



Exporting to Finland



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Foreword

Developing countries are becoming increasingly important trading partners for Finland. In recent years, imports from developing countries have outstripped the growth of imports from developed countries by a significant margin. A growing demand for new products and services opens up opportunities for both small and large exporters from developing countries. At the same time, Finnish consumers are concerned about product safety, environmental sustainability, and decent working conditions, and require that producers and service providers adhere to a high quality and ethical standards.

This publication is intended to serve as a user-friendly handbook for small and large exporters from developing countries interested in exporting to Finland. While the focus is on the facilitation of trade from developing countries, I hope that the information provided in this publication will benefit interested exporters regardless of their origin. It provides an overview of the Finnish market, business practices as well as the required standards and regulations. Procedures related to exporting to Finland may seem complicated, but assistance in complying with the required rules and regulations as well as in finding potential partners in Finland can be obtained from several actors. Further information and contact details are provided at the end of this publication.

Finland is a Member State of the European Union and a relatively small country, which can be a good stepping-stone for aspiring exporters to the wider European markets. Regulations and practices in Finland and the European Union are to a large extent harmonized. Therefore, this publication provides useful information also to exporters interested in other European countries.

This publication is a part of Finland's ongoing efforts to promote trade with developing countries and to provide them with opportunities to better participate in the global economy. I hope that it will be a useful tool for foreign companies, Governments and NGOs in providing information on Finland as a trading partner.



Minister for Trade and Development



Finland as an export market

Small country, high standard of living

Finland is the most northern country of the European Union. Its neighbours are Sweden and Norway in the west, Russia in the east and Estonia – across the Gulf of Finland – in the south.

The population is about 5.3 million, of which two thirds live in the urban areas. The capital of Finland, Helsinki, lies on the south coast. Other bigger cities are Turku, Tampere, Jyväskylä, Kuopio and Oulu. Around one million people live in the Helsinki metropolitan area. The population

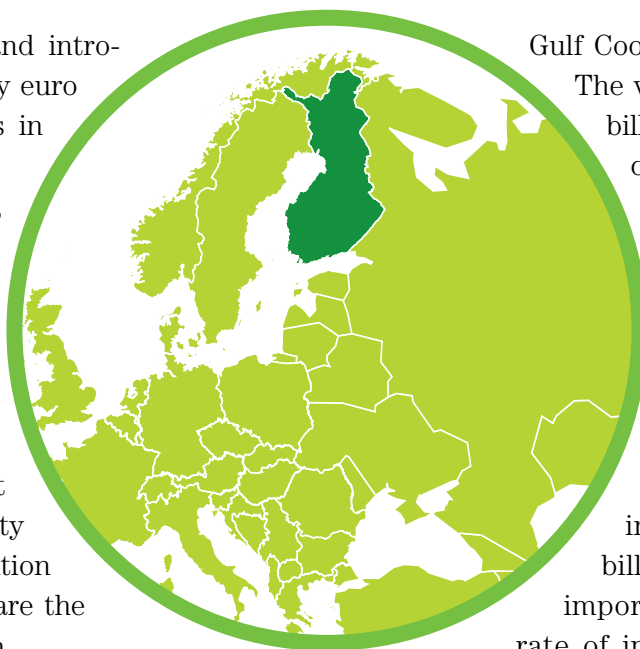
density is quite low with 15.5 inhabitants per square kilometre. By their ethnic background, the population is very homogeneous, only about 2% having a foreign origin. The official languages are Finnish – 94% of the population speak Finnish as their mother tongue – and Swedish (6%).

Finland's history is very much linked with the neighbouring countries. In the 12th century, the first missionaries from Sweden crossed the Baltic Sea and Finland became part of the Swedish realm. In 1809, Sweden surrendered Finland to Russia and in 1917 Finland declared independence from Russia. In 1995, Finland joined the

European Union (EU) and introduced the single currency euro with the other countries in the euro area in 2002.

As concerns politics, Finland has a long history of multiparty coalition governments. After the latest parliamentary election in spring 2007, the Government was formed by the biggest parties, the Centre Party and the National Coalition Party; Social Democrats are the biggest party in opposition.

Finland is an advanced industrial economy. The GDP per capita was 33,803 euros in 2007. The value of exports in 2007 was 65.5 billion euros, the major groups being electronics, machines and appliances as well as metal and forest products. The EU countries represent 63% of the exports and the biggest countries outside the European Economic Area¹ are Russia, USA, China, Japan and the countries of the



Gulf Cooperation Council (GCC).

The value of imports was 59.5 billion euros, of which 56% came from the EU area.

The major import countries outside the European Economic Area are Russia, China, USA, Japan and South Korea.

The value of imports from developing countries was 10.1 billion euros, i.e. 17% of all imports, in 2007. The growth rate of imports from developing

countries averaged 24% per year from 2004 to 2007. The average growth rate of total imports was 13%, while imports from the EU grew on average by 10% during the same period. In the coming years, the potential for growth is similar, giving particularly the developing countries highly promising opportunities for increasing their business with Finland.

Efficiently organised retail market



The total value of the Finnish retail market is approximately 34 billion euros (2007), which is shared by 29,000 retail stores. Over the past 10 years, consumption has grown by an average of 3% annually. Of the average household budget, food represents now about 12%, although its share is declining – growing product groups are interior, household and health articles.

Department stores sell annually worth over 6 billion euros, food stores (incl. hypermarkets) over 12 billion euros, clothing specialists close to 2 billion euros and sports goods specialists around 1 billion euros. The big chains dominate most retail sectors. In the food sector, self-service



stores account for almost 100% of business in the field, the amount of specialized food service stores being limited.

The biggest groups are expanding their businesses also to the other Nordic countries, the Baltic countries and Russia, which means that dealing successfully with such retail groups can lead to sales to a much wider market than only the Finnish market.

Major players in retail trade

In food products, the big players are S-Group, Kesko and Tradeka. The S-Group is a consumer co-operative with a market share of 39.9% in 2006, whose buying and logistics company is called Inex Partners. Kesko and the K-retailers are together the second biggest group (33.4%). Tradeka served by Tuko Logistics holds a share of 11.9% and the German discounter chain Lidl 4.1%. About 10% of the market is held by smaller companies outside of the big chains.

The three biggest department stores are the S-Group (Sokos department stores and Prisma hypermarkets), Kesko (K-Citymarket hypermarkets, Anttila department stores, Kodin Ykkönen for home and interior decoration) and Stockmann.

In the clothing sector, the market is dominated by the department stores. Of companies specialising in clothing, the biggest are H&M, Texmoda Fashion Group, Seppälä and Lindex (the two latter are owned by Stockmann).

In sports products, Kesko with its Intersport dealers and department stores dominate the market.

Buying and other support to stores is centrally organised

All big chains have strict store concepts, even if the stores are run by private entrepreneurs. Store space planning, buying, logistics, basic assortment, marketing and even pricing decisions are made in the central organisation. This makes life easier for the suppliers as the negotiation partners are thus few and the buying volumes in each chain can be centralized. On the other hand, getting a product chosen to a chain's basic assortment requires bigger volumes than selling to one or a few stores only, which puts small suppliers at a disadvantage.



A growing part of retailers' basic assortments are their own brands, made in compliance with the retail group's specifications. Such brands are typical especially in the food and daily goods sector, but advancing also in clothing, home textiles and other special goods.

A chain's basic assortment normally covers 60-80% of the sales, but the member retailers can individually choose plenty of products into their own store-specific assortments. They buy such products mainly from nearby suppliers or – in case of imported products – from so-called warehouse assortment that the central organisation offers for this purpose. Thus suppliers that are too small to serve the whole chain still have numerous possibilities of selling through the warehouse assortment.

Connections to European alliances

Buying is centralized within each chain not only nationally, but in many cases also at the European level. Kesko Food is a member of Associated Marketing Services (AMS), a strategic buying alliance based in the Netherlands. The S-Group has its own channels through CoopNorden, Tuko Logistics is a member of United Nordic Inc., Bigs and EMD, Intersport Finland is linked with Intersport International etc. All this means that some purchasing decisions are made in such buying alliances, and there are also European-wide own brands, such as Euroshopper for the AMS members.

Import companies serving retail groups and individual retailers

The big retail groups normally buy at least half of the imported goods directly from their foreign suppliers and take care of the forwarding of goods and all import bureaucracy. They can also buy from foreign trading houses, which represent various small and medium-sized suppliers.



In addition to such foreign partners, there are also many import companies and agents specialising in certain sectors, based in Finland, which import and sell products to retail groups and other clients. Most of them are relatively small family enterprises and therefore used to working both with smaller suppliers and with smaller retail clients. Practically all these agents are members of the Finnish Foreign Trade Agents' Federation, an association of commercial agents, distributors and importers. On its website (www.agenttiliitto.fi) you can find the members classified by product groups. The biggest of the 18 groups represent clothing and footwear; fabrics, leather and accessories to garment industry; and home furnishing and household articles.

Finns are reliable partners

The Finnish business culture is based on high ethics and standards; the Finns keep their promises and follow rules and legislation. They are committed to a high level of integrity, and corruption and bribery rate has always been very low. In business negotiations, the Finns do not favour small talk but tend to be rather remote and go very quickly to the point. They are very punctual as to agreed hours and very straightforward in handling issues, and their 'yes' is definitely 'yes' and a 'no' is never a 'perhaps'. Their frankness may sometimes seem a bit indelicate, but after getting used to it, communicating with them is straightforward and easy.

If you intend to sell products to Finnish partners, it is advisable to learn what they value when doing business: efficient negotiations, explicit offers and terms, even quality, punctuality, as well as compliance with law, contracts and other specified requirements. If the Finns find reliable suppliers, who see to safe and punctual deliveries and offer excellent price/quality/ethics relation, they tend to build long-lasting business relations.



Practical advice given by Finnish buyers

- Finnish consumers are quality conscious and familiar with high technology
- The official languages are Finnish and Swedish, but English is widely spoken
- The information supplied in respect of consumer products and services shall be both in Finnish and Swedish, or - when applicable - conveyed by universally known instructive or cautionary signs or symbols
- All documents requested by the buyer shall be appended to the invoices and shipments
- Products shall be equipped with stickers or labels requested by the buyer
- Bar codes are used in all retail products
- Regarding clothing and shoes, the Finnish sizes/units of measurement should be used
- It is advisable to use the package sizes requested by the buyer
- Packages need to comply with environmental requirements
- Transport and wholesale packages need to comply with the standard dimensions
- Due to the small population, the quantities ordered are smaller than for many other EU countries
- Social responsibility in the supply chain is highly esteemed and favoured
- With small volumes, it is advisable to cooperate with other small exporters, or work with a trading house or an agent
- International exhibitions can serve as a useful contact point



Complying with legal requirements

Exporting to Finland is subject not only to Finnish but also the EU legislation, which can make things rather complicated. However, all obstacles can be overcome, after you have found a client who is seriously interested in your products, trusts your quality and delivery capacity, and finds your prices competitive. As your client is in most cases considered as the importer of your products, he or she will tell you what is required.

The EU legislation has laid down elaborate provisions concerning the standards of protecting consumers, labour and environment. Food is the most demanding product group, whereas

sector-specific legislation on many specialty goods is much more flexible. Of course, the better the European standards are met at the beginning of the export efforts, the easier it will be to sell to the Finnish and other European clients. And when the business finally begins, there is no other choice – the requirements have to be met.

The EU legislation is enacted in the form of regulations and directives. Regulations are directly in force as such in the EU Member States, whereas directives must be transposed in the form of binding national legislation in each Member State. It is impossible to describe in this



publication all legislation concerning exports to Finland. Therefore, only the essential regulations are mentioned together with the respective websites for more detailed information on the issues. In any case, the relevant legal rights and obligations should be checked from the official legislative acts.

Product safety

The EU has general legislation on product safety: Directive 2001/95/EC² prohibits the placing on the market of products that pose a risk to consumers' health caused by dangerous substances or by unsafe construction. The Directive applies to all products on the consumer market. As it can be seen as a framework directive, it is supplemented by product-specific safety directives, such as those covering safety of food products, toys, children's articles, electric appliances etc. The CE (or new Approach) Directives³ cover more than 20 different product groups, which represent a potential risk for the consumer. The importer is responsible for having such products marked with the CE mark.

There are also plenty of technical standards on product requirements. Each EU Member

State has national standards bodies, but since all national standards have the same origin, the standard text obtained in Finland is valid in other EU countries and vice versa.

If the production includes chemicals, it is necessary to study the EU regulation on chemicals and their safe use. The Directive (EC 1907/2006) is called REACH (Registration, Evaluation, Authorisation and Restriction of Chemical substances⁴) and its aim is to improve the protection of human health and the environment. Manufacturers and importers will have greater responsibility to manage the risks from chemicals and to register required information in a central database run by the European Chemicals Agency (ECHA) in Helsinki, Finland.

Manufacturers, importers and distributors must cooperate to provide consumers with the necessary information on product safety either by labelling the product or giving clear usage instructions. Importers and distributors need to monitor the safety of the products they are selling, and take the necessary measures to avoid threats. This can mean withdrawing the product from the market, informing consumers, recalling products that have already been supplied to consumers, etc.



The national market surveillance authorities in the EU have established a European network RAPEX⁵, the EU rapid alert system for all dangerous products except for food, pharmaceuticals and medical devices. The EU Commission publishes a weekly overview on RAPEX notifications.

Product liability

Product safety shall always be controlled before a product enters the market in order to avoid product liability cases. If a consumer can prove that a defective product has caused him/her personal injury or property damage, he/she can seek financial compensation in the first place from the distributor under the EU Product Liability Directive⁶. The distributor is then entitled to pass on the claim to the importer, manufacturer or whoever comes earlier in the distribution chain. The directive covers all industrial products, but e.g. agriculture is not included but covered by separate legislation.

Food Safety

As food safety is a very important issue in Europe, food products are governed by an extensive set of regulations. The latest general framework, which has been implemented in all EU Member States and has led to a complete harmonisation, is the Food Law Regulation EC178/2002⁷. The food law aims at ensuring a high level of protection of human life and health with due regard for animal health and welfare, plant health and the environment. This integrated "from-farm-to-fork" approach is considered a general principle for the EU food safety policy.

The legislation concerning food will be continuously developed. Product requirements cover such areas as contaminants, maximum residue levels, hygiene (EU Food Hygiene Regulations EC852, 853 and 854/2004 and Hazard Analysis and Critical Control Point (HACCP) systems),

irradiation, labelling and much more, depending on the product. For example, food products of animal origin must come from an establishment approved by the EC, special health certificates are required, and the products are inspected and tested upon arrival and need to be approved before being released.

Foodstuffs sold as "organic" must comply with the EU regulations (EEC2092/91) and be certified by an independent body and labelled accordingly. The special requirements to exports of organic products from developing countries are laid down in Council Regulation EC1788/2001⁸.



Packaging and labelling

The main aim of packaging is to ensure that the original quality and hygiene of the product will last until it reaches the consumer. There are also a number of legal requirements for packaging and labelling different goods depending on whether they are destined for industrial or consumer use. Again, the purpose is to protect consumer health and safety and provide them with relevant information about the products.

A group of EU Directives (framework regulation EC 1935/2004)⁹ specify, which materials, types of plastic and cardboard can be used in packaging in direct contact with foodstuffs. Packaging Directive¹⁰, contains provisions on the prevention of packaging waste, on the re-use of packaging and on the recovery and recycling of packaging waste – the importer is responsible for implementing this directive. There is also a Directive on Textile Names¹¹ laying down rules for the compulsory labelling of textiles as well as numerous directives on food labelling, country-of-origin labelling etc.

General rules for labelling

- Consumer products must be labelled in the national language(s) of the market country, or – when applicable – by universally known instructive or cautionary signs or symbols
- Labels and markings must accurately describe the contents of the package
- Weight and measurements must be stated in the metric system
- Information on safe use must be included, if applicable
- Certain foodstuffs must be marked with the country of origin
- CE marking is mandatory for many products

Demonstration of compliance

Importers have to document compliance with legal requirements. For low-risk products, there are not always specific requirements, and a Supplier's Declaration of Conformity is often sufficient. For higher-risk products, product properties may have to be verified by means of producing laboratory test reports or inspection reports. In some cases (e.g. organic products) an independent certification is necessary. The requirements regarding demonstration of compliance are laid down in the EU directives and other legislation, but the practical procedures may vary from country to country.

For test reports and certificates, recognised European laboratories and certification bodies shall be used. Accreditation by an internationally recognised accreditation body confirms the competence of the organisation in question and enhances the value of their test report or certificate. If the European authorities do not recognise a given documentation, additional testing or inspection may be required when the product arrives in Europe, which leads to delays and extra costs. In certain cases, the EU may send inspectors to the country of origin.



EU customs duties

In the EU single market area, there are no customs duties on the sale of products produced in one EU country and sold to another. Importing products to the EU from a country outside the EU may be subject to customs duties and in some cases also to import quotas, although these are often at a modest level. However, there are free trade arrangements between non-EU countries and the EU, as well as autonomous preferences given by the EU. The duties are often applied as a percentage of the customs value of the goods. For agricultural products, specific duties based on quantity or weight or a combination of percentage and weight-based duties may be applied. Once products originating from countries outside the EU have arrived to the EU area and the customs formalities have been completed, the products are released into free circulation in the single market area.

Developing countries have benefited from preferential treatment of their export to the developed countries for nearly 40 years. One of the arrangements is the Generalized System of Preferences (GSP). Under the GSP regime, products imported to the EU from developing countries are granted tariff reductions. Products included in the regime are divided into a sensitive and a non-sensitive category. Industrial goods – with the exception of textiles – are primarily non-sensitive products and subject to zero duty. Most agricultural products belong to the sensitive category, where limited tariff reductions are applied.

In addition, countries that are beneficiaries of the special incentive arrangement for sustainable development and good governance (GSP+) enjoy duty free access for all products, including sensitive products.

The best terms are granted to the Least Developed Countries (LDCs), which receive duty and quota free access for all products with the exception of arms under the EU's Everything But Arms arrangement. This also includes duty



and quota free access for agricultural products with a few exceptions (rice and sugar, which will be phased out by the end of 2009).

In addition to these, the EU gives autonomous preferences also to the Overseas Countries and Territories (OCTs)¹². This usually means duty-free access to the EU market.

There are also free trade arrangements between the EU and the ACP countries (ACP= Africa, Caribbean, Pacific) that are based on the Economic Partnership Agreements (EPAs) or temporary market access arrangements preceding EPAs, earlier known as the Cotonou Agreement. In addition, there are also preferential duty regimes under the Free Trade Agreements



How to benefit from lower customs duties

- The product must originate from a developing country which is a beneficiary of one of the EU's preferential arrangements (GSP, GSP+, EBA, EPA or FTAs)
- The product must be included in the range of products covered by the relevant scheme
- The product must satisfy the rules of origin criteria, complemented with satisfactory documentation
- Different certificates of origin issued by competent authorities in the export country must be used: Form A (GSP) or EUR.1 certificates (EPAs and OCTs)
- Transportation must be directly from the country of origin to Finland (or through another EU country or Switzerland)
- The importer must claim preferential treatment at customs clearance

(FTAs) for example with Mexico, Chile, South Africa and some Mediterranean countries (Euro-Mediterranean agreements).

When the correct code of a product in the Harmonized Commodity Description and Coding System (HS code) is known, the preferences and duties can be checked at an EU export helpdesk (<http://exporthelp.europa.eu>). The database can also be searched by product name. Exporters of food products are also advised to make themselves familiar with the rules on import licences and securities (www.mavi.fi), even though normally the buyer in Finland will take care of such arrangements.

Rules of origin

To benefit from preferential treatment, the export product must originate from a country covered by a free trade arrangement or a preferential arrangement. A product is generally

considered as originating from a beneficiary country, if it is wholly obtained or sufficiently processed in that country. If it contains elements from other countries or is processed partially elsewhere, the rules of origin define the origin of the product.

Countries belonging to certain groups: ASEAN (South East Asia), SAARC (South Asia) and the Andean Community (in South America) have the right to use material from other countries in their group without losing the country of origin status. In some cases, exports from LDCs, EPA countries or OCTs to the EU can be granted relaxation of the rules of origin.

To prove that the rules of origin are fulfilled, the exporter has to provide the necessary documentation: for the GSP treatment Form A certificate of origin or an invoice declaration for smaller consignments, and for other preferential treatment regimes mainly EUR.1 certificate or an invoice declaration.

The EU Commission is expected to renew the Rules of Origin when deciding on the GSP for 2009-2012. This may lead to some changes to what has been explained above. The EU export helpdesk also provides information on the rules of origin.





Private sector standards and codes – an inevitable part of today's business

Finnish retail groups, as well as similar groups all around the EU, are keen on safeguarding their reputation. Stakeholders want to know every detail of companies' behaviour in different situations and put a lot of pressure on legislators to produce more rules and regulations to control companies. Media is active and keeps these issues in the spotlight, especially if they find non-compliance with the rules or other unethical behaviour. Additionally, for example consumers pay more and more attention to the conditions in the supply chain, especially to the effects of

production on environment and labour. Even if compliance with private sector standards is not required by law, private companies often set it as a precondition of business in practice.

Corporate responsibility is promoted

The key word is corporate responsibility, which lies on three pillars: economic, environmental and social responsibility. In 2003-2004, the



EU Commission set up a working group, called EU Multistakeholder Forum on Corporate Responsibility, in order to get all relevant stakeholders together to tackle the issue. The outcome of these discussions was a statement that all necessary rules already exist: national laws, EU Directives, international environmental agreements, conventions of the International Labour Organisation ILO, Universal Declaration of Human Rights, Convention on the Rights of the Child, etc.

The basic problem is that many of the internationally agreed conventions and agreements aimed at protecting the environment and employees have not been implemented efficiently enough in the national legislation of many developing countries.

Standards and codes are useful tools

The EU working group decided to motivate businesses to strengthen the existing voluntary efforts and to create new ones. Typical voluntary measures are the use of quality, environmental and social standards and reporting guidelines as well as participation in global, national or sectoral initiatives. In many cases, buyers use standards as part of their basic requirements to the suppliers. Even if not officially required, a certified supplier is always favored compared to a non-certified supplier. Certification is always carried out by specialised, trained auditors of a neutral standard certification body. As concerns ISO standards, you can find the standards bodies at www.iso.org.

Many companies with experience in international trade have started to publish Codes of Conduct. These documents normally include the company's requirements for the suppliers on labour laws and certain environmental issues, and they also express the ethical rules the buyers need to follow when dealing with the suppliers. Very often the Codes are based on standards since companies do not want to deviate from such internationally accepted principles. Codes are also auditable; often the buyer company audits the suppliers, but these audits can also be given to an independent body.

Finnish retail groups – as well as industries using subcontractors – are very happy about standards and codes, as they bring a common language and common requirements into the negotiations and there is no need to establish any own rules. For the suppliers, it also makes sense to avoid excess monitoring by going through one single certification audit which is then valid for all customers.

Process quality management

The most common quality management system is the international ISO 9000 standard – cur-



rently there are more than 500,000 certified organisations world-wide. In ISO 9000, there are requirements on management and organisation, documentation, resource management, process control and improvement. Successful implementation of the standard improves product and process quality, efficiency and reliability.

Especially in the food sector, product safety is an extremely important issue throughout the chain. The Hazard Analysis and Critical Control Point (HACCP) system is in many cases a legal requirement but, due to increasing market pressure, it is applied also voluntarily.

Food suppliers are also advised to make themselves familiar with the principles and standards of the Global Food Safety Initiative run by CIES - The Food Business Forum, a global organisation of food retail groups and food industry. All the big companies – altogether 400 of them – are members of CIES (www.ciesnet.com).

Environmental management

The second best known ISO standard is the environmental management standard ISO 14000, with almost 70,000 certifications. In accordance with ISO 14000, organisations must identify and monitor their relevant environmental aspects, develop an environmental policy and program, and improve performance. However, specific targets are not required.

All major Finnish fruit and vegetable retailers apply the EUREPGAP certification protocol as a precondition for purchasing. The initiative has been developed by the biggest European retailers, and the protocol defines the elements of good agricultural practices (GAP). GAP standards on environmental, economic and social sustainability are applied to farming and post-production processes. In addition to fruit and vegetables, EUREPGAP has specific standards for feed, livestock, flowers and coffee. There are around 65,000 EUREPGAP-certified farms, mainly outside Europe. It is important to notice that in 2007,

the standard was named GLOBALGAP.

In some food products you will find smaller certification schemes such as Rainforest Alliance (mainly coffee and fruit) and UTZ CERTIFIED coffee etc. The EU and most other countries also have detailed criteria for organic production, specifying the preconditions, under which the producer can be granted the organic label.

Working conditions

An increasingly important part of corporate responsibility and supply chain management is social quality control of suppliers. This is especially true in developing countries. Social quality refers to decent working conditions, including health and safety, and fair terms of employment.

At international level, the minimum labor standards have been agreed by the United Nations and the International Labor Organisation (ILO) to be implemented in the national legislation. The Finnish retail groups and their European counterparts want to make sure that suppliers comply with the ILO standards, applicable national laws and regulations and other statutory requirements, whichever are most stringent. Such requirements are a typical basis for company codes, social quality initiatives and social standards. The list of issues to be monitored consists of freedom of association, child labor, forced labor, working hours, compensation, discrimination as well as health and safety.

The biggest European initiative on social quality is Business Social Compliance Initiative (BSCI) with close to 100 retail chains as members, among them Kesko, Inex Partners, Intrade Partners, Stockmann and Tuko Logistics from Finland. The BSCI has a very thorough handbook – both for processing industry and primary pro-





duction – that the BSCI members distribute to the suppliers who want to cooperate with the scheme.

The process starts with filling in a self-assessment form, which is almost similar to the audit questionnaire and helps the supplier implement necessary adjustments before inviting the auditor. BSCI audits are always carried out by international certification bodies, and the audit reports are fed into a common database on the BSCI website, letting all members interested in the supplier see the audit results and thus avoid multiple audits.

BSCI audits do not lead to a certification, because they do not cover management systems

and documentation as thoroughly as ISO standards do. If a supplier wants to become certified, the next step after BSCI approval is to build the required management system and ask the same auditor to carry out a Social Accountability SA 8000 audit. SA 8000 is a global social standard, developed by a U.S. organisation called Social Accountability International.

In the food sector, Fair Trade certification consists mostly of the same social issues as the SA 8000 and the BSCI, with the difference that Fair Trade includes environmental requirements and guarantees the producers both a steady minimum price and a certain premium to be used for social development projects. In 2007, around 300 different Fair Trade products were sold in Finland by various licence holders (all big retail chains as well as many smaller shops) to a total value of over 30 million euros. In addition to foodstuffs, the Fair Trade assortment now consists of flowers, cosmetics and cotton clothes.

Ethical consumption opens up new markets

Finnish import companies have already built partnerships with companies in developing countries. A Finnish tea import and wholesale company imports tea from more than 20 countries. In order to avoid intermediaries, this company buys directly from the tea-producing countries and the products are flavoured and packed at its factory in Finland. Some of the products are exported to Russia, Sweden, Switzerland, Belgium and the Baltic countries.

The company's product range includes 11 types of tea produced on tea plantations in India and South Africa that have been awarded FairTrade certification. The FairTrade mark on a product guarantees that the producer communities in developing countries receive a fair payment for their work.

According to the Managing Director of the company, FairTrade opens up market opportunities for new products because the Finns appreciate and require ethical and sustainable production methods.

Despite its ethical nature, the same economic rules apply to the FairTrade business as to any other kind of trade. "If the quality of the product is not good, the con-

sumer only buys the ethically produced item once. That's why for us the most important thing is how the tea tastes – the added value provided by the ethical aspect has no use if the basic things are not in order," explains the Managing Director. This is one reason why the company selected its first FairTrade teas from the same producers it had already been doing business with.

FairTrade producers are often small and this may be a challenge from the viewpoint of the importer. "If FairTrade producers' volumes do not meet the demand, they should either join forces or work with an export agent who also deals in ordinary products," says the Managing Director. In this way small producer communities also accumulate know-how about issues related to quality and standardization.

"If a company wants to export to Finland, it has to make itself known by coming here, for example by attending the relevant trade fairs. Another option is to participate in the major trade fairs in Europe and invite the Finnish business partners there. Doing business is always easier if you know your negotiating partners and the available products properly," he says.



From export price to retail price

Before a product is on sale in a Finnish retail store, plenty of practical measures have been taken, most of which also have an influence on the final retail price.

Terms of delivery and payment

In the negotiations with suppliers, not only the export price but also the terms of delivery, transport and payment are discussed. The decisions then taken will determine, which party carries responsibility for the costs arising from loading

and unloading, transport, duty payments, insurance etc., and which costs the supplier needs to add to the export price.

Incoterms 2000, developed by the International Chamber of Commerce (ICC), is an internationally recognized tool for clarifying the responsibilities. Different terms of delivery, such as FOB, CIF, EX-WORKS and FAS, are commonly applied. For more information on Incoterms see www.iccwbo.org/index_incoterms.asp.

The importer often pays for the transport and, if new on the market, may want information and advice from the supplier on existing options.



Customs duties, Value Added Tax (VAT), surtaxes

As explained on page 13, exports to the EU Member States are subject to customs duties, with some exceptions, especially for the LDCs. The rate of duty usually ranges from 5 to 14% for industrial products. For agricultural products, the system is somewhat more complicated.

The duty is collected when the product enters the country. When counting the duty, the transport costs to the EU are counted in the import price. Another cost at the border is the Value Added Tax (VAT), which in Finland is 17% on food and 22% on other products. Before counting the VAT of an imported product, the duty, possible surtaxes and transport to the destination are added to the import price. The importers, wholesalers and retailers pay VAT on the respective value they add to the price.

In Finland, there are also surtaxes on some products, such as alcohol and tobacco. These taxes can be even higher than the VAT.

Alternatively, all charges on the way to the final destination may be born by the seller. Whichever party takes responsibility for the transport, it is advisable to use the services of a forwarding agent or a shipping agency.

Fast and reliable delivery is of utmost importance these days. Most Finnish customers have a close-to-zero tolerance on delays, and failures in this field may soon lead to cancellation of orders and termination of the cooperation.

As concerns payment, the importer is interested in getting the best possible terms of credit, whereas the exporter wants fast and reliable payment. The most common international terms of payment and their risks to sellers and buyers can be studied e.g. at www.foreign-trade.com/reference/payment.cfm.



Trade margins

The final retail price paid by the consumers depends on the amount of intermediaries in the product chain, the type of product and market, and the competitive situation.

Today, Finnish retailers tend to reduce the number of intermediaries in order to keep the prices down. Therefore, many large retailer groups skip the wholesalers and buy directly from the importers, or skip also the separate importers and instead import themselves directly from the suppliers. As explained on page 5, the Finnish market has developed very much towards the integration of the wholesale and retail trade, which lowers costs and improves competitiveness.

Typical retail margins are 30-40% of the sales price in specialty goods, such as clothing, home textiles, shoes, sporting goods etc., and 20-30% in foodstuffs and other daily consumer goods.



A pricing example

Supplier's export price (FOB)	100,00
+ freight, insurance etc.	15,00
CIF price at the Finnish border	115,00
+ duty (normally 5-14%)	15,00
Landed cost	130,00
Retail group's margin (own importing)	
+ margin 40% of retail price	86,67
Retail price (excl. VAT)	216,67
+ VAT 22%	47,67
Selling price to consumer	264,34

¹ The Agreement creating the European Economic Area covers Norway, Iceland and Liechtenstein in addition to the EU.

² http://ec.europa.eu/consumers/safety/prod_legis/index_en.htm

³ ec.europa.eu/enterprise/newapproach/

⁴ ec.europa.eu/environment/chemicals/

⁵ ec.europa.eu/consumers/safety/

⁶ ec.europa.eu/enterprise/regulation/goods/liability_en.htm

⁷ ec.europa.eu/food/food/

⁸ <http://eur-lex.europa.eu/en/index.htm>

⁹ http://ec.europa.eu/food/food/chemicalsafety/foodcontact/eu_legisl_en.htm

¹⁰ ec.europa.eu/environment/waste/

¹¹ ec.europa.eu/enterprise/textile/

¹² The 21 overseas countries and territories (OCT) belong to four EU Member States: Denmark, France, the Netherlands and the United Kingdom. For more information, see <http://europa.eu/scadplus/leg/en/s05034.htm>

Further information

The **Ministry for Foreign Affairs** promotes imports to Finland in accordance with the Finnish Government's Development Policy Programme (2007) and the Government's Trade Policy Programme (2005). This happens by taking measures with a view to removing obstacles to trade and by providing information services. Developing countries' trade capacity is strengthened by means of allocating development cooperation resources to various ends. The Ministry welcomes reports on barriers to trade encountered by importers and exporters.

Ministry for Foreign Affairs
Department for External Economic Relations
Unit for Market Access
tradebarrier@formin.fi
Tel. +358 9 160 55524
Fax +358 9 160 55599
<http://formin.finland.fi/tradepolicy/importpolicy>
(access to an electronic form for notifications on barriers to trade)

You can also contact the **Finnish embassy** in your country. A list of all embassies is available at: <http://formin.finland.fi/embassies>

Finnpartnership is a Finnish business partnership programme that provides Finnish companies a gateway for starting commercially viable activities in cooperation with developing country actors.

Finnpartnership – Finnish Business Partnership Programme
P.O.Box 391 (Uudenmaankatu 16 B)
FI-00121 Helsinki, Finland
Tel. +358 9 3484 3314
Fax +358 9 3484 3346
www.finnpartnership.fi

Finpro and its global network of 50 Finland Trade Centers in over 40 countries provide for foreign companies business contact services all over the world, call center services and information about Finnish exporters on the Internet.

P.O.Box 358, FI-00181 Helsinki, Finland
Tel. +358 204 6951, Fax +358 204 695 200
info@finpro.fi, www.finpro.fi

Association for Promoting Fairtrade in Finland

Paasivuorenkatu 2 A
FI-00530 Helsinki, Finland
Tel. +358 9 5658 680
Fax +358 9 5658 6850
www.reilukauppa.fi

Confederation of Finnish Industries EK

P.O.Box 30 (Eteläranta 10)
FI-00131 Helsinki, Finland
Tel. +358 9 42020
Fax +358 9 4202 2299
www.ek.fi/www/en/

Federation of Finnish Commerce

P.O.Box 340 (Eteläranta 10)
FI-00131 Helsinki, Finland
Tel. +358 9 172 850
Fax +358 9 1728 5120
www.suomenkauppa.fi/www/en

The **National Board of Customs** provides information on detailed requirements related to imports.

National Board of Customs
Customs Information Service
P.O.Box 512 (Erottajankatu 15-17 A)
FI-00101 Helsinki
Tel. +358 20 690 600
Fax +358 20 492 1812
www.tulli.fi

The **Export Helpdesk** is an online service, provided by the European Commission. This free and user-friendly one-stop-shop service provides relevant information required by developing country exporters interested in supplying the EU market. <http://export-help.cec.eu.int/>

The **Centre for the Promotion of Imports from Developing Countries** (CBI) offers market information on the EU market as well as training for developing country organisations. www.cbi.eu

Other useful information sources:

- The Finnish Foreign Trade Agents Federation www.agenttiliitto.fi

European legislation

- Product safety + RAPEX ec.europa.eu/consumers/safety/
- CE Directives ec.europa.eu/enterprise/newapproach/
- REACH (chemicals) ec.europa.eu/environment/chemicals/
- Product Liability ec.europa.eu/enterprise/regulation/goods/liability_en.htm
- Food Law Regulation ec.europa.eu/food/food/

- Packaging Directive ec.europa.eu/environment/waste/
- Textile Directives ec.europa.eu/enterprise/textile/
- All legislation eur-lex.europa.eu/en/index.htm
- GSP arrangements (incl. GSP+, LDCs) ec.europa.eu/trade/issues/global/gsp/index_en.htm
- Food import licences www.mavi.fi
- Veterinary border control http://ec.europa.eu/food/animal/bips/index_en.htm

Standards and codes

- International Organization for Standardization www.iso.org
- SA 8000 www.sa-intl.org
- BSCI audits www.bsci-eu.org
- EUREPGAP/GLOBALGAP www.globalgap.org
- Incoterms www.iccwbo.org
- Terms of payment www.foreign-trade.com/reference/payment.cfm
- CIES – The Food Business Forum www.ciesnet.com

The information given in this publication has been checked and was correct at the time of publishing. As there are numerous details and regulations connected with export to Finland and other EU countries, it is impossible to give exhaustive and up-to-date information in such a limited space. Therefore, the authors and publishers will not take liability for any information contained in this publication, but the reader is advised to always ascertain all details pertaining to the case at hand.

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Finnpartnership



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