food grains: rice; Convenience foods: microwavable items like popcorn; Seafood: salmon, frozen crayfish (Swedish style), white fish roe.

For current data on agricultural trade prospects with Finland, the reader is referred to the following Internet web site: www.usemb.se/Agriculture/Index.html. 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 in the region, 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).

VI: TRADE REGULATIONS, CUSTOMS, AND STANDARDS

Membership in Free Trade Arrangements

Finland joined the EU on January 1, 1995. The customs union membership 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's import trade was not greatly affected by EU membership. Changes dealt with border protection procedures related to non-EU countries. Most of these restrictions concern import of certain types of steel, in particular from the NIS, as well as import of certain articles from China. The restrictions are in the form of quotas, licensing and other control measures. The quotas are EU-wide. Access to quotas may depend on whether the importer is an established traditional supplier or a newcomer.

Finland is now covered by EU antidumping legislation. Finland has also adopted the Generalized System of Preferences (GSP) of the EU. Furthermore, Finland applies import taxes imposed by the EU.

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. Foodstuffs 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 sole exception was bank interest, where the tax rate was increased from 20 to 25 percent at the beginning of 1994.

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 Unions 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 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, is 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 may 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 selectively to oppose within the EU 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 many other EU Member States and Embassy Helsinki has been working actively with Finnish partners to distribute accurate and scientific information on this emotional 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 wastes
- whale meat

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 will chair the MTCR in 2000-01.

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 is in charge of Finnish non-proliferation policy as well as the security and trade policy aspects of export controls.

Ministry of Trade and Industry is in charge of the national implementation of the European Union's system of export controls on dual-use goods. The Trade Department

of the MTI is the authority granting export licenses for exports of dual-use goods. The MTI's Energy Department grants licenses for exports of nuclear materials, facilities and equipment.

Ministry of Defense is in charge of export licenses for exports of defense material (i.e. military goods and technologies).

The Ministry of the Interior is responsible for export and import licenses for non-military firearms and ammunition as well as for national implementation of the relevant EU directives.

Import Taxes and License Requirements

Finland follows 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, fishery 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 Customs legislation.

You can consult Customs Information for customs related matters.

Suomen Tulli (Finnish Customs)

PL 512

FIN-00101 Helsinki, Finland

Tel: +358 9 614 3800

Fax: +358 9 614 3813

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 (maximum one-year) 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 the 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. Hanko is 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.

VII: 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 confirm the already commonly accepted liberal treatment of foreign investments in Finland. Because of this 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 investments in Finland have accelerated in recent years.

There are some requirements that do not restrict foreign ownership but are necessary on legal grounds. In certain areas involving specific safety or health hazards or financial risks, specific conditions are laid down for carrying on 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 is limited to only those individuals with particular right of domicile in the Aland Islands.

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).

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 FIM 50,000 (\$8,960) 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 do business in Finland, some residency requirements must be met to ensure that persons liable for the company's acts can be brought to courts 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 also 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, Technology Development Center (TEKES), as well as the Parliament-managed venture capital fund, 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 of total costs of a program provided that the other half comes from national private or/and public sources.

Indirect and direct subsidies are provided in the form of tax benefits, loans, guarantees, and cash grants, investment in equity, as well as in supply of expertise and employee training. 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 operational environment of undertakings. 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.

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 (the former Finnish Guarantee Board FGB) grants venture capital guarantees.

A.6. Right to Private Ownership and Establishment

Private ownership and entrepreneurship are well respected 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 the international standards. In 1996, Finland joined the European Patent Convention (EPC). 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 (30% in 1999) is one of the lowest in Europe.

According to BSA, retail software revenue lost to piracy amounted to \$50.6 million in 1999.

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 data base 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. Computer software has been covered by the Copyright Act 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 on 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 FIM 30 (\$ 5.7) million. The capital of a clearing member must be at least FIM 10 (\$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

The continued strong performance of the Finnish economy and the strong financial results of Finnish companies have accelerated foreign investors’ interest in shares of Finnish companies. At the end of May 2000, foreign investors held 71 percent of the

total market value and 46.5 percent of shares quoted on Helsinki Stock Exchange. Market capitalization at Helsinki Stock Exchange amounted to EUR 383 (\$363) billion in late May 2000. When the securities markets were freed of exchange control at the start of 1991, foreigners were holding only FIM 5 (\$1.2) billion worth of Finnish shares.

Between 1991-1996 Finnish banks received support following the heavy losses caused by the deep recession. By October 1999, direct public aid to banks amounted to a net value of about FIM 39 (\$7.0) billion (support granted minus redemptions). This amounts to nearly 6 percent of GDP for 1998. The most recent estimates suggest that the overall losses from the support to banks excluding interest expenses will total around FIM 33 (\$5.5) billion (just short 5 percent of GDP), taking into account forthcoming extra redemptions and the expiration of remaining guarantees.

The aggregate operating profit of Finnish banks increased for the fourth year in a row, to about \$2.07 billion in 1999. The performance was based on reductions in costs and in credit and guarantee losses. Finnish banks return on equity was about 20 percent in 1999. The solvency ration, improved slightly, from 11.1 percent in 1998 to 11.7 percent in 1999. The increase in risk weighted assets was more than offset by growth in equity capital over the same period, which had a positive effect on profitability.

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. Money, jewelry, household and other equipment, special or low interest loans, trips etc. can be defined as bribes. Honorary titles and recommendations can be considered as bribes. A public servant, charged with accepting or giving a bribe, can be discharged if it is evident that he is unsuitable for his position. Companies in Finland may not deduct bribes paid abroad as export promotion expenses. Only a few persons are convicted of bribery each year in Finland. In 1999 Transparency International organization (TI), an international organization combating corruption, ranked Finland second on their list of least corrupt countries in the world. Finland was given the index of 9.8 on TI's least corrupt country scale, which ranges from 0 to 10; 10 indicates that no corruption is found in country.

Finland is a signatory to the OECD Convention on Combating Bribery. The instruments of ratification of the convention was deposited in December 1998.

B. Bilateral Investment Agreements

Finland has concluded bilateral investment agreements with the following countries: Albania, Argentina, Belarus, Bulgaria, Chile, China, the Czech Republic, Egypt, Estonia, Hungary, Indonesia, Kazakhstan, Kuwait, Latvia, Lithuania, Malaysia, Oman, Peru, Philippines, Poland, Republic of Korea, Republic of Lebanon, Republic of Moldova, Republic of Slovenia, Romania, Russia, Slovakia, Sri Lanka, Thailand, Turkey, Ukraine, United Arab Emirates, Uzbekistan, and Vietnam.

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 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 are particular points of emphasis. 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 2.3 million persons in 1999, 6.3 percent of total employment were employed in the primary sector, 27.7 percent in the secondary sector and 66 percent in the tertiary sector. Women make up 47 percent of the 2.3 million member work force. About 85 percent of the work force are organized.

Finland has suffered from high unemployment through the 1990s; unemployment during the recession peaked in early 1994 at 20 percent. Unemployed are granted a compensation which, if linked to earnings, as has been the case for about 60 percent of unemployed, guarantees moderate incomes for a period up to 500 working days. Despite high unemployment levels, there is a shortage of skilled labor in some specialty sectors. Studies indicate that almost one half of all companies in the electrical and electronics

industry and over one third of those in the building and construction sector have encountered recruitment problems

Although Finnish labor is relatively less expensive than during the late 1980s, labor costs are still high. Labor costs have risen in Finland faster in the post-recession years of 1993 - 1995 than in competitor countries. In 1999 labor costs, i.e. the index of wages and salaries, grew by 2.7 percent. In 2000, the index of wage and salary earnings is forecast to rise by an average of 4 percent on 1999, as wage drift is expected to remain at roughly 1999's level or to accelerate only slightly despite strong economic growth. With the number of hours worked still rising, the wage bill is set to grow by 6 percent.

High costs have led much of Finnish industry to use laborsaving 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 section trade regulations, customs, and standards.

F. Foreign Direct Investment Statistics

See 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 developing countries and the ex-Soviet Union regions.

F.2. Major Foreign Investors

The six largest foreign companies in Finland in terms of turnover (1999):

- ABB Stromberg, FIM 7.9 billion (USD 1.4 billion)

Country of origin: Sweden/Switzerland

Sector of operation: Electronics

- Skanska, FIM 6 billion (USD 1.07 billion)

Country of origin: Sweden

Sector of operation: Construction

- Kvaerner Masa-Yards, FIM 4.8 billion (USD 0.86 billion)

Country of origin: Norway

Sector of operation: Shipbuilding

- Teboil, FIM 4.5 billion (USD 0.81 billion)

Country of origin: Russia

Sector of operation: Oil trade

- Starckjohann, FIM 3.9 billion (USD 0.69 billion)

Country of origin: Sweden/Finland

Sector of operation: multi business trading firm: hardware, building supplies, timber, interior decorations, steels & other metals – heating, plumbing and ventilation

- Suomen Spar, FIM 3.6 billion (USD 0.65 billion)

Country of origin: Sweden

Sector of operation: perishable goods wholesale

There are about 160 U.S. subsidiaries in Finland. Tellabs and Hewlett-Packard were the largest U.S. companies in terms of turnover in 1999 (Tellabs: FIM 3.2 billion, or \$ 570 million, and Hewlett-Packard: FIM 2.3 billion, or \$ 412 million).

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

VIII: TRADE AND PROJECT FINANCING

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: Merita Nordbanken, the result of the merger between Merita and Swedish Nordbanken, as well as Okobank (the Cooperative Bank Group) and the 100% government-owned Leonia

(former Postipankki). At the end of 1999, a total of 337 domestic banks were operating in Finland, eight of these being commercial banks, 246 co-operative banks part of the OKO bank group, 43 local co-operative banks and 40 savings banks. The market share of the three largest bank groups was 85 percent of all Euro deposits and 87 percent of all Euro lending. In addition to domestic banks, six foreign banks have branches in Finland: Banque Indosuez Helsinki Branch, Citibank International, Skandinaviska Enskilda Banken, Handelsbanken, Unibank, Hambros Bank and Den Danske Banken. Nine foreign banks have representative offices in Finland.

Early in 2000, MeritaNordbanken and the Danish Unidanmark agreed on a merger. The new bank group will be the largest bank group in the Nordic countries and the total of its balance sheet is calculated to be EUR 186 billion.

The second largest bank group in Finland, Leonia, and the insurance company Sampo announced their merger as the new Sampo-Leonia Group.

Finnish banks have been providing their corporate and retail customers with on-line services for nearly 25 years. In 1998, 80% of all payment transactions reached the banks in electronic form. The Finnish OKO bank group was the first in the world to offer banking transaction services on the Internet in 1996

Most of 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, do shopping and even buy shares on the Finnish stock market using a WAP phone. First bank in the world to offer WAP banking services was Merita Nordbanken. The service has been available since October 1999.

Foreign Exchange Controls Affecting Trade

All Finnish foreign exchange controls have been abolished.

General Availability of Financing

The Finnish financial market is a typically European environment 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.

Today, there are about thirty venture capital companies in Finland. They can be divided into five main groups; publicly financed, private, regional, those tied to a bank and those tied to some large-scale enterprise. At the end of 1998, the capital administered by venture capitalists stood at FIM 8 billion, FIM 3 billion of which was invested.

How to Finance Exports/Methods of Payment

Government-owned companies or agencies provide for 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.

Types of Available Export Financing and Insurance

Financing and guarantees for exports are provided for by the government-owned Leonia Corporate Bank and Finnvera. Major Finnish government and other programs are detailed below.

Leonía Corporate Bank: In October 1997, the Finnish government decided to combine two state owned Financial institutions – Postipankki Ltd and Finnish Export Credit – under a single holding company called Leonía Group. In the new group Finnish Export Credit became Leonía Corporate Bank (LCB) and sells banking services to large Finnish companies and their foreign investors. LCB is a specialist financial institution providing long-term finance. The company finances exports, industrial and infrastructure investments and other long-term corporate funding requirements. Apart from exports from Finland, the company finances domestic and overseas investments, focusing mainly on the forest and engineering industries, energy production and telecommunications sector. LCB also promotes Finnish exporting with officially supported credits, credits granted on OECD consensus terms and under the OECD understanding on export credits for ships, and concessional (mixed) credits for developing countries. LCB operates on commercial terms, is founded on good profitability and has a strong capital structure, sophisticated risk management and a first-class credit rating. It is 100 percent owned by the Finnish government (www address: www.leonia.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. It has recently become very active in the former Soviet Union, particularly Russia and the Baltic countries. 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, business and industry, and Leonía Corporate Bank (www address: 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. For the last three years, NIB has granted loans to private sector infrastructure projects outside the Nordic region, co-financed with other multilateral financial institutions. It also grants long-term collateralized loans ([www address: www.nibank.org](http://www.nibank.org))

Finnvera: Finnvera is a specialized financing 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) providing export guarantees and insurance. Finnvera's export credit guarantee and insurance commitments are fully guaranteed by the state of Finland ([www.address: www.finnvera.fi](http://www.finnvera.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, spin-offs from large and medium-sized companies (corporate venturing) and the corporation of these new businesses. 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 ([www.address: www.sitra.fi](http://www.sitra.fi) & www.tekes.fi)

Ministry of Trade and Industry: The ministry and its regional Business Service Offices 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. The ceiling of aid for using experts is 50 percent, which is available throughout the country ([www.address: www.vn.fi/ktm](http://www.vn.fi/ktm)).

Project Financing Available

Leonia Corporate Bank and Finnfund provide financing for overseas projects. Participation of third country firms in projects is possible. The Nordic Investment Bank grants investment loans for Nordic projects, and also finances projects in third countries.

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.

IX: 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.

Holidays

The national holidays in 2001 are: New Year's Day (January 1); Epiphany (January 6); Good Friday (April 13); Easter (April 15-16); May Day (May 1); Ascension Day (May 24); Mid-Summer (June 23); All Saints' Day (November 3); 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 92.5 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 handicapped – attend school in Finland.

Comprehensive school is a nine-year compulsory general schooling for all children aged 7-16. The municipalities pay teachers' salaries, books, health care, and school meals. After completing comprehensive school, students may attend high schools 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:

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X: ECONOMIC AND TRADE STATISTICS

APPENDIX I: Domestic Economy

Domestic Economy (USD millions, except as noted):

	1998	1999(E)	2000(E)
- GDP	128,464	128.673	128,583

- GDP growth rate	5.0	3.5	5.2
- GDP per capita	24,461	24,883	24,861
- Government spending as percent of GDP(public expenditure)	51.1	49.8	47.7
- Inflation (percent)	1.4	1.2	2.9
- Unemployment (percent) *	11.4	10.2	9.5
- Foreign exchange reserves	9,005	9,803	9,269
- Average exchange rate for \$1.00	5.34	5.58	6.0
- Debt service ratio (ratio of principal and interest on foreign debt to foreign income)	5.5	N/A	N/A
- U.S. economic/military assistance	N/A	N/A	N/A

Note: Exchange rates used:

- 1998 - 1US\$ = FIM 5.34

- 1999 - 1US\$ = FIM 5.58

- 2000 - 1US\$ = FIM 6.00

* new EU-harmonized statistics

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

APPENDIX II: Trade Statistics

USD millions	1998	1999	2000 (est.)
Total country exports	42,915	41,694	46,155
Total country imports	32,260	31,520	33,570
Exports to U.S.	3,154	3,290	3,620
Imports from U.S.	2,659	2,482	2,645
Exchange rate: \$1=FIM	5.34	5.58	6.00

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

XI: U.S. AND COUNTRY CONTACTS

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XII: MARKET RESEARCH

List of ISA and IMI Topics – FY 2000:

- Liberalization of Energy Markets
- Franchising in Finland
- The Visit USA Market
- The Home Health Care and Rehabilitation Products and Equipment Market

- Automobiles – Imported
- Value Added Telecommunications Services
- Hazardous Waste Management and Disposal Equipment
- Biotechnology Industry Profile
- Vitamins and Nutrition Supplements

List of Upcoming ISA and IMI Topics – FY 2001:

- Internet Security Solutions
- Wireless Commerce (M-commerce)
- Water Treatment Equipment and Services
- Biotechnology with Medical Applications
- Health Care Services
- Automotive Parts and Services
- Internet Travel Services
- Who's Who in VUSA
- Media List (travel)
- Energy: Co-Generation
- Franchising: Fast Food/Restaurants

A complete list of market research is available on the Department of Commerce National Trade Data Bank (NTDB)

XIII: TRADE EVENT SCHEDULE

THE FINNISH MEDICAL CONVENTION & EXHIBITION, Helsinki Fair Center, Helsinki, January 7-11, 2001

MATKA 2000 (travel fair), Helsinki Fair Center, Helsinki, January 18-21, 2001 (USG supported event)

TIETO 2001 INFORMATION (knowledge management and communications), Wanha Satama, Helsinki, February 7-8, 2001

VISIT USA Travel Seminar, March 1, 2001, Marina Congress Center, Helsinki (USG supported event)

ELKOM 2001 (electronics), Helsinki Fair Center, Helsinki, March 13-16, 2001

ICC 2001 (conference on communications), Helsinki Fair Center, Helsinki, June 11-15, 2001

HITEC 2001, Tampere Fair Center, Tampere, October 2001

ENERGY 01, Helsinki Fair Center, Helsinki, November 13-15, 2001

More information from:

Helsinki Fair Center: www.suomenmessut.fi

Wanha Satama: www.wanhasatama.com

Tampereen Messut: www.tampereenmessut.fi

