

Russian Capitalism and Finland Summary

Finnish corporations are investing in Russia nowadays more than ever before. At the same time the dependency of Finland and Finnish businesses on Russia is growing. Finland is already the most Russian-dependent country in the EU. There are nevertheless few Russian corporations in Finland and the majority of them are very small. The EVA Report "Russian Capitalism and Finland," written by Economist Simon-Erik Ollus, provides insight for evaluating the economic relationship between Finland and Russia in a situation where the world economy and international politics are undergoing profound changes.

According to Ollus three things define Russian capitalism: (1) Russia is a national resource economy, (2) it has a strong legacy of a planned economy and (3) economic development is uneven. Some areas and sectors develop robustly, some almost not at all. The challenges facing the Russian economy include the enormous geographical distances and difficult environmental conditions. Resting on the superpower legacy, inertia in the economy (economic structures are renewed slowly despite fast growth) and fear of competing foreign industry account for Russia's reliance on protectionism and its desire to emphasize the principle of reciprocity in international economic relations.

Economic interaction between Finland and Russia has changed form. The activities of Finnish corporations in Russia are shifting more and more from trade towards investments and establishment of local businesses.

Ollus predicts that many Finnish businesses will "become Russian" in the sense that in the future they will have a greater turnover and personnel in Russia than in Finland. An increasing number of the large corporations entering Russia are those whose domestic market has been Finland.

According to the report, transit transportation and re-export will subside when Russia gets its own national logistics systems in order. Finns should prepare themselves for surprises. Measures such as the customs duties on timber could be anticipated if Russian interests demand it. Russia only takes Finland's interests into account in its own thinking when Finnish interests coincide with Russia's own benefits.

The report is urging Finnish business leaders to set foot in Russia. The Russian market can not be conquered from Helsinki or Oulu. The report recommends that business leaders and Finnish officials engage in greater co-operation. It is important that all information concerning Russia is at the disposal of Finnish businesses. Politicians and leading officials should also visit Russia more often. Personal relations play a key role in Russia.

Closer economic and political co-operation and integration between the European Union and Russia is beneficial to Finland. Finland must be active in matters concerning Russia in the EU and other international organizations and also one-on-one with Russia. One incentive for tighter co-operation between the EU and Russia would be to ease visa restrictions for Russians and to take steps toward visa free movement.

The report believes that Finnish businesses will continue to seek market growth from Russia. Despite the political risk Russia is still a large, rapidly expanding market.

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