

Edited by

Mikko Nieminen – Heli Siikaluoma – Akseli Koskela – Leila Vilhunen

Internationalisation and barriers to trade in 2013



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Preface

Dear cooperation partner,

Last August, I sent a survey on the objectives and problems associated with internationalisation to a large number of Finnish enterprises. About 600 enterprises responded, and measures have already been initiated to address the development proposals and problems that were reported. I would like to thank all the enterprises that reported their observations and concerns. I am ready to roll up my sleeves even higher so that I can respond to the wishes voiced by the enterprises as well as possible.

The Team Finland approach was launched in September of last year, based on the Action Plan on External Economic Relations approved by the Government. This report is among the first concrete indications of how good cooperation through the Team Finland approach can be applied to find new ways of supporting the internationalisation of Finnish enterprises.

The feedback I received shows that more and more enterprises want to become international and are interested in the services offered by Team Finland actors. More than 90 per cent of the respondents were small and medium-sized enterprises. It is very encouraging that many of them expressed an interest in participating, for instance, in export promotion trips. In response to the question on desirable targets for export promotion trips, we received 660 individual travel destinations. The enterprises' ideas concerning the development of export promotion trips and other internationalisation services will be taken into consideration in planning travel destinations and developing services. Our work is just beginning.

There is also work to do in removing barriers to trade and investment. Enterprises reported about 1,400 export-related or import-related barriers. A substantial share of these was encountered in Russia, which is explained by Russia's important role as a trading partner. It is, however, my hope that the barriers encountered in trade with Russia will decrease in future. Russia's accession to WTO membership in autumn 2012 has already had a positive impact on the market access of Finnish enterprises, and I believe this trend will continue.

Alongside Russia, the United States is an important non-EU trading partner for us. Trade relations between the EU and the United States are taking historic steps, as negotiations on an EU–US Trade and Investment Partnership Agreement begin in summer 2013. The agreement aims specifically at eliminating the trade barriers and unnecessary customs duties arising from regulation reported by the enterprises. The agreement would have a very positive impact on trade between Finland and the United States as well as on the Finnish economy and employment.

I will continue to be available to assist enterprises with internationalisation and the removal of barriers to trade. I wish to thank all the organisations that took part in implementing the survey together with the Ministry for Foreign Affairs and the Ministry of Employment and the Economy – Finpro, the Confederation of Finnish Industries EK, the Central Chamber of Commerce, the International Chamber of Commerce ICC, the Federation of Finnish Enterprises and the Federation of Finnish Commerce – for their good cooperation.

With Team Finland greetings,



Alexander Stubb
Minister for European Affairs and Foreign Trade

Summary

The Ministry for Foreign Affairs carried out a survey on internationalisation and barriers to trade in the autumn of 2012 to chart internationalisation among enterprises and the barriers to trade and investment encountered by them. The survey was conducted as part of the Team Finland concept in cooperation with the Ministry of Employment and the Economy, Finpro, the Confederation of Finnish Industries EK, the Central Chamber of Commerce, the International Chamber of Commerce ICC, the Federation of Finnish Enterprises and the Finnish Commerce Federation. About 600 enterprises, covering most of Finland's foreign trade, responded to the questionnaire on internationalisation and trade barriers. The first part of this report analyses the responses and suggestions for development given by the enterprises, and describes the measures that have already resulted from the responses. The second part presents various services supporting the internationalisation of enterprises.

Finnish companies are still interested in "traditional export markets". The most attractive export markets are those that have traditionally been Finland's largest trading partners: Russia, Sweden, China, the United States, Germany, Norway, Japan, India, the United Kingdom and Ukraine. On the basis of this survey, Finland's trade with Japan, India and Ukraine could be increased, as the placing of these countries when the attractiveness of the export market was asked was higher than the rank of the countries in the light of Finland's export statistics.

Enterprises consider the publicly offered internationalisation services to be important and emphasise that good preconditions should be created for their internationalisation and operations abroad. The service obtained, as a rule, is thought to be competent, but the enterprises also provided a good many suggestions for development. The main wish is that all services would be available on a one-stop basis. According to the survey, networking services, monitoring of the business environment and the arrangement of various promotional events were considered the most useful services. The enterprises also hoped for the removal of barriers to trade especially in challenging markets. The development wishes expressed by the enterprises are taken into account and will be used in the future when developing Team Finland activities. For example, the realisation of the one-stop, or rather the first-stop, principle is one of Team Finland's fundamental objectives.

Publicly organised export promotion trips are generally thought to be useful. Enterprises were particularly interested in export promotion trips to Russia, China, the United States and India. Aside from these countries, Japan, Sweden, Germany, Norway, Brazil and Poland are included at the top of the wish list for export promotion trips. The wish list is rather consistent with the wishes previously collected from enterprises by Finpro. Japan, however, ranks higher than before. In particular, it is hoped that export promotion trips, with government assistance, would provide opportunities in the target country to arrange meetings with the authorities and business contacts that individual enterprises otherwise find it difficult to meet. The main idea for development proposed by the enterprises was tailored export promotion trips for certain sectors or business clusters. The wishes of enterprises will be taken into consideration when planning export promotion trips. The preparation for export promotion trips and follow-up of their profitability will be developed in a special export promotion trip development group.

The views of enterprises regarding the functionality of export financing were split. Some of the enterprises are satisfied with the functionality of export financing, whereas others consider that financing is not available or that the application process is bureaucratic, inflexible and expensive. Finding the right financial instrument can be difficult, especially for small and medium-sized enterprises, and they would like more information on the various options and opportunities. On the basis of the questionnaire responses, more development work, communication and training pertaining to internationalisation and

export financing are needed. The enterprises' questions and hopes concerning financing have been submitted for analysis to the responsible authorities and to the actors granting financing and guarantees. Many of the enterprises have already been contacted and the development proposals and problems have been discussed.

In responding to the questionnaire, Finnish enterprises reported a total of about 1,400 barriers to trade and investment. On the basis of the responses, it appears that the number of barriers in general has increased. Most of the barriers reported by Finnish enterprises, about 86 per cent, were encountered in the export trade of goods and services. Barriers associated with import trade account for only about 14 per cent, which is less than before. The barriers reported are still largely problems related to the export or import of goods. The number of barriers associated with service provision, however, has increased, reflecting the fact that services are a facet of the operations of a growing number of Finnish enterprises. There were virtually no reports of barriers to investment.

About 30 per cent of the barriers to trade and investment faced by Finnish enterprises were encountered in trade with Russia. This naturally stems in part from the fact that Russia is Finland's most important trading partner. The share of barriers to trade with Russia remained more or less the same as before the survey. Finnish enterprises encountered the next highest number of trade barriers on the EU's internal market. The EU's internal market is economically important for Finland, and about 53 per cent of Finland's foreign trade is with the EU area. On the basis of the survey, public procurement, and the EU's public procurement legislation in general, is the most problematic area of the EU's internal market. In addition to public procurement, the greatest single groups that stood out were problems linked with product legislation and various problems relating to taxes and taxation. About ten per cent of all the barriers reported concerned trade with China. The number of barriers to trade with China is increasing slightly. After China, problems are encountered the most in trade with Brazil, India and the United States.

The number of general barriers, not associated with any particular country or region, has increased greatly. Enterprises consider problems linked with the securing of intellectual property rights and public procurement to be such global concerns.

All of the barriers to trade and investment raised by enterprises have been analysed at the Ministry for Foreign Affairs and the Ministry of Employment and the Economy. Enterprises have been asked for additional information, if necessary, for further processing of the events encountered. A large share of the problems reported by enterprises has already been raised, either on a bilateral basis between Finland and the country and/or together with the European Commission and other Member States as part of the Common Commercial Policy of the EU, for instance in the World Trade Organization (WTO) or bilaterally between the EU and third countries. For example, the EU's free trade negotiations provide a good opportunity for the removal of barriers encountered by Finnish enterprises, and their responses are therefore used in preparing Finland's positions for negotiations.

Team Finland on the internet:
<http://team.finland.fi/>

Action Plan on External Economic Relations:
http://valtioneuvosto.fi/tiedostot/julkinen/periaatepaatokset/2012/taloudelliset_ulkosuhteet/en.pdf

In the Ministry for Foreign Affairs, for more information about the report on internationalisation and barriers to trade, contact:
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Introduction

The Ministry for Foreign Affairs carried out a survey on internationalisation and barriers to trade in the autumn of 2012, to chart internationalisation among enterprises as well as the barriers to trade and investment encountered by them. The survey was conducted as part of the Team Finland concept in cooperation with the Ministry of Employment and the Economy, Finpro, the Confederation of Finnish Industries EK, the Central Chamber of Commerce, the International Chamber of Commerce ICC, the Federation of Finnish Enterprises and the Finnish Commerce Federation. This first part of the report, compiled in cooperation by the Ministry for Foreign Affairs and the Ministry of Employment and the Economy, analyses the responses and suggestions for development given by the enterprises, and describes the measures that have already resulted from the responses. The second part presents various services supporting the internationalisation of enterprises.

The survey on internationalisation and barriers to trade was posted in August 2012 to more than 7,000 enterprises engaged in foreign trade. In addition, it was distributed at the Team Finland Day held at Finlandia Hall in Helsinki on 10 September 2012. The Finnish diplomatic missions abroad also effectively distributed the questionnaire to their Finnish business contacts in their respective host countries.

About 600 companies responded to the questionnaire; of these about 500 used the response form. In addition, about a hundred companies were interviewed separately. Of the responses, 34 per cent came from micro-enterprises, 33 per cent from small enterprises, 21 per cent from medium-sized enterprises and 12 per cent from large enterprises. The enterprises represented a wide range of industrial and service sectors, were from all over Finland, and covered most of Finland's foreign trade.

The survey on internationalisation and barriers to trade is the first of its kind. The same actors have previously explored the barriers to trade encountered by enterprises, most recently in 2009.

Team Finland on the internet:

<http://team.finland.fi/>

Action Plan on External Economic Relations:

http://valtioneuvosto.fi/tiedostot/julkinen/periaatepaatokset/2012/taloudelliset_ulkosuhteet/en.pdf

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PART I

Internationalisation and barriers to trade in 2013

1 Export market interest

We asked the enterprises which export markets they are interested in at the moment. A total of 415 enterprises responded to the question, and rather predictably export market interest focused primarily on neighbouring markets and the markets of Finland's largest trading partners. The top three markets of interest are *Russia*, *Sweden* and *China*. These are followed by *Germany* and the *United States*. A notable group of born global enterprises, which operate the world over and whose home market is the whole world, was also seen as a rising trend. These enterprises are principally engaged in various service sectors.

"Actually, as we are born global, we are interested in all markets."

Regional export market interest

Regionally, Europe is considered the most interesting export market area, attracting more than half of the responses. Following after Europe are Asia, North America and South America. Africa, with the exception of North Africa, and Oceania do not attract much interest.

By country in Europe, clearly the most popular export market among enterprises is *Russia*, and there especially Finland's neighbouring areas, the St. Petersburg area and Moscow. Enterprises see Finland's neighbouring areas in Russia as the Gateway to the East. Many enterprises consider the St. Petersburg area to be their home market. After *Russia*, *Sweden*, *Norway* and *Germany* are perceived as the most interesting countries. In addition, the Baltic countries, the EU countries not previously mentioned and the CIS countries are considered to be interesting export markets.

In Asia, there is interest especially in *China*, which was the focus of approximately one-fifth of all the responses for the region. China is followed by *Japan*, *India*, *South Korea*, *Kazakhstan* and *Turkey*. In the Asian region, the emphasis is on East Asia and South-East Asia, and on the Middle East and the Persian Gulf region.

Of the Americas, the leading focus of interest is the *United States*, which accounted for one-third of all the responses for the region. After the United States, there is interest in *Brazil*, *Canada* and *Chile*. Regionally, South and Central America are not the target of great interest.

As to *Africa* and *Oceania*, there is not much interest, with the exception of North Africa. Of individual countries, however, the *Republic of South Africa*, *Tanzania*, *Australia*, *Egypt* and *Tunisia* are considered the most interesting. Regionally, North Africa is considered the most attractive, although there were not many responses for the individual countries.

Export market interest by country

Export market interest by country seems to align quite well with statistics on the trade of goods for 2012; in other words, the targets of interest reported by the enterprises on the survey are approximately the same as the countries with which trade is already under way. According to statistics collected by Finnish Customs, Finland's largest trading partners were Russia, Germany, Sweden, China, the Netherlands, the United States, the United Kingdom and Norway. The European Union accounts for about half of Finland's foreign trade.

Among the largest trading partners, the United States, Russia and Norway accounted for greater shares of Finland's exports last year while exports to Sweden and Germany declined. Countries of origin whose share of imports increased were China, Norway, the Netherlands and Sweden. Imports from Russia and the United States instead showed a downturn.

On the basis of the enterprises' responses, it appears that there may be more interest in Japan, India and Ukraine than current trade statistics suggest.

The 20 largest trading partners for the trade of goods are listed in Appendix 1, and all of enterprises' export market interests are listed in Appendix 2

Table 1. Export market interest TOP 10 (N=415)

#	Country	Share of interest	Share of all trade in goods (ranking)
1	Russia	46%	14% (1st)
2	Sweden	16%	10.8% (3rd)
3	China	15%	6.2% (4th)
4	United States	10%	4.8% (6th)
5	Germany	9%	10.8% (2nd)
6	Norway	7%	3.4% (8th)
7	Japan	6%	1.6% (15th)
8	India	5%	0.7% (25th)
9	United Kingdom	4%	4.0% (7th)
10	Ukraine	4%	0.4% (33rd)

2 Internationalisation services

We asked the enterprises what sort of public *internationalisation services* should be at their disposal. A total of 378 enterprises responded to this question. In their responses, the enterprises generally stress that good preconditions should be created for enterprises' internationalisation and their operation around the world.

The enterprises consider the coverage of Finland's diplomatic missions and the number of Finpro's offices around the world to be good. Finland's diplomatic missions in 72 countries and Finpro's 69 offices cover a large proportion of Finnish enterprises' main market areas. The enterprises also consider that the people serving them at the diplomatic missions and at Finpro are usually very knowledgeable.

The enterprises pointed out that internationalisation often begins already at the regional Centres for Economic Development, Transport and the Environment (ELY Centres). These have named Team Finland coordinators who help enterprises in the early stages of internationalisation. The coordinators' contact details can be found in Appendix 3. Small enterprises in particular emphasised the role of the ELY Centres and considered the services they offer to be good and necessary.

"We would hope for reasonably priced, practical-oriented internationalisation services operating on the 'one-stop principle' intended for entrepreneurs just starting out. Internationalisation services should have more actors and fewer planners and researchers. Also, internationalisation service providers should react as quickly as possible to the entrepreneur's request for help, and should not refer the matter to the next body and the next, or should not tell the entrepreneur about another service that he should contact."

"In order to finance internationalisation, the entrepreneur just starting out often needs financial support. The forms of support are different, and each one is sought from a different organisation, in a different way. It is impossible for a fledgling entrepreneur to cope with the various subsidies applying for them independently. Applying for the support is bureaucratic, their processing is slow on the part of the authorities, and the payment takes place after a long delay."

Public services are perceived as being somewhat bureaucratic. Enterprises want easier handling of affairs and access to services on a 'one-stop basis'. In addition, enterprises would want to have more flexibility and services tailored for their individual needs.

"The issues and services mentioned in the questions are all much needed at the various stages of internationalisation. As an SME, we hope that internationalisation assistance would be directed more to smaller enterprises. Their initial efforts at exportation should also be assisted financially. The internationalisation of enterprises often no longer follows the old formula of first succeeding in Finland, then in Sweden, in Europe and so on. Thereafter the enterprise's capacity and size allow more extensive internationalisation. This is no longer the case."

"Our own enterprise produces information services that are seen by the end-user as mobile device applications and internet services. We are thus a born global company. However, internationalisation requires a great effort compared against larger actors. Proceeding from this born global phase to the grown global stage calls for tools suiting the needs of small and medium-sized enterprises. Abroad there could, for example, be physical premises offered publicly by the Finnish authorities, which small enterprises could take advantage of with a local partner."

What concrete internationalisation services would enterprises want?

The enterprises hoped definitely the most for *networking services*. Besides these, they hoped for *monitoring of the business environment* and *promotional events*. Market studies, services for establishing an enterprise's local presence, and the removal of barriers to trade and investment were desired a little less often, but it is possible that these points affect few enterprises directly. In addition to the given alternatives, many enterprises expressed their concern regarding financing and the granting of credit. A small number of enterprises expressed their gratitude for the existing services.

Table 2. Internationalisation services

Net-working services	Monitoring of the operating environment	Promotional events	Market studies	Removal of barriers to trade and investment	Services for establishing a presence	Financing	The current services are good	Others
133	91	84	68	64	63	27	26	128

It is hoped that Finpro and the Finnish diplomatic missions abroad would be active as *door-openers promoting networking* in the direction of the authorities and enterprises in target countries. Their assistance was also desired in finding a partner from the local business field. It is hoped that the diplomatic missions would support enterprises when they encounter problem situations in target countries.

“The assistance of diplomatic missions is important in the creation of buyer contacts also in the service sector for culture. Packaging cultural services, such as live music, as part of the export promotion trips of other sectors is important: This would improve buyer know-how and would broaden the foreign customer base of cultural services.”

The enterprises' second most common wish was that the government would be active in *monitoring of the business environment in target areas*. Especially desired is knowledge of legislation and foresight regarding legal reforms pertaining to entrepreneurship. In the examples, hopes were expressed, among others, for the possibility to check customers' credit status abroad and for the monitoring of legislation projects in rapidly developing sectors (e.g. information technology, food processing). It was hoped that Finpro reports would be lower priced for small enterprises than for large enterprises, and in some cases even free.

The enterprises' third most common wish was for help in *organising promotional events*. These are considered particularly important because they bring together, for instance, local key decision-makers, corporate customers and local media. Enterprises are also of the opinion that the premises and staff of Finpro and the diplomatic missions abroad could work more efficiently as a stage for Finnish products. The furnishings, dishes, or even the terrace materials of the diplomatic missions were mentioned as an example. In this way, every event held in the premises would be its own small-scale Finland promotion event as well.

“All possible marketing and networking channels are of interest. I think that at the moment there are not many alternatives in use for small and medium-sized enterprises. German trade fairs, which in many fields are Europe's leading trade fairs, countries and continents have their own exhibition areas where there are small exhibition stands for enterprises. For example, the Automechanica trade fair has this type of arrangement, and many countries are presented there. I believe that many SMEs building exportation would be interested in

taking part in these types of 'Finland departments.' At least we would. Promotional events are good if the key decision-makers are assembled there. At trade fairs, decision-makers are already looking for new business partners and meeting old ones."

Market studies in different target areas are desired to some extent. Some of the smaller enterprises, in particular, experience Finpro's current offerings as expensive. It is hoped that market studies would be less expensive for smaller enterprises, or even free. Services for establishing a local presence are also desired to some extent. Often large enterprises are able more easily to move into new markets, but small enterprises in the manufacturing industry need assistance from the Embassy and Finpro.

Enterprises feel that, especially in some market areas, the Finnish authorities and diplomatic missions have an important role in *removing barriers to trade*. This is particularly the case in markets where the enterprises say there are the most barriers to trade (among others, Russia, China, Brazil, India and the United States).

Especially small and medium-sized enterprises raised the *challenges in financial services*. Companies feel that small and medium-sized enterprises do not find suitable financing options. Enterprises hope for solutions also to the problems of small enterprises as well as venture capital financing alternatives for new enterprises. (More on financing in Chapter 4)

"To us, arranging financing is the biggest obstacle to internationalisation. We have not received any external financing since the product development project (for that we got support from Tekes – the Finnish Funding Agency for Technology and Innovation, and a loan from the bank). Now we have an excellent product that has been very well received on the Finnish market but we do not have the financial resources to start to export the product to Europe, because in Europe we're up against the same competitors as in Finland. If there were ways to obtain financing, then we would have really good possibilities to start developing the exportation of our software product in a big way. The preconditions for building a gazelle enterprise would otherwise be to hand. But now that there isn't any financing, there's no option but to collect enough money from cash flow financing so that we could gradually start to develop exporting. We can only hope that our competitors don't outstrip us in the meantime."

The enterprises' hopes and development proposals have been discussed with the relevant Team Finland actors, and they will be utilised also in the future in implementing the Team Finland approach. For example, the realisation of the one-stop, or rather the first-stop, principle is one of Team Finland's fundamental objectives.

3 Export promotion and internationalisation trips

A total of 265 enterprises reported *their hopes for export promotion and internationalisation trips*. In all, 663 wishes concerning the destination of trips were mentioned. *Russia* is absolutely the most popular destination for trips. After this, the top-ranking destinations are *China, the United States, India, Japan, Sweden and Germany*.

Examined by continent, *Europe* and *Asia* are the most popular. As to the remainder, *Africa* and the *Americas* are rather equal and *Oceania* is the last.

In *Europe*, export promotion and internationalisation trips to the traditional export countries – *Russia, Sweden, Germany, Norway* and *the United Kingdom* – are desired. In addition to these destinations, trips are hoped for especially to *Ukraine* and *Poland*. With regard to *Russia*, there is interest particularly in the local markets (*Leningrad Region, St. Petersburg, Karelia* and *Moscow*).

In *Asia*, interest focuses especially on *East and South-East Asia* and on the *Middle East*. Of individual countries, interest centres in particular on the traditional export markets of *China* and *India*, as well as on *Japan*, a country of rising interest. Interest in the *Persian Gulf* region is rising.

Enterprises are moderately interested in export promotion and internationalisation trips to *North and South America*. Especially *the United States, Canada, and Brazil* attract interest. There is also some interest in *Africa*. There, the enterprises hope for trips especially to the *Republic of South Africa, Nigeria* and *North African countries*.

Table 3. Export promotion and internationalisation trips TOP 10 (N=265)

#	Country	Share (N)
1	Russia	39% (102)
2	China	20% (52)
3	United States	10% (27)
4	India	8% (22)
5	Japan	7% (19)
6	Sweden	7% (18)
7	Germany	7% (17)
8	Norway	6% (16)
9	Brazil	6% (15)
10	Poland	5% (12)

The hope is that export promotion and internationalisation trips would concentrate on specific sectors (such as health technology or design and other creative sectors), when it would be easier to structure the programmes of trips and easier to get the target audience to attend events.

"Sector-specific trade fairs in different countries generally gather the real actors together. In this connection, ministerial-level status would, at the very least, gain the attention of authorities in the organising country."

Enterprises that are not interested in export promotion and internationalisation trips responded that the trips are too expensive and do not necessarily serve the needs of small enterprises. It was also commented that the groups on trips are too general and that there could be more sector-specific trips. Although more sector-specific trips have been arranged recently (for example, culture and food), not every enterprise has found its own sector in the range of trips. Small and medium-sized enterprises also feel that the interests of large enterprises make up the main focus of export promotion and internationalisation trips.

"I do not see trips with a general agenda as practical; instead you should finance and organise trips proposed by the enterprise to target customers chosen in advance, which free of charge would include as 'host' the staff of the Finnish Embassy, Finpro, or some such."

The hopes concerning export promotion and internationalisation trips presented by enterprises in this survey are consistent, for instance, with the surveys carried out previously by Finpro. Japan's relatively high ranking diverges somewhat from the earlier results. The enterprises' hopes will be taken into account in planning export promotion and internationalisation trips.

4 Financing

We asked the enterprises about the *functioning of export financing*. *The enterprises' opinions are divided on this question*. Some of the enterprises are satisfied with the functionality of export financing, whereas others consider that financing is not available or that the application process is bureaucratic, inflexible and expensive. The actors mentioned in the responses were, among others, Finnvera, the Centres for Economic Development, Finnfund, Finnpartnership and Tekes – the Finnish Funding Agency for Technology and Innovation. On the basis of the responses, especially *small and medium-sized enterprises have a rather weak knowledge of different financial instruments*. In addition, enterprises feel that *they don't get enough information about export financing, and that support for internationalisation and support services for internationalisation are scattered among different bodies*.

"Once there is experience of the instruments, then the system works well. The inexperienced SMEs can experience the institutions as difficult to approach and the service provision as confusing. The system needs a certain clarification and simplification of communications and services to be understandable with common sense."

Many of the responses reflected small and medium-sized enterprises' experiences that financing services suitable for them and the smallest projects (they mentioned in particular projects and export credits of less than one million euros) are not offered. *Applying for financing is experienced as complicated and the basic expenses as too high*. Simplification of financing for small and medium-sized enterprises is desired.

"We would want a simple financing model for small enterprises. Excessive bureaucracy often leaves small enterprises outside foreign trade altogether, because their resources (the number of employees) are not sufficient to handle complicated processes."

The responses also mentioned start-up enterprises and the fact that there is not enough support for them. In particular, export financing does not work well for them. Moreover, the development of a new type of venture product is desired, especially for growing enterprises. The processing of support decisions by the MEE Group's Growth Channel project has been criticised as slow. With regard to larger enterprises, one problem that was mentioned is that subsidiaries registered abroad cannot apply for support (financing). If the subsidiary is registered in Finland, financing can be applied for in the usual manner.

The stringency of collateral requirements was brought up in several responses. Applying for collateral is experienced as laborious, time-consuming and departing from a civil servant viewpoint. Among the other problems that emerged in the survey are the bank-tied nature of financing decisions as well as the high cost of financing overall. In general, hopes were expressed for clarification of services, faster action and better availability of information about export financing.

The responsible authorities as well as the actors granting financing and guarantees have become acquainted with the enterprises' responses; many enterprises have already been contacted and the development proposals and problems brought to the fore have been discussed. In the following are the responsible authorities' comments on the responses in the light of a preliminary analysis.

Specialised financing by the State is regulated by domestic and international legislation and agreements, such as the OECD Arrangement on Officially Supported Export

Credits, the EU State aid rules and the so-called Communication, which set conditions for export financing (including the minimum premium, the maximum credit period and the self-risk portion).

The aim of the State-owned specialised financing company Finnvera (and its subsidiaries), is to fill market gaps and to support growth and internationalisation. The objective is that an internationally competitive export financing system would be available to Finnish exporters in an ever-changing business environment.

Finnvera provides its clients with loans, guarantees, and export credit guarantees for domestic operations and for export. Finnvera is expected to adhere to the principle of economic self-sustainability. Financing is subject to a fee, and the risks included in financing are shared with other providers of financing. The financing of export deals always requires that a commercial bank takes part in the arrangements. It may be difficult for small and medium-sized enterprises to find bank financing for smaller individual export deals if the financial transaction costs are too high in relation to the size of the project. The process of applying for financing involves specific steps (data collection and analysis as well as risk assessment) regardless of the size of the project, which may seem heavy to a starting export company.

As a result of the government discussion on spending limits, in spring 2013 the Government launched a new *growth-financing programme to consolidate the capital investment market and support the growth of small and medium-sized enterprises*. The ten-year growth-financing programme will be implemented in cooperation with private investors, and a minimum of fifty per cent of the required capital will be raised from private sources. Government funding for the programme will be channelled through Tekes – the Finnish Funding Agency for Technology and Innovation and Finnish Industry Investment Ltd. Finnvera's early-stage venture capital operations will continue until 2016, until the private equity fund of Tekes has become established. The intention is that the new Growth Fund II, managed by Finnish Industry Investment Ltd, will help create about ten private equity funds that would invest in around one hundred enterprises. It is estimated that the investments in the portfolio enterprises will create 6,000 new jobs over a five-year period.

In particular, the EU State aid rules and the World Trade Organization (WTO) rules also restrict other State actors from providing support for the internationalisation, marketing and sales of enterprises. This has a considerable impact for instance on activities of the ELY Centres and Tekes.

The internationalisation of enterprises is supported, for example, *through internationalisation grants given by the Ministry of Employment and the Economy and the ELY centres to the joint projects of enterprises*, for which clusters of at least four companies can apply. The grant can be used to make Finnish exports and Finnish expertise known abroad, in new market areas, to expand market shares, and for joint export promotion events supporting the internationalisation of Finnish export enterprises.

Tekes promotes research, development and innovation activities With regard to Tekes, financing for young innovative enterprises is an exception to the EU rules; in this case operations of the entire enterprise can be within the scope of support. In addition, responsibility for public venture capital investment directed to enterprises in the start-up phase will be transferred to Tekes gradually from 2014 onwards.

The *enterprisefinland.fi* online service will make new electronic services available to enterprises, making it easier to deal with and manage information vis-à-vis different actors of the MEE Group. In addition, Team Finland cooperation seeks to intensify the internationalisation services provided for enterprises by various sectors of administration, both in Finland and in the target country.

On the basis of the questionnaire responses, more development work, communication and training pertaining to internationalisation and export financing are needed. *The export financing programme* launched by Finnvera in 2012 serves as a training tool. The MEE Group's *Growth Channel project*, by means of a 'growth pilot', will offer tailor-made services in a coordinated manner to small and medium-sized enterprises seeking rapid growth and internationalisation. Matters pertaining to financing for the exports and internationalisation of small and medium-sized enterprises, however, should still be examined more closely. In particular, consideration should be given to how communication and training about various financing options could be intensified and standardised, and how the financing for smaller export projects could be developed within the framework of international and domestic rules.

5 Overview of the reported barriers to trade

In responding to the questionnaire, Finnish enterprises reported a total of about 1,400 *barriers to trade and investment*. On the basis of the responses, it appears that the number of barriers in general has increased. Most of the barriers reported by Finnish enterprises, about 86 per cent, were encountered in the export trade of goods and services. Barriers associated with import trade account for only about 14 per cent, which is less than before. The barriers reported are still largely problems related to the export or import of goods. The number of barriers associated with service provision, however, has increased, reflecting the fact that services are a facet of the operations of a growing number of Finnish enterprises. There were virtually no reports of barriers to investment.

About 30 per cent of the barriers to trade and investment faced by Finnish enterprises were encountered in trade with *Russia*. This naturally stems in part from the fact that Russia is Finland's most important trading partner. When trade is brisk, it is natural that barriers to trade also arise. Barriers related to trade with Russia remained more or less the same as before the survey.

Finnish enterprises encountered the next highest number of trade barriers on the *EU's internal market*. The EU's internal market is economically important for Finland, and about 53 per cent of Finland's foreign trade is with the EU. On the basis of the survey, public procurement, and the EU's public procurement legislation in general, is experienced as the most problematic area of the EU's internal market. In addition to public procurement, the greatest single groups that stood out were problems linked with product legislation and various problems relating to taxes and taxation.

About ten per cent of all the barriers reported concerned *trade with China*. The number of barriers to trade with China is increasing slightly. On the basis of earlier results as well, Russia and China were the trading partners outside the EU where Finnish enterprises encounter the most problems.

The number of general barriers, not associated with any particular country or region, has increased greatly. Enterprises consider problems linked with the securing of intellectual property rights and public procurement to be such global concerns.

All of the barriers to trade and investment raised by enterprises have been analysed at the Ministry for Foreign Affairs and the Ministry of Employment and the Economy. Enterprises have been asked for additional information, if necessary, for further processing of the barriers encountered. A large share of the problems reported by enterprises has already been raised, either on a bilateral basis between Finland and the country and/or together with the European Commission and other Member States as part of the Common Commercial Policy of the EU, for instance in the World Trade Organization (WTO) or bilaterally between the EU and third countries. For example, the EU's free trade negotiations provide a good opportunity for the removal of barriers encountered by Finnish enterprises, and their responses are therefore used in preparing Finland's positions for negotiations.

In the following sections, the barriers to trade and investment reported by enterprises are examined in greater detail by country.

Table 4. Trade barriers' TOP 10 (N=1,374)

#	Country	Share of trade barriers, % (N)
1	Russia	29.3% (402)
2	Internal market of the EU (excluding Finland)	14.7% (202)
3	China	8.6% (118)
4	Finland	7.7% (106)
5	General	5.1% (70)
6	Brazil	4.4% (60)
7	India	4.2% (57)
8	United States	3.9% (54)
9	Ukraine	2.3% (31)
10	Argentina	1.6% (22)

5.1 Trade barriers by type

Examined by the type of barrier, the barriers reported by Finnish enterprises were associated the most often with discriminatory and unfair product specifications (technical barriers to trade, TBT), high or changing levels of customs tariffs and problems encountered in customs procedures. These issues have traditionally been reported as problems by Finnish enterprises.

Considerably more problems than before are encountered in public procurement, movement of persons, and in the protection of intellectual property rights. In general, it was also observed that the number of reports of various trading partners setting local content requirements (local content, local production) that impede export had increased. According to these reports, a certain part of the manufacture for a product should be domestic inputs of the country in question.

Fewer problems than previously were reported in connection with the business environment and competition conditions. This seems to have been influenced, at least to some extent, by the way the questions were set in the questionnaire, which no longer listed these problem types as separate points but as part of other barriers.

Table 5. Trade barriers by type (N= 1,374)

#	Type of barrier, % (N)	Share
1	Discriminatory product specifications	15.4% (212)
2	Customs tariffs levels	13.2% (179)
3	Customs procedures	12.2% (168)
4	Tax problems	8.7% (119)
5	Public procurement	8.5% (118)
6	Movement of persons	8.4% (115)
7	Other barriers and problems	7.3% (100)
8	Intellectual property rights (IPR)	7.1% (97)
9	Movement of capital	5.9% (81)
10	Business environment	3.6% (49)
11	Legal status of the enterprise	3.5% (48)
12	Quantitative restrictions	3.4% (47)
13	Competition conditions	1.8% (25)
14	Anti-dumping and countervailing duties and safeguard measures	1.2% (16)

5.2 Trade barriers by sector

Examined by sector, most of the enterprises that reported barriers to trade and investment operate in the branch of machinery and equipment. The number of barriers they encounter seems to have increased slightly. The number of reports from service-sector enterprises, however, has increased considerably. Moreover, barriers reported in the metal, steel, and mining industry have increased compared to the reports known to the Ministry for Foreign Affairs in the past. Fewer barriers than before were reported for the forest industry, the ICT sector and the food industry.

Table 6. Trade barriers by sector (N=1,374)

#	Sector, % (N)	Share
1	Machinery and equipment	18.2% (250)
2	Services	15.8% (217)
3	Other	13.8% (190)
4	Metal, steel and mining industry	9.7% (133)
5	Building and interior decoration	9.1% (125)
6	ICT (including consumer electronics)	6.9% (95)
7	Chemical industry (including rubber and plastics, and cosmetics)	6.1% (84)
8	Forest industry	4.3% (59)
9	Food industry (including agriculture)	3.5% (48)
10	* Not defined *	3.3% (45)
11	Transport vehicles	3.2% (44)
12	Textile and clothing industry	3.1% (43)
13	Retail trade	1.7% (23)
14	Pharmaceutical industry	1.3% (18)

A closer examination of the problems associated with public procurement, movement of persons, intellectual property rights, local content requirements and services follows next. They have increased in number compared to the number of cases previously known to the Ministry for Foreign Affairs.

5.3 Public procurement

Public procurement is perceived more often than before as a problem area both on the external markets and on the internal market of the EU. This probably stems from the increased interest of enterprises to participate in competitive tendering outside of Finland.

About nine per cent of the barriers reported by enterprises concerned public procurement. Of these, about half pertained to Finland or elsewhere in the EU. Of the non-EU countries, the most problematic in terms of public procurement is Russia, where the number of trade barriers has increased. Other difficult market areas are India, China, Kazakhstan, Ukraine, the United States and Japan. The problems raised concerned, among others, favouritism for local actors, local content requirements, discrimination, corruption and other abuses, a lack of transparency in procurement procedures, as well as bureaucracy perceived as being excessive.

Procurement procedures are generally experienced as burdensome, bureaucratic and time-consuming not only because of the requirements placed on the contents of documents but especially because of their language requirements. Participation in public procurement procedures is often an administratively burdensome process, especially for small enterprises.

Non-EU countries

Only few international commitments pertaining to public procurement have been made. There is no regulation encompassing the entire WTO, as the scope of the WTO's Government Procurement Agreement (GPA) includes only a limited number of the members of the WTO. China, for example, is currently negotiating on accession to the Agreement. Nor are commitments made within the sphere of the WTO all-inclusive. Public procurement problems in the United States and Japan show that there is still room for improvement with regard to market access even though the countries are signatories to the GPA. The barriers surfacing in the report, however, focus primarily on countries not within the scope of international agreements concerning public procurement, such as Russia, India and China.

The current situation allows regulation in non-EU countries that seeks to favour domestic providers of goods and services. This possibility has been applied increasingly in recent years. If international commitments have not been made or are incomplete, it is difficult to intervene with regard to measures restricting competition in public procurement in third countries. For this reason the EU strives for greater market access for public procurement in all free trade negotiations (among others, India and Japan).

EU Member States

Public procurement-related problems constitute one fifth of all the problems encountered by enterprises on the EU's internal market. The problems are concentrated mainly in Finland, the Baltic countries and Poland.

The problems raised by enterprises are not so much judicial as the fact that the legislation and procedures are perceived as difficult and burdensome.

The EU Directives on public procurement are currently being revised. The reform seeks to find solutions also to many of the complex issues brought up by the respondents. The reform of the Directives strives firstly to improve safeguards in the event of practices contrary to rules, such as conflicts of interest, favouritism and corruption risks. In addition, the reform aims at improving the possibilities for small and medium-sized enterprises to participate in public competitive tendering. Likewise, the new Directive is intended to facilitate the procurement of innovation by devising specific procurement procedures for the creation of long-term innovation partnerships.

Finland

One sixth of all the report's problems pertaining to Finland concern public procurement. The responses stated, among other things, that not all authorities making procurements have sufficient knowledge of competitive tendering in the sector in question, and that the procedures overemphasise the importance of price. It was also considered problematic that with regard to competitive tendering, the law does not allow granting preference to regional or domestic enterprises. Another problem of competitive tendering in public procurement was considered to be that the documents are only available in Finnish, which is seen as increasing the cost of participating for international enterprises as well as reducing competition in Finland.

The difficulties for SMEs to participate in procurement procedures surfaced as well. Some of the enterprise respondents felt that their competitors have been able to influence the procurement criteria. The responses also criticised the participation of state-financed enterprises in competitive tendering. The respondents felt that it is impossible for other enterprises to compete on the basis of price in such situations. The enterprises also hoped that information about public procurements under way would be obtainable more easily.

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5.4 Movement of persons

Reports of trade barriers related to the movement of persons increased in number compared to those previously received by the Ministry for Foreign Affairs. The largest share of the problems, about 90 per cent, pertained to *the movement of persons away from Finland and to the visa and work permit procedures mainly of non-EU countries*. About ten per cent of the problems concern procedures associated with foreigners coming to Finland. The increase in the reports of problems related to the movement of persons indicates that enterprises hope that the movement of experts and customers, in both directions, would become easier. Problems related to the movement of persons are often associated with the export of services.

Enterprises encounter the difficulties related to the movement of persons most often when going to *Russia*. About 30 per cent of the problems related to the movement of persons reported in the survey on internationalisation and barriers to trade involved Russia. The difficulties encountered by enterprises pertained to the acquisition of visas, work permits and residence permits. The examples mentioned included, among others, the long visa application process and its expensive price, difficult visa registration requirements, problems in obtaining long-term visas and bureaucracy associated with work permits in general.

Of the non-EU countries, the country where problems related to the movement of persons were encountered the second most often was China (about six per cent of the reports). With regard to China, the problems reported by enterprises focused primarily on the visa acquisition procedures. In addition to Russia and China, visas and work permits impede trade mainly in the United States, Brazil, and India. It would be important that, without compromising security, entry processes would complicate trade as little as possible.

The majority of the problems relating to the movement of persons (60 per cent) on the EU's internal market were encountered in arriving to Finland (a total of 15 reports). Some of the problems were associated with the acquisition of visas by foreigners coming to Finland. It is considered to be a particular problem that the application process takes too long in the case of visas for experts or customers coming to a Finnish enterprise. Finland's visa processing is based on the Schengen Borders Code and the Visa Code. Effort is made to handle business travellers' visa applications as smoothly as possible and so that the operations of Finnish enterprises are supported as far as possible. Problems are resolved as quickly as possible.

Some enterprises consider Finland's procedure for granting work permits (work-related residence permits) to be difficult, slow and expensive. The bureaucracy involved in applying for Finnish citizenship is also criticised. A few responses reported problems that have occurred when recognition of professional qualifications attained elsewhere in EU or in a non-EU country was required in Finland. The responses concerning the movement of persons also brought up concerns caused by the import of grey labour to Finland. In addition, it was stated that, among other things, owing to Finland's high labour costs, production and hence employment are transferred abroad.

With regard to the rest of the EU, there were reports of the problematic requirement to use the local labour force as well as problems in the mutual recognition of qualifications.

Example: Visas and work permits between the EU/Finland and Russia

Enterprises experience *difficulties in obtaining visas* as one of the major barriers between Finland and Russia. Most of the reports are associated with Russian visa acquisition, but also to some extent with visa acquisition problems when coming to Finland. As a Schengen country, Finland is bound by the Schengen Borders Code, i.e. by the Common European legislation.

Some enterprises urge efforts to achieve visa-free travel between the EU/Finland and Russia. The EU and Russia set visa-free travel as their joint long-term strategic objective in 2003. At the end of 2011, some conditions for visa-free travel were adopted; these pertain, among others, to document security, border control, illegal immigration and cooperation between authorities. After these so-called common steps are implemented, the Council of the European Union will decide on possible visa liberalisation negotiations. This common steps work is continuing. Finland supports the goal of visa liberalisation, but emphasises its controlled implementation and the fulfilment of conditions.

Prior to the implementation of visa-free travel, it is important to Finland that movement is eased by the efficient and smooth granting of visas, applying the flexibility enabled by the Visa Code and the EU–Russia Visa Facilitation Agreement. It would be important that Russia would also apply this flexibility to the fullest extent possible. Finland has intensified customer service by outsourcing visa application and developing handling processes continuously.

Problems associated with obtaining work permits have long been one of the greatest problems facing the business operations of Finnish enterprises in Russia. Work permit issues have been raised systematically at different levels of Finland's bilateral negotiations and EU-level negotiations with Russia. In 2010, the acquisition of work permits by so-called highly skilled special experts and a few other special groups was eased. The relaxation applies to a substantial share of the Finns, but not all. This work permit may be obtained for up to three years. An ordinary work permit is still obtained for only one year.

Foreigners' stay in Russia is also complicated by the registration requirement and the limitation on days for internal business travel. Russia has made registration easier by extending the time for registration from the former three days to seven days. Registration can now be done by post, and the matter can also be handled by the employer. Finland does not require that Russians register.

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5.5 Intellectual property rights (IPR)

Problems related to intellectual property rights (IPR, IP rights) are increasingly experienced as barriers to trade. About seven per cent of all the problems reported through the survey by enterprises concerned intellectual property rights and related issues. Geographically, the greatest share of the IPR problems occur in China, the EU and Russia. The difference from these to the following countries, South Korea, the United States and Brazil, is clear.

The enterprises' responses bring up experiences of copyright infringement, the copying of products and trademarks, and the fact that the obligations concerning intellectual

property rights recorded in mutual agreements between the parties are not observed. The contesting of trademarks without juridical basis may also arise in developed markets such as the United States.

In particular, small and medium-sized enterprises feel that their possibilities to protect themselves against copying and defend their patents through court proceedings are poor. In addition, it was emphasised that applying for a patent is an overly burdensome effort for very small actors and becomes too expensive, especially in the early stages of operations. The time required for the registration of trademarks may vary considerably from one country to another, and this should be taken into account in drawing up time-tables.

A few of the enterprises' responses on IPR issues in the EU area concerned the completion of the EU common patent system. The system would enable an effective and cost-wise reasonable procedure for patents valid throughout the EU area. Considerable progress has taken place with regard to the patent system. Agreement on the creation of unitary patent protection in the EU by means of EU regulations, and on the associated Unified Patent Court Agreement, was reached among the Member States at the end of 2012. The entry into force of the Patent Court Agreement is still subject to national ratifications.

Enterprises can avoid some of the problems by adopting the right attitude to intellectual property rights. Their protection is often perceived as expensive, but that is the only way for an internationalising enterprise to ensure better protection. The country-specific and market-specific protection of intellectual property rights should be included in the total investments for internationalisation. The responses also mentioned that the customs authorities should carry out more effective cooperation in the surveillance of copied products.

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5.6 Local content requirements

Enterprises have increasingly reported various kinds of local content requirements encountered on the export markets of third countries. Many countries strive to protect their domestic production and labour force, as well as to limit the possibilities for foreign enterprises, by means of assorted local content requirements and "buy national" legislation. Some countries grant an import permit only for products that are not produced locally. Various local content requirements specify, for example, that in order to make products locally, the enterprise must also acquire a certain amount of local production rather than import. It may also be required that the enterprise should use the local labour force. The degree of local content required, as reported through the survey, varies from 50 per cent to 80 per cent.

The requirement concerning the share of the local labour force, in turn, may be for instance two local employees per each sent employee. In addition, it may be impossible for a foreigner to own the entire enterprise and the upper limit set for foreign ownership may for instance be 50 per cent. Local content requirements focus in particular on public procurement and investments to be made in the country. Especially with regard to public

procurement, it is often difficult to intervene because the WTO and EU agreements are not all-inclusive. In contrast, attempts can be made to influence local content requirements encountered in the services sector within the framework of the target country's free trade agreements with the WTO or the EU, and with regard to investments made in other areas, by virtue of the WTO agreement on trade-related investment measures.

Local content requirements are found particularly in emerging economies, such as Brazil, India and Nigeria, which want to support their industry and the development of their labour force, but they are in use widely elsewhere as well. There have also been some reports of similar requirements on the EU's internal market. In certain sectors, for example, it is required to use only raw materials originating in the EU. It is estimated that different local content requirements would be increasing owing to economic uncertainty, even though for instance all of the G20 members have pledged to refrain from protectionist measures.

The United States and Brazil, for example, have well-known and frequently reported local content requirements. In the United States, the Buy American Act, for instance, restricts the operations of foreign enterprises. In accordance with the Buy American legislation, a product offered for some public competitive tendering must be manufactured in the United States, and in addition the share of local components should constitute at least half of the total cost. Brazil has its own, corresponding "Buy Brazilian" legislation favouring domestic production, which applies, among others, to telecommunications as well as the marine and offshore industry.

The local content requirements and comparable issues are dealt with both at the EU level and directly with countries. Countries also bring up local content requirements in the WTO, since local content requirements may be against the WTO's national treatment principle. For example, in late 2012 the WTO's dispute settlement dealt with the complaints made by number of countries and the EU about Canada's local content requirements in the energy sector.

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5.7 Services

The number of problems reported by service-provision enterprises doubled compared to earlier. The share of problems reported through the survey was 16 per cent, whereas in the past only eight per cent of the barriers had been encountered in the provision of services. There can be many reasons underlying the increase in the number of trade barriers reported. Firstly, the questions of the questionnaire were modified slightly compared to previous questionnaires, so that the barriers encountered in the provision of services would be revealed better. Secondly, along with the so-called servicisation phenomenon, more and more Finnish enterprises – including traditional manufacturing companies – provide services as part of their international operations. Thirdly, the fragmentation of corporate value chains has led to the dispersion of service production, which can lead to problems for example when intra-corporate services move across borders.

Through the survey, service-sector enterprises reported problems pertaining, for instance, to the acquisition of operating permits or licenses, joint venture requirements or foreign ownership restrictions, restrictions on the scale of operations (an enterprise in foreign ownership is not allowed to provide certain services), local content demands, the movement of persons, taxation and public procurement.

Effort is made to resolve the barriers encountered in the provision of services within the framework of trade negotiations both in the WTO and in the EU's bilateral free trade negotiations. An appreciable amount of the content of these negotiations involves the agreement section on cross-border trade in services and establishment. In addition, negotiations on a multilateral agreement on services began in March 2013. In the negotiations, the following requirements, for instance, may be influenced: restrictions on foreign ownership; joint venture requirements; exclusive rights; requirements on the degree of domestic content in services or the amount of local labour; requirements concerning citizenship, place of residence or a local presence; and permit and licensing procedures discriminatory to foreign actors. Negotiations on trade in services can also seek to resolve certain barriers concerning the movement of persons, for instance with regard to directors, experts or business travellers. However, the most challenging problems encountered in the movement of persons, i.e. the need for visas or work permits and the complex or time-consuming procedures they involve, cannot be influenced through these negotiations.

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6 Barriers by country

On the survey, the enterprises reported barriers to trade in a total of 84 countries and areas. Of these, the most trade barriers were reported for Russia (29 per cent), the EU (15 per cent), China (9 per cent) and Finland (8 per cent). In addition to these, Brazil, India, the United States, Ukraine and Argentina were experienced as challenging. Measured by the value of trade, the most important of these are Russia, China, the EU and the United States.

With regard to barriers, it is worth noting that hardly any trade barriers were reported for Finland's medium-sized non-EU trading partners, i.e. the Republic of South Africa, Australia, and Taiwan.

6.1 External markets

6.1.1 Russia

In 2012, Russia was Finland's largest trading partner and second largest export market after Sweden. The volume of trade in 2012 was 16.2 billion euros, of which exports amounted to 5.7 billion euros and imports 10.5 billion euros. The increase in exports to Russia was seven per cent from the previous year, while at the same time Finland's total exports remained unchanged. Exports to Russia consisted mainly of various machinery and equipment, chemical products, paper and board products, and food products. Imports from Russia are primarily raw materials. Russia accounted for about 12 per cent of Finland's service exports in 2012.

The magnitude of trade with Russia is also reflected in the 2012 survey on trade barriers; 29.3 per cent (402) of the trade barriers reported dealt with Russia.

As in earlier surveys, the most important barriers to trade encountered in Russia are customs clearance procedures. Enterprises experience the complex and cumbersome customs procedures as problematic; they are time-consuming, require a lot of (manual) work and thus are costly for enterprises. The heaviness of customs clearance is increased by the fact that the same controls, the same certification and documentation requirements (among others, the customs value) are applied to every one of the same enterprise's loads even though everything would have been inspected already and nothing would have changed. The relative share of reports concerning customs clearance procedures decreased slightly compared with previous years. The rise in the number of reports concerning the determination of customs value and the divergent determination of tariff headings, however, is worth noting. Issues related to customs procedures were encountered evenly across all sectors.

Although the average level of customs duties applied in Russia has been relatively low for many years, and with membership of the WTO it will fall from this level, high import duties are perceived as a problem. The export duties applied in Russia, and the cumbersome administrative procedures associated with the export duties of some products, are also problematic.

The third most important barrier group is discriminatory and unreasonable product specifications (technical trade barriers), which accounted for less than one-fifth of the trade barriers involving Russia. For the most part, the reports pertained to the Russian certification procedures and their deviations from the European requirements. The certification procedures are perceived as cumbersome, time-consuming and costly. Also, there are problems involving the availability of topical information, especially with the entry into force of the Customs Union of Russia, Kazakhstan and Belarus. Issues related to technical regulations were encountered evenly across all sectors.

According to the survey, problems associated with Russia's public procurement have increased. Particular criticism has been presented about the lack of transparency in procurement processes as well as favouring domestic actors. Also, notices of problems and

violations involving intellectual property rights have increased compared to previous years. The enterprises' issues in Russia are related especially to trademarks and their abuse, as well as to intellectual property rights. Notices of trade barriers associated with the movement of persons have increased, particularly in the construction and service sectors. According to the survey, the issues encountered in Russia were often also related to the business climate, quantitative restrictions and licensing, as well as to taxes, tax law and its application, including the slowness of VAT refunds.

Barriers to trade in Russia are handled both through the EU and bilaterally. The EU and Russia are currently negotiating on a new Treaty to replace the existing Partnership and Cooperation Agreement (PCA); it is hoped that the new Treaty will improve and create new dynamism in cooperation structures between the EU and Russia. The EU's objective is for the new Treaty to include ambitious goals, among others the rapprochement of regulations. At present, regulatory cooperation is conducted in the working groups under the Common Economic Area. Trade barriers are regularly discussed and negotiated between the EU and Russia. Russia's WTO membership eased many barriers to trade, and now the work continues as follow-up of Russia's implementation of its WTO commitments. Finland has close bilateral cooperation with Russia. Problems are brought to the fore at both political-level and technical-level meetings. Problems are also discussed by the Finnish–Russian Intergovernmental Commission for Economic Cooperation and in the working groups under it, where practical problems concerning customs activities or technical regulations, among others, are handled. Bilateral work is increasingly made up of proactive work.

Table 7. Trade barriers encountered in Russia by type and sector

Trade barriers in Russia by type (N=402)			Trade barriers in Russia by sector		
#	Type of barrier, %	%	#	Sector	%
1	Customs procedures	20.4	1	Other	16.9
2	Customs tariffs levels	17.2	2	Building and interior decoration	14.4
3	Discriminatory product specifications	17.2	3	Machinery and equipment	13.1
4	Movement of persons	8.7	4	Metal, steel and mining industry	12.2
5	Public procurement	5.7	5	Services	10.8
6	Business environment	5.2	6	Food industry (including agriculture)	5.9
7	Intellectual property rights (IPR)	4.7	7	Chemical industry (including rubber and plastics, and cosmetics)	5.6
8	Quantitative restrictions and licensing	4.7	8	Textile and clothing industry	4.7
9	Tax problems	4.0	9	not defined	4.3
10	Other barriers and problems	3.7	10	Transport vehicles	4.1
11	Movement of capital	3.5	11	Forest industry	3.2
12	Legal status of the enterprise	3.0	12	Retail trade	2.7
13	Competition conditions	1.7	13	ICT (including consumer electronics)	1.8
14	Anti-dumping and countervailing duties and safeguard measures	0.2	14	Pharmaceutical industry	0.5

In the Ministry for Foreign Affairs, for more information on barriers to trade with Russia, contact:

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Example: Russia's product certification system

One of the trade barriers reported by Finnish enterprises most often pertains to Russia's burdensome product certification scheme. Discriminatory and unfair product specifications in trade with Russia were the trade barrier reported the third most often also in this survey.

Measures

Russia has in recent years made significant changes and has eased the country's product approval system. As a result of Russia's accession to the WTO in autumn 2012, Russia's trading partners now also have better access to information about changes in Russian product legislation, because Russia is committed to complying with the WTO Agreement on Technical Barriers to Trade. In practice, this means that the Russian technical product specifications and certification processes cannot be discriminatory, they should restrict trade as little as possible, and product regulations shall, in principle, be in accordance with international standards and practices. Russia is also committed to publishing its regulations in good time before their entry into force and to inform the members of the WTO already during the drafting stage of product specifications affecting international trade that differ from international standards. Along with Russia's membership of the WTO, the EU, and also Finland, are better able to participate in commenting on Russia's technical product specifications. Enterprises receive information about Russia's specification proposals from the WTO Information Centre located in the Finnish Standards Association (SFS): www.sfs.fi/wto-tiedotus or wto@sfs.fi.

Issues related to technical trade barriers (discriminatory and unfair product specifications, certification, costs) are also discussed regularly in the Finnish–Russian Standardisation and Certification Working Group. More information on the working group's activities and participation in it is obtainable from the Ministry for Foreign Affairs, for example by e-mail: tradebarrier@formin.fi.

Example: Determination of customs value, interpretation differences concerning tariff headings

A common problem encountered by enterprises in Russia is linked with the determination of customs value. The invoices and documents presented by enterprises as the basis for customs clearance are not accepted; instead, the customs value of goods is determined on the basis of various minimum price lists. Another problems often encountered by enterprises is differences of opinion concerning the tariff heading to be used for the product in customs clearance. The tariff heading interpretations made by Russian authorities may change abruptly, they may differ fundamentally from those used previously, and/or from the EU equivalent (the tariff nomenclatures applied by the EU and Russia have been harmonised to a six-digit precision), leading at times to even a considerable change in the level of import duty.

Measures

The use of minimum prices as the base for the customs value is often justified as a protective measure against double invoicing. Protection against grey imports and double invoicing, however, does not require a systemic procedure encompassing all actors; instead, crime prevention and the possible use of reference prices should be based on a case-specific risk analysis by the Customs. The problematic nature of the situation is increased by the inefficiency of the Russian Customs' risk management system. There is minimal selectivity in the focusing of control, and actors have not been classified in any way for instance on the basis of reliability and abiding with the law. Finland actively kept requirements regarding customs procedures in view during Russia's WTO membership negotiations. With Russia's accession to the WTO in August 2012, relief is expected with regard to problems in the determination of customs values, since in accordance with its WTO membership com-

mitments, in the future Russia must primarily follow the purchase price when determining the customs value. Practical implementation of the commitments are being monitored.

In cases of differences in interpretation concerning tariff headings, one should try to determine the appropriate grounds for the Russian Customs' decisions and to ensure that the changes in tariff headings do not reflect an attempt to collect higher customs duties or to circumvent, for example, the maximum tariff levels defined in the WTO membership negotiations. Enterprises are advised to discuss the tariff heading interpretations with the Russian Customs's representative in Helsinki and with the local Customs authorities on the basis of the binding tariff data received from the EU area. The Finnish Embassy in Moscow has assisted enterprises when necessary. If discussions have not led to results, an application for a binding preliminary ruling on the classification of goods can be filed with the Russian Customs – the Federal Customs Service of Russia or the eight Customs Directorates. An appeal against tariff decisions made by the Customs can be filed with the next higher customs authority and/or the court (court of arbitration). Finland has also informed the EU Commission of the problems encountered on the general level, for negotiations between the EU and Russia.

6.1.2 China

In 2012 China was Finland's fourth largest trading partner in terms of trade in goods. The volume of the trade in goods in 2012 was 7.19 billion euros, of which exports amounted to 2.6 billion euros and imports 4.59 billion euros. Exports to China consisted of machinery, electrical equipment, wood and paper products, and furs. The most imports from China in 2012, in turn, were electrical equipment, machinery, clothes, ships and furniture. More than 300 Finnish enterprises operate in China. The majority of Finnish enterprises are located in the Beijing and Shanghai areas, the Pearl River Delta area, and in Hong Kong.

In the survey on internationalisation and barriers to trade, the share of all trade barriers reported that were associated with China, about ten per cent (118 in number), has grown slightly, but it is natural that as the volume of trade increases, individual problems will increase as well. The number of problems associated with China, however, is clearly lower than, for instance, with Russia and the EU. In addition, the nature of the cases has changed, which may reflect the development of Finnish enterprises' know-how pertaining to China.

Problems related to intellectual property rights (IPR, IP rights) are the greatest barriers, which was foreseeable. IPR problems emerge clearly in three areas: trademarks and related problems; copying and piracy; and the slowness of the work of the authorities. Legislation in China concerning intellectual property rights has developed recently, but the enforcement and monitoring of the laws do not always work as hoped. With regard to trademarks, the problems are often associated with enterprises' inadequate protection measures.

In China, problems linked with customs tariffs levels have increased, and this was the second biggest trade barrier reported by the enterprises on Chinese markets. The customs tariffs levels of many products dropped in China following the country's WTO membership in 2001. There are problems, however, in the case of new products for which China is not bound to maximum tariff levels in the WTO or that have been bound to a high tariff level.

The enterprises reported problems relating to discriminatory and unfair product specifications the third most often. The number of barriers to trade associated with certification requirements and inspections, however, has declined. The issues raised at the present pertain to problems in the export of foods and to practices that in general change rapidly. The movement of persons rose surprisingly high in the responses. The enterprises hoped that the movement of experts and customers would become easier in both directions. Dialogue between the authorities has been launched in Finland to improve the situation.

Other reported barriers related to the high tax withheld at source, customs procedures, market protection measures, collection of the value added tax and the participation of foreign enterprises in competitive bidding for public procurement.

Table 8. Trade barriers encountered in China by type and sector

Trade barriers in China by type (N=118)			Trade barriers in China by sector		
#	Type of barrier, %	%	#	Sector	%
1	Intellectual property rights (IPR)	20.3	1	Machinery and equipment	23.2
2	Customs tariffs levels	15.3	2	Other	18.4
3	Discriminatory product specifications	10.2	3	Services	11.2
4	Other barriers	7.6	4	ICT (including consumer electronics)	11.2
5	Movement of capital	7.6	5	Metal, steel and mining industry	10.4
6	Customs procedures	7.6	6	Chemical industry (including rubber and plastics, and cosmetics)	7.2
7	Tax problems	6.8	7	Food industry (including agriculture)	7.2
8	Movement of persons	5.9	8	Textile and clothing industry	4.8
9	Anti-dumping and countervailing duties and safeguard measures	5.1	9	Building and interior decoration	2.4
10	Legal status of the enterprise	4.2	10	Forest industry	1.6
11	Public procurement	2.5	11	Pharmaceutical industry	1.6
12	Quantitative restrictions and licensing	2.5	12	Transport vehicles	0.8
13	Business environment	2.5			
14	Competition conditions	1.7			

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Example: Intellectual property rights (IPR)

Intellectual property rights (IP rights) issues have, perhaps as expected, emerged as the greatest problem with China. Although legislation in China has improved in this area, the number of problems has increased.

Measures

The rise in reported barriers to trade linked with intellectual property rights is a clear sign of the importance of the matter to Finnish enterprises, and the significance of this matter has already been established on the EU–China agenda.

Advice on IPR issues is obtainable in Beijing from the China IPR SME Helpdesk of the EU, <http://www.china-iprhelpdesk.eu/>. Some of the problems concerning IP rights could be avoided, or at least the resolution of problem cases in possible legal proceedings would be easier, if the enterprise had registered its IP rights in China. Without registration it is difficult for an enterprise to defend its own rights, and the costs may be high. In the worst case, the enterprises have to give up the use of its own trademark.

The general slowness of the authorities' activities and processing should be considered when entering the market. Trademark registration can take up to 36 months, which should be taken into account when scheduling the launch of a product.

The National Board of Patents and Registration of Finland has signed a Patent Prosecution Highway (PPH) agreement with SIPO, the patent office of China, which speeds up

the processing of new patents coming through the system. The agreement makes it possible to take advantage of preliminary examination conducted in Europe, thus substantially accelerating the process.

Additional information about the PPH:

<http://www.prh.fi/fi/patentit/pph.html>

Example: Raw materials and earth metals

The global actions of emerging economic powers, in particular China, to ensure raw materials and mineral resources for their own needs have been clearly visible in the last few years. The increased demand for and production of high technology and environmental technology has led to scarcity, price increases, as well as a rise in export restrictions despite the economic downturn. The restrictions set by China on exports of certain raw materials (among others, bauxite, coke, magnesium, yellow phosphorus and zinc) have become a significant barrier to the import trade, which has worldwide impact.

Measures

China has justified the restrictions on the grounds of environmental protection and the conservation of dwindling natural resources. The restrictions have made it difficult to obtain raw materials for the chemical and steel industries in Europe. The matter was pursued in various forums but to no avail, until in 2009 the European Union and the United States, among others, resorted to the WTO's dispute settlement procedure. The WTO's final ruling was published in January 2012. According to the WTO Appellate Body ruling, China's actions were against the WTO and China was ordered to dismantle its system, which was contrary to the rules. The deadline for implementation of the ruling expired at the end of 2012. At the turn of the year China has removed all restrictions related to the case. The implementation is being monitored further.

A second WTO case still in process deals with the export restrictions China has set for rare earth metals and components. The restrictions have made it difficult to obtain components containing these raw materials on the world's markets. The raw materials are used in virtually all high technology products that we use every day, such as TVs, phones, computers and cameras. In the EU area, direct imports of these rare earth metals have been at an annual level of about 350 million euros but the financial impact is much greater, since a large part of the components and products containing these metals come indirectly via other countries.

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6.1.3 Brazil

In 2012 Brazil was Finland's largest trading partner in South America measured in terms of trade in goods. The volume of the trade in goods in 2012 was 1.54 billion euros, of which exports amounted to 725 million euros and imports 812 million euros. With regard to services, trade was considerably more restrained. Machinery and equipment, paper, electrical equipment and fuels are exported to Brazil and pulp, ores, food and raw foods are imported from there.

Seen against the potential, however, Brazil accounts for a rather modest share of Finland's total exports and imports. About 50 Finnish enterprises have been established in Brazil. In addition, about 200 Finnish enterprises export goods and services to Brazil or import

goods and services from Brazil. Correspondingly, some 340 Brazilian enterprises engage in trade with Finland.

About four per cent (60 in number) of the barriers reported in the survey on internationalisation and barriers to trade concerned Brazil. The top four barriers to trade encountered in Brazil have remained more or less the same compared against the previous data of the Ministry for Foreign Affairs.

The high and often changing customs duties are the biggest problem encountered on the Brazilian market, accounting for about 35 per cent of all the trade barriers on the Brazilian market. Problems often arise also from the differing taxes and tax legislation of the Brazilian states. Moreover, problems are reported in the application of the tax treaty between Finland and Brazil. Many enterprises bring out their concern regarding Brazil's high local content requirements in many sectors, which hinder the entry of Finnish enterprises onto the Brazilian market. A large share of these problems has been recorded under the type 'other barriers', which raises this category to third place on the list of barriers of trade. The fourth most common type reported by the enterprises was problems with the Brazilian customs procedures, which are experienced as slow and constantly changing.

Table 9. Trade barriers encountered in Brazil by type and sector

Trade barriers in Brazil by type(N=60)			Trade barriers in Brazil by sector		
#	Type of barrier, %	%	#	Sector	%
1	Customs tariffs levels	36.7	1	Machinery and equipment	36.4
2	Tax problems	13.3	2	Metal, steel and mining industry	19.7
3	Other barriers	11.7	3	ICT (including consumer electronics)	15.2
4	Customs procedures	10.0	4	Services	6.1
5	Movement of persons	6.7	5	Forest industry	6.1
6	Public procurement	5.0	6	Pharmaceutical industry	4.5
7	Discriminatory product specifications	5.0	7	Other	3
8	Legal status of the enterprise	3.3	8	Building and interior decoration	3
9	Quantitative restrictions and licensing	1.7	9	Transport vehicles	3
10	Anti-dumping and countervailing duties and safeguard measures	1.7	10	Chemical industry (including rubber and plastics, and cosmetics)	1.5
			11	Textile and clothing industry	1.5

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Example: High customs tariffs levels in Brazil

With regard to Brazil, enterprises complain clearly the most about high customs tariffs levels. Brazil thus appears to be continuing its long tradition of protecting domestic production. The average for Brazil's WTO bound tariffs is about 35 per cent. The average for Brazil's applied tariffs is in general about ten per cent, and for non-agricultural products about 14 per cent. The maximum tariffs applied to industrial products range from 18 to 35 per cent, while the averages range from 10 to 35 per cent depending on the product group.

In 2012, Brazil raised the import tariffs on one hundred products, and similar increases are expected to come into force for one hundred new products during 2013. The increases

are, in principle, against the G20 countries' political declarations of avoiding protectionist measures. Brazil's measures, however, are in agreement with its WTO bound tariffs and also the Mercosur rules.

Measures

An EU–Mercosur free trade agreement would bring considerable change to customs tariffs levels. The negotiations have, however, proved to be very difficult. Negotiations were continued in the summer of 2010 after a six-year break. After a brisk initial pace and optimism, however, the pace of negotiations slowed down and nearly came to a halt in 2012. The parties have assured their commitment to the continuation of negotiations and a fixed period of market access offers in trade was agreed for the last quarter of 2013.

Example: Double taxation hampers sales in Brazil

Brazil's tax system is considered to be difficult and complicated for business operations. In the tax system, the federal, state and municipal administration have the right to levy taxes.

In addition, the different interpretation of international tax treaties adopted in Brazil is a problem for foreign enterprises. A bilateral tax treaty between Finland and Brazil was signed in 1996 in order to avoid double taxation and prevent tax evasion. Nevertheless, there are cases where double taxation has not been eliminated between the two countries.

The interpretation of the Finnish authorities in the matter corresponds with the international interpretation of the OECD and UN model tax treaties, whereas the interpretation of the Brazilian authorities differs from this. Effort is made to resolve the matter between the Finnish Ministry of Finance, the Embassy of Finland in Brazil and the Brazilian Ministry of Finance.

6.1.4 India

In 2012 India was Finland's fourth largest trading partner in Asia in terms of trade in goods. The volume of the trade in goods in 2012 was 0.8 billion euros, of which exports amounted to 481 million euros and imports 347 million euros. Electrical equipment, machinery, paper and paperboard, and iron and steel are exported to India, and petroleum products, clothes and electrical equipment are imported from there. As to trade in services, India is Finland's second most important non-EU country for the exports of services. The value of exports in 2011 amounted to 741 million euros. In imports of services, India is the third most important, the value being 528 million euros.

Seen against the potential, however, India accounts for a rather modest share of Finland's total exports and imports. However, India is economically much more important for Finland than one could conclude on the basis of foreign trade statistics alone. About 120 Finnish enterprises are already established in India, and approximately one hundred other enterprises engage in trade with India. In turn, 24 Indian enterprises currently operate in Finland.

About four per cent (57 in number) of the barriers reported in the survey on internationalisation and barriers to trade concerned the Indian market. The reports of barriers to trade were distributed relatively evenly by type of barrier. High customs tariffs levels were considered to be the greatest problem. In addition, the enterprises reported tax problems relating to the implementation of the tax treaty between Finland and India.

Furthermore, barriers associated with the free movement of capital, such as problems with the transfer of money within the Group, impede trade. The enterprises have traditionally experienced India's discriminatory and unfair product specifications, and the time-consuming and inconsistent customs procedures, as problematic. The number of reports concerning these, however, has decreased slightly when compared against the previous material. The number of problems concerning the movement of persons (visas and work permits) and the protection of intellectual property rights has, in contrast, increased slightly from previously.

Table 10. Trade barriers encountered in India by type and sector

Trade barriers in India by type (N=57)			Trade barriers in India by sector		
#	Type of barrier, %	%	#	Sector	%
1	Customs tariffs levels	24.6	1	Machinery and equipment	34.7
2	Tax problems	14.0	2	Services	22.2
3	Movement of capital	10.5	3	ICT (including consumer electronics)	9.7
4	Discriminatory product specifications	10.5	4	Other	8.3
5	Movement of persons	7.0	5	Metal, steel and mining industry	6.9
6	Public procurement	7.0	6	Forest industry	5.6
7	Other barriers	7.0	7	Textile and clothing industry	4.2
8	Customs procedures	7.0	8	Chemical industry (including rubber and plastics, and cosmetics)	2.8
9	Intellectual property rights (IPR)	5.3	9	Food industry (including agriculture)	2.8
10	Business environment	3.5	10	Building and interior decoration	1.4
11	Quantitative restrictions and licensing	1.8	11	Transport vehicles	1.4
12	Legal status of the enterprise	1.8			

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Example: High customs tariffs levels in India

High customs tariffs levels make up the greatest barrier to trade on the Indian market. Machinery and equipment account for a large share of Finland’s exports to India. At present, however, high tariffs must be paid for many equipment, and this also figured prominently in the enterprises’ responses. For example, in India the tariff on certain types of metal-cutting machines is 7.5 per cent.

Measures

One of the main aims of free trade negotiations between the EU and India is to agree on a decrease in customs tariffs levels that go beyond the WTO commitments. The agreed tariff reductions vary from product to product. The Ministry for Foreign Affairs provides further information about the product-specific situation.

Certain issue entities are still open in the free trade negotiations, but effort is made to achieve progress with these in the coming months. From the perspective of Finland, the negotiations with India are one of the most important ongoing negotiations, as an agreement would bring tangible benefits for Finnish enterprises.

6.1.5 United States

In 2012 the United States was Finland's greatest trading partner on the American continent in terms of trade in goods. The volume of the trade in goods in 2012 was 5.55 billion euros, of which exports amounted to 3.58 billion euros and imports 1.97 billion euros. With regard to services, there was considerably less trade. Fuels, machinery, optics and paper were exported to the United States, and machinery, optics, electrical equipment and chemical products were imported from there.

About four per cent (54 in number) of the barriers reported in the survey on internationalisation and barriers to trade concerned the United States. The enterprises consider discriminatory and unfair product specifications to be the greatest barrier to trade with the United States. These accounted for about one third of the barriers reported. The majority of the barriers reported in this category pertained to the various certifications required for the products exported by enterprises. The enterprises consider the certifications in reality to be protectionist barriers to trade, as the level of the tests required for the certifications in question is seen as lower than the EU certifications the products already have. The certification procedures of the United States are also considered to be expensive and slow.

The second greatest barrier was limitations on the movement of persons. The practical problems of this group are difficulties in obtaining work permits and visas. In addition, the enterprises raised the Jones Act, experienced as problematic, which restricts the use, sale and leasing of ships built abroad for commercial purposes when moving between ports in the United States. Also, the so-called Dairy Import Assessment rule was raised. This involves the milk promotion and research fee for the import of dairy products to the United States. The third legislative problem reported by the enterprises is the so-called Lacey Act, which among other things, hinders the importation to the United States of wood products from outside the country.

It is worth noting that, according to the survey, barriers associated with intellectual property rights (including patents) and with free movement of capital (including venture capital and payment regulations) have increased. Reports concerning public procurement decreased even though the Buy American legislation is still considered to be a hindrance to market access.

The EU and the United States do not have a trade agreement within which barriers to trade could be discussed systematically. Cooperation aimed at reducing regulation has, however, been conducted within the sphere of the Transatlantic Economic Council since 2007. Barriers to trade are also regularly on the agenda of the EU–US Summits held every year. Barriers to trade affecting Finland are addressed through the European Commission and directly with the United States on a bilateral basis.

Issues pertaining to market access and regulation are key topics of negotiation in the talks being launched for a trade and investment partnership agreement between the EU and the United States. The negotiations will probably be launched in the summer of 2013, after the Member States have approved the negotiating guidelines for the Commission. The agreement would have a significant impact on trade relations between the United States and the EU. The Commission calculates that the agreement would increase the annual GDP of the EU by 0.5 per cent by the year 2027. The Commission estimates, that the agreement would bring an additional amount of about 86 billion euros to the economy of the EU.

Table 11. Trade barriers encountered in the United States by type and sector

Trade barriers in the United States by type (N=54)			Trade barriers in the United States by sector		
#	Type of barrier, %	%	#	Sector	%
1	Discriminatory product specifications	31.5	1	Machinery and equipment	23.7
2	Other barriers	13.0	2	Other	13.6
3	Movement of persons	11.1	3	Services	11.9
4	Customs tariffs levels	9.3	4	Metal, steel and mining industry	8.5
5	Intellectual property rights (IPR)	7.4	5	Chemical industry (including rubber and plastics, and cosmetics)	6.8
6	Movement of capital	5.6	6	Forest industry	6.8
7	Customs procedures	5.6	7	Textile and clothing industry	6.8
8	Public procurement	3.7	8	ICT (including consumer electronics)	5.1
9	Competition conditions	3.7	9	not defined*	5.1
10	Quantitative restrictions and licensing	3.7	10	Building and interior decoration	3.4
11	Business environment	3.7	11	Transport vehicles	3.4
12	Tax problems	1.9	12	Pharmaceutical industry	3.4
			13	Retail trade	1.7

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Example: Buy American Act

In the United States, the operations of foreign enterprises are restricted for instance by the Buy American Act. In accordance with the Buy American legislation, a product offered for some public competitive tendering must be manufactured in the United States. In addition, the share of local components should constitute at least half of the total cost. The Act has been in force since 1933 and was extended in 1954 and 2009. An amendment made in 2009 for example prohibits the use of government stimulus funds for the maintenance of public buildings unless all of the products used in the project are produced in the United States.

Measures

The EU considers the Buy American Act to be one of the most worrisome barriers to trade on the US market. The EU has raised this issue with the United States in various connections for several years. The issue has been raised both bilaterally with the United States and at the WTO level, for instance in the WTO's Committee on Government Procurement and in connection with the United States country reviews. The Buy American Act is one of the key EU priorities in negotiations for a trade and investment partnership agreement with the United States.

Although the Buy American Act still contains some problematic points, some relief has recently taken place. The incentive package adopted at the time of the economic crisis in 2009 was no longer renewed when it expired at the end of September 2011.

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6.1.6 Ukraine

In 2012 Ukraine was a growing export country for Finland measured in terms of trade in goods. The volume of the trade in goods in 2012 was 480 million euros, of which exports amounted to 408 million euros and imports 72 million euros. Paper, fuel and machinery were exported to Ukraine and metals and electrical equipment were imported from there. About 80 Finnish enterprises currently operate in Ukraine. Most of the enterprises operate from Kiev.

About two per cent (31 in number) of the barriers reported in the survey on internationalisation and barriers to trade concerned Ukraine. Problems related to customs procedures are still the most common, about one third of all problems. The enterprises widely reported the complex customs procedures, challenging bureaucracy as well as rapidly changing standards and practices.

In Ukraine, customs clearance is made difficult especially by the constantly changing practices and requirements with regard to customs documents. As to clearance procedures, problems concerning the interpretation of tariff headings as well as with the determination of the customs value were raised. In particular, the determination of the customs value has been difficult. Instead of using the invoice value for customs clearance, the customs authorities have used indicative price lists in determining the customs value.

The EU has negotiated an Association Agreement with Ukraine, which contains an extensive free trade area. The agreement aims at more far-reaching integration than conventional free trade agreements, and aims to bring Ukraine's regulation closer to the EU legislation. The negotiations were concluded in December 2011. When it comes into force, the agreement will ease the access of Finnish enterprises to the Ukrainian market and will facilitate imports from Ukraine. The agreement on a free trade area is part of a wider Association Agreement, the signing of which depends on political developments in Ukraine.

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Example: Problems with value-added tax refunds

The longest-lived problem on the Ukrainian market has been getting VAT refunds. Over the years, Finnish enterprises have failed to receive substantial sums from the Ukrainian government.

Measures

The issue has been taken forward in cooperation with the enterprises both at EU level and bilaterally with the Ukrainians. The diplomatic mission of Finland in Kiev has played an active role. With the help of the Embassy, so far Finnish enterprises have been able to recover about 4–5 million euros in VAT. In the spring of 2011 a new tax law came into force; this has improved the situation somewhat in that there is now an automatic VAT refund system, in which many Finnish enterprises have been included. However, outstanding refunds on VAT dating to before 2010 – which amount to a good deal for Finnish enterprises – still have not been received. The authorities are working to ensure that the enterprises receive their outstanding VAT refunds.

Example: Customs procedures

Problems with customs procedures, such as the determination of customs value, were reported extensively on the survey. The Ukrainian Customs has very often determined the customs values, and thus the customs tariffs, higher than the real value. The Customs thus has not approved the real prices given by the importers as the base for customs clearance.

Measures

This is a systemic problem. The situation appears to have weakened in the past year. At the general level, the issue has been brought forward through the European Commission, which has also raised it at the WTO level. This issue has been brought out, if necessary, also at meetings between the Finnish and Ukrainian authorities, and the Finnish diplomatic mission in Kiev has handled the problems of individual enterprises vis-à-vis the Ukrainian authorities.

6.2 Other economically important non-EU countries and regions

6.2.1 Argentina

The volume of the trade in goods between Argentina and Finland was 164 million euros, of which exports amounted to 117 million euros and imports 47 million euros. The volume of trade is clearly limited by the various barriers to trade set by Argentina. Barriers involving Argentina account for about one and a half per cent (22 in number) of all the barriers reported.

In the survey on internationalisation and barriers to trade, the enterprises reported on measures restricting imports imposed by Argentina in recent years. These have hampered imports or even completely put an end to the enterprises' imports to Argentina. The enterprises' concern is, in particular, the import license requirement that is a precondition for importation, which distorts competition.

Argentina has required an import license for about 600 different products, such as various electrical equipment as well as chemical and paper products. The enterprises also reported the obligation of balancing imports and exports set by the Argentinian government. According to this requirement, an enterprise can import products into Argentina only if it exports products of an equal value from Argentina. The obligation of balancing imports and exports has slowed down imports into Argentina, has stopped goods at the Argentinian border and has caused substantial losses for enterprises.

The EU and several other Argentinian trading partners consider that the measures restricting trade raised also by Finnish enterprises (the non-automatic import license, the import declaration as well as the balancing of imports and exports) are against the WTO rules, and they have contested them in the WTO. This situation arose because the negotiations held in different forums to resolve the matter without the WTO dispute settlement mechanism did not produce results. A WTO dispute settlement panel was established in January 2013 to address this issue. However, just before the establishment of the panel, Argentina announced that it had repealed its laws on non-automatic import licenses.

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6.2.2 Japan

In 2012 Japan was Finland's second largest trading partner in Asia in terms of trade in goods. The volume of the trade in goods in 2012 was 1.8 billion euros, of which exports amounted to 1,063 million euros and imports 737 million euros.

About one and a half per cent (20 in number) of the barriers reported in the survey on internationalisation and barriers to trade concerned Japan. The access of Finnish enterprises to the market in Japan is hampered by various non-tariff barriers to trade. The most concern is caused by Japan's product specifications which differ from European practices and hamper the exports to Japan of enterprises operating, for example, in the forest industry, construction and interior design, as well as machinery and equipment. Some of the respondents consider the Japanese customs tariffs levels to be high. Also, the perceived favouring of local actors in public procurement was brought out.

The EU and Japan have launched free trade negotiations in the spring of 2013. The EU aims especially to have Japan remove the non-tariff barriers to trade from the market. Also the level of customs tariffs is being negotiated. Finland's national interests are currently being charted. The enterprises' responses in the survey on internationalisation and barriers to trade are also taken into consideration in determining negotiation objectives important to Finland in the free trade negotiations between the EU and Japan.

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6.2.3 South Korea

In 2012 South Korea was Finland's third largest trading partner in Asia in terms of trade in goods. The volume of the trade in goods in 2012 was 1.65 billion euros, of which exports amounted to 691 million euros and imports 960 million euros. A free trade agreement between the EU and South Korea has been applied since July 2011. The effects of the free trade agreement are seen positively in trade between Finland and South Korea.

About one and a half per cent (19 in number) of the barriers reported in the survey on internationalisation and barriers to trade concerned South Korea. The free trade agreement that entered into force in July 2011 has reduced the tariffs on many products important to Finnish enterprises and has facilitated the removal of non-tariff barriers to trade central to Finnish enterprises. Nevertheless, some enterprises consider that high customs tariffs still hamper their exports to South Korea. Also, product approval procedures perceived as discriminatory or unduly burdensome as well as problems associated with securing intellectual property rights are reported. The main barriers in the new reports concern customs classification of products that differs from international practices. The issue has been discussed between the European Commission and the South Korean authorities.

In the Ministry for Foreign Affairs, for more information on barriers to trade with South Korea, contact:

Commercial Secretary Juuso Moisander; e-mail: juuso.moisander@formin.fi, tel. +358 295 351 128

6.2.4 Kazakhstan

In 2012 Kazakhstan was Finland's largest trading partner in Central Asia measured in terms of trade in goods. The volume of the trade in goods in 2012 was 502 million euros, of which exports amounted to 171 million euros and imports 331 million euros. Machinery, fuel,

pharmaceutical products, and paper were exported to Kazakhstan and petroleum products were imported from there. Imports from Kazakhstan have been increasing in recent years.

Barriers involving Kazakhstan account for about one per cent (18 in number) of all the barriers reported. Finnish companies in Kazakhstan encounter market access problems related to customs procedures, discriminatory or excessively burdensome product specifications as well as generally difficult practices and corruption. In recent years, challenges have also been posed by the customs union formed between Russia, Belarus and Kazakhstan. The enterprises reported unclear and changing rules and practices of the customs union that make it difficult for products to access the market.

In the Ministry for Foreign Affairs, for more information on barriers to trade with Kazakhstan, contact:

Commercial Counsellor Sara Ohls, e-mail: sara.ohls@formin.fi, tel. +358 295 351 130

6.2.5 Canada

In 2012 Canada was Finland's third largest trading partner in America measured in terms of trade in goods. The volume of the trade in goods in 2012 was 941 million euros, of which exports amounted to 595 million euros and imports 346 million euros.

Less than one per cent (12 in number) of the barriers reported pertained to Canada. These were distributed on average into three equally great barriers: taxes and tax law (transfer pricing problems, considering an internal loan to be the distribution of profits); customs tariffs and other fees (import tariffs and duties in a situation where the product is manufactured in Canada); and the movement of persons (visas, the "local content requirement" regarding workers) .

The free trade negotiations launched between the EU and Canada in 2009 have reached the final stage and effort is made to reach a solution during the spring and summer of 2013. The goal is an ambitious and wide-ranging agreement, which would lead to a significant liberalisation of trade and investment. In addition to the elimination of tariffs, in particular the liberalisation of services would bring substantial benefits to both the EU and Canada. The agreement would also help in removing the barriers raised by the Finnish enterprises in the survey on internationalisation and barriers to trade. It is predicted that with the agreement, trade between the EU and Canada will increase by as much as over one fifth.

In the Ministry for Foreign Affairs, for more information on barriers to trade with Canada, contact:

Counsellor Marjut Akola, e-mail: marjut.akola@formin.fi tel. +358 295 351 105

6.2.6 Turkey

In 2012 Turkey was Finland's fourth largest trading partner in Asia in terms of trade in goods. The volume of the trade in goods in 2012 was 1.1 billion euros, of which exports amounted to 693 million euros and imports 424 million euros.

Less than one per cent (9 in number) of the barriers reported in the survey on internationalisation and barriers to trade concerned Turkey. The barriers are related to the verification of product conformity, customs clearance and transit fees, taxation at source for imported goods and services, problems in establishing an enterprise, obtaining residence and work permits for the foreign staff of an enterprise, and quantitative limits preventing external competition on the Turkish market.

Barriers to trade in Turkey have been resolved by enterprises through negotiations with the Turkish authorities or through negotiations between the Turkish and Finnish, or

the EU and Turkish authorities. In general, the challenges are associated with the implementation of the EU–Turkey Customs Union in force since 1996. The agenda of the Customs Union Joint Management Committee has more and more unresolved cases, for which reason the European Commission has sought to activate the agreement’s dispute settlement mechanism.

In the Ministry for Foreign Affairs, for more information on barriers to trade with Turkey, contact:

Commercial Counsellor Heli Siikaluoma, e-mail: heli.siikaluoma@formin.fi, tel. +358 295 351 133

6.2.7 North Africa and the Middle East

North Africa is considered in this context to consist of Morocco, Algeria, Tunisia and Libya. Finnish exports to the North African countries have traditionally been greater than imports. The volume of the trade in goods in 2012 was 341 million euros, of which exports amounted to 333 million euros and imports eight million euros. Exports to these countries consist mainly of forest industry products.

The North African region accounted for about one per cent (13 in number) of the trade barriers reported by the enterprises. The most common concerns reported in the region were associated with high or changing customs tariffs and other fees, and of all branches focused on the forestry industry and construction. The enterprises have often called attention to the customs tariffs level of processed products, which is perceived as benefiting industry in the region’s own countries.

The Middle East region in this context is considered to consist of the United Arab Emirates, Bahrain, Egypt, Iran, Iraq, Israel, Yemen, Jordan, Kuwait, Lebanon, the Palestinian Authority, Oman, Qatar and Saudi Arabia. The volume of the trade in goods with these trading partners in 2012 was 1.5 billion euros, of which exports amounted to 1,328 million euros and imports 175 million euros.

The barriers to trade in the Middle East region amounted to about two per cent (32 in number) of all trade barriers. The barriers to trade now were distributed fairly evenly amongst the countries. In the past, the most barriers have been reported for the Saudi Arabian market. The largest share of barriers encountered in the Middle East region concerned the sector of machinery and equipment.

The problems encountered by the enterprises in the Middle East concern the free movement of capital and persons, as well as customs clearance procedures. Problems involving the movement of capital are mostly related to the development needs of banking services in the countries. With regard to Saudi Arabia, for example, the letter of credit documents required are mentioned as a factor that retards trade. Problems involving the movement of persons in turn are related to the long waiting time for a visa as well as the requests for information pertaining to a visa. Similarly, with regard to customs procedures, the time-consuming and complex process give rise to concern.

The new reports concerning Iran are most often due to the embargo imposed on Iran. With regard to Israel, in turn, most of the newly reported problems are associated with new discriminatory draft legislation hampering product trade.

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Commercial Counsellor Heli Siikaluoma, e-mail: heli.siikaluoma@formin.fi, tel. +358 295 351 133

Example: Replantation tax collected from importers of wood and wood products

Exports to Morocco are impeded by the country's replantation tax, which Morocco collects from importers of wood and wood products. The tax discriminates against enterprises importing these products into Morocco. Moroccans are not subject to the tax.

Measures

The EU has raised Morocco's actions in discussions with the Moroccan authorities, as the replantation tax seems to be a quantitative restriction contrary to the EU–Morocco Association Agreement.

Example: Local content requirement and implementation of the public procurement agreement

The Finnish enterprises report barriers to participation in requests for tenders in public procurement in Israel, owing to the local content requirements set by the country.

Measures

In the WTO's public procurement negotiations (The Plurilateral Agreement on Government Procurement, GPA) that ended in 2012, Israel committed itself to eliminating its local content requirement. However, in the implementation of its commitments, the country has a long transition period with several phases. Israeli public procurement initially applies a local content requirement of up to 20 per cent. This requirement will be removed five years after the new public procurement commitments come into force, but certain procurement units will retain a local content requirement even thereafter. The local content requirements will be lifted completely only after 15 years of the entry into force of Israel's GPA commitments.

6.2.8 Association of Southeast Asian Nations ASEAN

The member countries of ASEAN are Malaysia, Indonesia, the Philippines, Singapore, Thailand, Brunei, Vietnam, Laos, Myanmar and Cambodia. The volume of the trade in goods in 2012 with the ASEAN countries was 2.1 billion euros, of which exports amounted to 1,069 million euros and imports 1,034 million euros. Barriers involving ASEAN countries account together for about one and a half per cent (21 in number) of all the barriers reported by the enterprises.

In the autumn 2012 survey, reports concerning the Philippines, Indonesia, Singapore and Thailand focused mainly on problems in the export of services and the establishment of enterprises. These include, for instance, obtaining residence and work permits for the enterprise's foreign personnel, restrictions on foreign ownership and control of enterprises, support for local production of services that distorts competition conditions and corruption.

Contrary to the above, reports concerning Malaysia and Vietnam in turn focused mainly on "traditional" problems in the trade in goods. These include, among others, high customs tariffs, customs clearance and taxation at source, discrimination against foreign bidders in the public procurement of goods, as well as restrictions on the exportation of raw materials and product samples.

EU free trade negotiations are a good opportunity for influencing barriers to trade with the ASEAN countries. Negotiations have been started with Singapore, Malaysia, Vietnam and Thailand. The negotiations with Singapore were concluded in December 2012. The tangible benefits of the contract will be seen, among others, in trade in services, intellectual property rights, and in an improved transparency of regulation. Negotiations with Malaysia have proceeded about halfway and the central market access issues are still unresolved. For Finland the most important issues are the elimination of customs tariffs and taxes concerning Finnish export and import products, and the lifting of discriminatory

measures and quantitative restrictions affecting Finnish enterprises in Malaysia. Free trade negotiations with Vietnam began in late 2012.

The launch of free trade negotiations was agreed with Thailand in March 2013. The determination of Finnish national interests is in progress, and the perspectives raised by the enterprises in the survey on internationalisation and barriers to trade are taken into account in forming Finland's negotiation objectives.

In the Ministry for Foreign Affairs, for more information on barriers to trade with ASEAN, contact:

Commercial Counsellor Heli Siikaluoma, e-mail: heli.siikaluoma@formin.fi, tel. +358 295 351 133

6.2.9 Latin America

The volume of the trade in goods with Latin America (excluding Brazil and Argentina) in 2012 was 2.05 billion euros, of which exports amounted to 1,150 million euros and imports 904 million euros.

The barriers to trade in the region amounted to about two per cent (34 in number) of all trade barriers reported.

The most new trade barriers reported concerned customs tariffs levels, the customs procedures and tax legislation. At present, there are sector-specific concerns especially in the forest industry, services, and machinery and equipment.

Customs tariffs levels are generally considered to be high and they make up most of the known barriers to trade in Guatemala, Honduras and El Salvador. In these countries, there are also problems linked with inconsistencies in customs practices and licenses as well as ambiguities relating to these that slow down the processing of matters.

Barriers concerning taxes and tax legislation are encountered especially in Guatemala, Honduras and El Salvador. Most commonly, this means frequent amendments to legislation in the countries as well as high import taxes that are restrictive and discriminatory. The inconsistency of legislation is also mentioned as a barrier to trade associated with the business climate. As to free movement of capital, the taxation on the repatriation of profits was the most significant barrier to trade in Belize.

In the Ministry for Foreign Affairs, for more information on barriers to trade with Latin America, contact:

Commercial Counsellor Heli Siikaluoma, e-mail: heli.siikaluoma@formin.fi, tel. +358 295 351 133

6.2.10 Africa

In this context, Africa is considered to consist of all countries on the continent located south of North Africa. The volume of the trade in goods with these African countries in 2012 was 1.6 billion euros, of which exports amounted to 1,026 million euros and imports 576 million euros.

Of the barriers to trade reported by the enterprises, about two per cent (25 in number) concerned the African region. Kenya and Nigeria stood out in the number of barriers to trade. Barriers to trade reported for the African region often concern the slowness of granting residence and work permits, annually varying customs procedures and variation in customs tariffs levels.

In the Ministry for Foreign Affairs, for more information on barriers to trade in Africa, contact: Commercial Secretary Sari Laaksonen; e-mail: sari.laaksonen@formin.fi, tel. +358 295 351 493

7 Internal market of the European Union

In 2012 the European Union was Finland's largest regional trading partner measured in terms of trade in goods. About 53 per cent of Finland's foreign trade is with the internal market of the EU. The volume of the trade in goods in 2012 was 61.59 billion euros, of which exports amounted to 30.25 billion euros and imports 31.34 billion euros.

About 22 per cent (308 in number) of the barriers to trade and investment reported by the enterprises were encountered on the EU's internal market. This figure also includes reports pertaining to Finland. Most of the barriers reported concern difficulties caused by the current regulatory environment (among others, the public procurement legislation) or impacts encountered by the enterprise because of the lack of harmonisation of legislation (for instance, taxation).

7.1 Internal market of the European Union

On the basis of the responses, of the EU countries, the enterprises experience the markets of Germany, France, Sweden, the Baltic countries and Poland as the most difficult. This largely corresponds to what Finnish enterprises have also reported previously. The results in part is explained by the fact that these countries are among Finland's largest trading partners. In addition, the responses reported on EU-wide general issues without focusing them on any particular country.

In their responses the enterprises bring out their general assessment of matters affecting the business environment both in the EU and in Finland. Most of the responses cannot be said to be about actual concrete barriers or barriers contrary to the regulations, but the reports provide useful information about the functioning of the internal market and about the types of issues that complicate the enterprises' operations in practice and what sort of operating environment they experience the EU and Finland as being.

On the basis of the survey, public procurement, and the EU's public procurement legislation in general, is experienced as the most problematic area of the EU's internal market. In addition to public procurement, the greatest single groups that stood out were issues relating to product legislation and to taxes and taxation. Many other problems were also reported in the survey. Especially with regard to responses concerning discriminatory and unfair product specifications, there were individual problems that seemed to be counter to the internal market legislation, which will be clarified in more detail in future work.

Of the member countries, the most reports dealt with Germany and France, where the main problems encountered involved product specifications. Of these, the most frequently mentioned were various national requirements associated with product testing, standardisation, certification and type approval. As concerns Sweden, the barriers are distributed among the barrier types more evenly. In Poland, the enterprises reported that slow VAT refunds are a problem.

Table 12. Trade barriers encountered in the EU (excluding Finland) by type and sector

Trade barriers in the EU (excluding Finland) by type (N=202)			Trade barriers in the EU (excluding Finland) by sector		
#	Type of barrier, %	%	#	Sector	%
1	Discriminatory product specifications	25.2	1	Machinery and equipment	17.4
2	Public procurement	19.3	2	Other	17.4
3	Tax problems	15.3	3	Building and interior decoration	15.1
4	Other barriers and problems	8.4	4	Services	13.7
5	Intellectual property rights (IPR)	8.4	5	Chemical industry (including rubber and plastics, and cosmetics)	9.6
6	Movement of capital	6.9	6	Metal, steel and mining industry	8.2
7	Movement of persons	4.5	7	Transport vehicles	5.9
8	Legal status of the enterprise	3.0	8	Forest industry	3.2
9	Customs tariffs levels	2.5	9	ICT (including consumer electronics)	2.7
10	Business environment	2.5	10	Retail trade	1.7
11	Customs procedures	1.5	11	Food industry (including agriculture)	1.4
12	Competition conditions	1.0	12	not defined*	1.4
13	Anti-dumping and countervailing duties and safeguard measures	1.0	13	Textile and clothing industry	1.4
14	Quantitative restrictions and licensing	0.5	14	Pharmaceutical industry	0.9

In the Ministry of Employment and the Economy, for more information about barriers to trade on the EU internal market, contact:

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Example: Requirements for the establishment of an enterprise

Many enterprises reported that handling business-related issues is often easier in practice if the enterprise is established in the country in question.

Solutions

It follows from the provisions on the free movement of services in the Treaty on European Union (the Treaty on the Functioning of the European Union) that an authority may not require an enterprise established in the EU area to set up an office in another country in order to carry out business there on the same basis as domestic companies. However, if the company wishes to set up in another country, the authority may not impose barriers to this.

In some situations, an authority has appealed to the limits of its competence: problems have been encountered for instance with national registers, into which an enterprise set up in another country cannot be accepted in the manner required by a certain law, or the enterprise could not otherwise be granted permission to engage for example in some particular regulated industry. However, this is not an acceptable justification to keep foreign enterprises and service providers out of the market. The EU's internal market authorities are obliged to cooperate; for example, for justified control measures, cross-border assistance can be requested and procedures created for this can be utilised.

7.2 Finland

Reports concerning Finland account for almost 35 per cent of all reports for the EU area and about eight per cent of all the barriers reported in the survey. In the 2009 survey as well, Finland represented the most problematic market area for domestic enterprises when compared against other EU countries.

As for the EU as a whole, public procurement was experienced as the single most problematic barrier type also with regard to Finland. In addition, the most problems were mentioned with regard to the movement of persons and to taxes and tax legislation. The number of problems reported in other sectors was low. The increased number of responses concerning public procurement is the most significant change compared with the past.

Most of the responses dealing with Finland (about 18 per cent), however, did not concern actual import or export barriers but other issues that were experienced as problems. The clearest entity of this type distinguishable in the responses is the enterprises' experience of a general decline in Finland's competitiveness. The factors that were seen to affect this trend included labour costs that are perceived as high, and taxation and other fees collected from enterprises. Also, rising transport costs, especially marine transport, and higher energy prices are perceived as critical factors affecting the competitiveness and operating conditions of Finnish enterprises.

Attention was also drawn to certain distortions of competition, which were considered to result from the role of government-supported or other semi-public actors on the market. In addition, the responses evaluated the activities of domestic officials, which are perceived in some situations as generally slow and inflexible.

Table 13. Trade barriers encountered in Finland by type and sector

Trade barriers in Finland by type (N=106)			Trade barriers in Finland by sector		
#	Type of barrier, %	%	#	Sector	%
1	Other barriers and problems	17.9	1	Other	26.7
2	Public procurement	17.0	2	Services	24.4
3	Movement of persons	14.2	3	Building and interior decoration	11.5
4	Tax problems	11.3	4	Machinery and equipment	9.9
5	Customs procedures	8.5	5	Retail trade	6.9
6	Discriminatory product specifications	7.5	6	Metal, steel and mining industry	5.3
7	Competition conditions	6.6	7	Textile and clothing industry	3.8
8	Intellectual property rights (IPR)	5.7	8	Food industry (including agriculture)	3.1
9	Movement of capital	3.8	9	ICT (including consumer electronics)	2.3
10	Legal status of the enterprise	3.8	10	Transport vehicles	2.3
11	Quantitative restrictions and licensing	1.9	11	Forest industry	1.5
12	Anti-dumping and countervailing duties and safeguard measures	1.9	12	Pharmaceutical industry	1.5
			13	not defined*	0.8
			14	Chemical industry (including rubber and plastics, and cosmetics)	0

In the Ministry of Employment and the Economy, for more information about barriers to trade in Finland, contact:

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PART II

Services supporting the internationalisation of enterprises

This section briefly discusses the services of the Team Finland network, which supports the internationalisation of enterprises. More information can be obtained from the Team Finland website, team.finland.fi and the Enterprise Finland portal www.yrityssuomi.fi.

1 Export promotion and internationalisation trips and events

The export promotion and internationalisation trips headed by the President of the Republic, various Ministers, the Secretaries of State and Ambassadors lead business delegations from Finland to external markets. The Team Finland network organises export promotion and internationalisation events also in Finland, for example in connection with visits of foreign business delegation to Finland.

2 Financing for exports and internationalisation

Finnvera provides its financing for the start-up, growth and internationalisation of small and medium-sized enterprises, and export financing services for export enterprises of all sizes. Using Finnvera's export credit guarantees, the exporter can protect against credit risks related to other parties (buyers, banks) in export trade. Through its subsidiary Finnish Export Credit, Finnvera also provides export credit financing and interest equalisation for the buyers of Finnish capital goods. Finnvera's financing solutions support exporters and financiers in both industrialised countries and on emerging markets.

Finnfund, in turn, provides long-term financing for private-sector projects in developing countries and in Russia. Advisory services in matters concerning business operations in developing countries, and financial support for the planning and development stages of projects, as well as for training, is provided by Finnpartnership, which also identifies business partners in developing countries for Finnish enterprises, and vice versa.

The supports and grants for internationalisation provided by the Ministry of Employment and the Economy and the ELY Centres, in turn, support small and medium-sized enterprises in particular during the initial phase of internationalisation.

In addition, Finnish Industry Investment Ltd makes venture capital investments in funds that invest, among others, in enterprises with strong growth potential.

<http://www.finnvera.fi>
<http://www.tekes.fi>
<http://www.finnfund.fi>

<http://www.finnpartnership.fi>
<http://www.ely-keskus.fi>
<http://www.teollisuussijoitus.fi/>

3 Networking and promotion services abroad

The Team Finland networks abroad can act as a source of contacts and networking platforms for Finnish enterprises and other Finnish actors. In the enterprise's target country, the local team can transmit information about important contacts in the specific field, and if necessary, can arrange meetings for instance with potential cooperation partners or the central authorities. The local teams can also help in planning and organising promotional events about goods or services.

Contact information for the Team Finland coordinator at the local ELY Centre and in the target country can be found at <http://team.finland.fi>.

The Team Finland contact persons at the ELY Centres can also be found in Appendix 3

4 Promotion and protection of investments abroad

The Team Finland network can assist when considering investments abroad or seeking cooperation partners.

Finland has bilateral investment promotion and protection agreements with over sixty countries. The agreements safeguard both investments made by the target country in Finland and Finnish investments in the target country. Along with the Lisbon Treaty of the EU, the bilateral agreements are gradually being replaced by Union-level agreements. During the transition period the aim is to ensure that the protection of Finnish investments does not weaken. If needed, Finland applies for permission to negotiate new bilateral agreements.

Finpro, the Finnish-Russian Chamber of Commerce and the Finnish-Swedish Chamber of Commerce, among others, provide expert services for charting investment opportunities abroad. The Ministry for Foreign Affairs handles matters pertaining to the protection of Finnish investments.

<http://www.finpro.fi>

<http://www.svkk.fi>

<http://www.finsve.com>

5 Removal of barriers to trade by influencing the operating environment abroad

In a global economy, it is essential for Finland to influence the foreign operating environment where Finnish enterprises, organisations and citizens engage in activities. Through active work, we also have a good chance of exerting influence. As a member of the EU, Finland is within the EU's internal market and functions as part of the EU's common commercial policy.

The tasks of the Team Finland network include the observation of changes occurring in the operating environment for Finland's external economic relations and exerting influence on them – such as the removal of barriers to trade.

Continuous dialogue with enterprises is of paramount importance for us to be able to act as effectively as possible in eliminating barriers. Barriers to trade can be reported on the website of the Ministry for Foreign Affairs, <http://formin.finland.fi/kauppapolitiikka/kaupanesteet>. Barriers can also be reported by email, tradebarrier@formin.fi or telephone, +358 29 535 1133.

5.1 Finland's direct contacts in work to eliminate barriers to trade

Work to prevent and remove barriers to trade is done through direct contacts between Finnish and local authorities. When a potential barrier to trade becomes known, the authority in the country in question can be contacted directly to inquire about the grounds for a measure hampering trade. Sometimes the issue is resolved already at this stage. The Team Finland network abroad plays a key role in direct bilateral contacts.

Barriers to trade are also raised during bilateral meetings focusing on trade and economic issues between Finland and the target country. Treaties that define the cooperation bodies and provide the framework for addressing barriers to trade have been concluded with many of Finland's important trading partners. The actively working Russian-Finnish Intergovernmental Economic Commission can be mentioned as an important example of this for Finland. Several working groups under the Economic Commission deal with practical-level problems arising in trade. There are also cooperation bodies, among others, with Japan, China, India and Ukraine.

The President of the Republic, ministers and senior public servants make a large number of visits abroad each year, including many export promotion and internationalisation trips throughout the world. Barriers to trade can, if necessary, be raised on the agenda of such visits. The influence of senior representatives of the State can be significant in resolving problems.

<http://formin.finland.fi/kauppapolitiikka/kaupanesteet>

5.2 Removal of barriers to trade in the World Trade Organization WTO

The primary objective of the World Trade Organization is the reduction or elimination of barriers to trade (customs tariffs and other trade barriers) and agreeing on international trade rules. The WTO acts as a forum for multilateral trade negotiations, and its dispute settlement system enables the monitoring of compliance with trade agreements.

Negotiations on the reduction of tariffs on industrial products have traditionally formed the core of the GATT/WTO negotiating rounds. The WTO agenda has expanded, however, and it now covers, among others, non-tariff barriers to trade (such as quotas and import licenses), anti-dumping, subsidies and countervailing measures, liberalisation of trade in services (cross-border services, consumption abroad, commercial presence as well as the presence of persons), agricultural issues, investments related to trade, public procurement, intellectual property rights and many issues of emerging countries.

Currently, WTO negotiations focus on an agreement to facilitate trade and expansion of the product coverage of the Information Technology Agreement (ITA). Other multilateral issues on the agenda are negotiations on the Trade in Services Agreement (TiSA) as well as the liberalisation of trade in environmental products.

Notification procedures on technical regulations in the WTO

The WTO agreements on Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary Measures (SPS) strive to eliminate barriers to trade resulting from discriminatory and unfair regulations. WTO members must give notice of the *preparation* of technical regulations that may have a significant impact on international trade. The notifying member should give the other members 60 days' time to become familiar with the draft regulation and comment on it. The comments should be taken into account where possible.

WTO members' proposed regulations can be obtained from the WTO Enquiry Point located in the Finnish Standards Association (SFS): <http://www.sfs.fi/wto-tiedotuskeskus> or wto@sfs.fi. If the proposed regulation contains elements hampering international trade, enterprises are asked to contact the Ministry for Foreign Affairs (tradebarrier@formin.fi). In such cases, the EU has the possibility to comment on the draft legislation notified by the WTO country, and the country must take the comments into account as far as possible.

The WTO's dispute settlement

All trade disputes cannot be settled through multilateral or bilateral negotiations. For this reason, the WTO's binding dispute settlement has been created, where international trade disputes can ultimately be resolved. The aim of dispute settlement is to monitor compliance with obligations by resolving legal differences of opinion between members concerning the interpretation and application of trade rules. The dispute settlement process consists of four stages: negotiations, i.e. consultations; the panel; the appellate body; and implementation. The dispute process with its appeals even at its shortest takes over a year. Dispute settlement decisions are binding on the parties. If the decisions are not implemented, the party that won the dispute may be authorised to adopt trade policy counter-measures.

<http://www.wto.org>

5.3 EU Free Trade Agreements

The bilateral and regional free trade agreements negotiated by the EU agree on commitments with regard to the removal of customs tariffs and the other barriers to trade that go beyond the WTO agreements. These bilateral agreements also include important negotiation and dispute settlement mechanisms under the scope of which disputes can be resolved. The EU's free trade negotiations give Finland a good opportunity to influence the removal of trade barriers outside the EU. The European Commission estimates that the conclusion of ongoing free trade negotiations would increase the GDP of the EU by 2.2 per cent (275 billion euros) and would mean 2.2 million new jobs on the labour market.

More information on the EU's free trade agreements and negotiation processes can be found in Appendix 6, and also at:

http://www.ec.europa.eu/trade/creating-opportunities/bilateral-relations/agreements/#_other-countries

http://www.trade.ec.europa.eu/doclib/docs/2006/december/tradoc_118238.pdf

5.4 EU Market Access Strategy

The aim of the EU's Market Access Strategy is to ensure that, by removing barriers to trade, EU business and industry can truly benefit from the market access possibilities outside the EU afforded by WTO agreements and EU trade agreements. This work is done in close cooperation between the European Commission, EU Member States, and business and industry, among others in the EU's Market Access Committee (MAAC).

Information useful to enterprises about the customs tariffs levels and export documentation requirements applied in about one hundred countries outside the EU, as well as the regulations pertaining to imports, can be found in the EU's market access database (<http://madb.europa.eu>). The database also includes barriers to trade reported by enterprises.

<http://ec.europa.eu/trade/creating-opportunities/trade-topics/market-access/>

5.5 EU Trade Barriers Regulation

The Trade Barriers Regulation is the EU's trade policy instrument, the main purpose of which is to remove the barriers to trade encountered by enterprises from EU countries on the markets of third countries. The Trade Barriers Regulation may be applied if the third country practices are contrary to international trade rules, especially the WTO rules and bilateral free trade agreements.

If investigation shows that the action of a third country is contrary to international trade rules, and is detrimental to EU enterprises, and if a mutually satisfactory solution is not reached, the matter may be referred to the WTO dispute settlement procedure.

<http://ec.europa.eu/trade/tackling-unfair-trade/trade-barriers/>

5.6 Instruments offered by the EU to combat barriers encountered on the internal market

5.6.1 Problem-solving service SOLVIT

SOLVIT is a procedure for solving problems between the authorities of Member States. This procedure aims to find solutions to practical problems encountered by enterprises and citizens in another Member State when an authority interprets or applies the EU internal market legislation deficiently. SOLVIT works in all four areas of the EU's fundamental freedoms (goods, services, persons and capital). SOLVIT can be used to resolve internal market barriers between two or more Member States.

In Finland, the Ministry of Employment and the Economy acts as the SOLVIT Centre. It records all of the barriers on the EU's internal market into the SOLVIT system. The intention is to find a solution to cases in ten weeks, and about 70 per cent of them end with a satisfactory solution for the customer. There is no charge for the service.

For more information about SOLVIT:

<http://www.solvit.eu>

<http://www.tem.fi/index.phtml?s=953>

SOLVIT Centre

Tel. +358 295 5064 928

E-mail: solvit@tem.fi

5.6.2 Notification procedure of the European Union for national product legislation

It is important for enterprises operating on the internal market to be aware of the requirements different Member States set for the technical properties of products and for market access. Enterprises can monitor the product legislation in their field in the various Member States through the so-called notification procedure for technical regulations. In the procedure, the Member States must give notice of all national technical regulations and standards for products, and regulations concerning information society services, while in the drafting stage.

The procedure enables the other Member States to comment on the proposals in question, and these comments should be taken into consideration as far as possible in further preparation of the regulations. The notification procedure is administered by the Ministry of Employment and the Economy. The distribution list for the sector in question can be joined by enrolling at maaraykset.tekniset@tem.fi. For more information about the procedure:

http://ec.europa.eu/enterprise/tris/index_fi.htm
<http://www.tem.fi/index.phtml?s=532>

5.6.3 Product Contact Points

A so-called Product Contact Point, which provides enterprises with information on the national product requirements, operates within the Ministry of Employment and the Economy. The intention is to lower the threshold for enterprises to begin operations on new markets with the help of information obtainable from the Product Contact Point and cooperation between the authorities of the EU Member States. Each EU Member State has a Product Contact Point that can be consulted in order to determine the technical regulations that are applied to the products in the country in question.

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http://http://ec.europa.eu/enterprise/tris/index_en.htm*

5.6.4 Point of Single Contact

The Point of Single Contact is an e-government portal that provides enterprises with information on national legislation related to the provision of services, market access conditions, the contact information for the competent authorities, and information about legal remedies in dispute situations. The necessary administrative formalities, for example, submitting applications and their appendices electronically to the authorities, can be handled through the Point of Single Contact.

Points of single contact also assist enterprises with a number of practical issues, such as what permits, notifications or certificates are required when starting a business in another EU country and how to get them, what must be done when an enterprise wants to provide services in another EU country temporarily, or what licenses cost.

The Enterprise Finland portal is the Point of Single Contact for Finland (<http://www.yrityssuomi.fi>). For more information and the contact details of the national Points of Single

Contact: http://ec.europa.eu/internal_market/eu-go/index_fi.htm

5.6.5 Enterprise Europe Network

The Enterprise Europe Network is a network providing expertise and internationalisation services for small and medium-sized enterprises. The network's services range from advice on EU affairs to support for the international transfer of technology. The network operates in over 50 countries and services are provided by about 600 organisations. Seven organisations take part in the national network for Finland. Services pertaining to trade, financing, law and business contacts are provided by the Centre for Economic Development, Transport and the Environment for Southwest Finland and the Helsinki Region Chamber of Commerce. The network is coordinated by the Ministry of Employment and the Economy.

For more information: <http://www.yrityssuomi.fi/web/een/ota-yhteytta>

5.6.6 EURES

EURES, the European Employment Services, is a Europe-wide network of the public labour authorities that promotes the mobility of labour in Europe. It advises both jobseekers and employers, particularly small and medium-sized enterprises. An employer can find country-specific labour market data and statistics on the EURES website. An employer can search for the CVs of suitable candidates and contact them by registering in the database free of charge on the website pages meant for employers.

An employer can also advertise a job vacancy on the EURES portal. The EURES service provides assistance, among others, in recruitment abroad and notifies about various recruitment events in Europe. EURES also provides additional information on workers sent.

For more information: <http://eures.europa.eu>

5.6.7 EURAXESS

The EURAXESS service provides interactive network services to European researchers working abroad with the aim of keeping them in touch with each other and the European Union. The service provides information about career opportunities in Europe, multinational collaborative research projects, and about European research policies. There is no charge for the service.

The service provides researchers with information on job vacancies, funding and grants throughout Europe. An enterprises or research institute can advertise vacancies for free and can search for CVs of leading international researchers. The service provides access to the employment portals of 35 cooperation partner countries; these contain information on research jobs and funding options as well as personal services in each country.

For more information: <http://ec.europa.eu/euraxess/index.cfm/general/index>

5.6.8 A petition to the European Parliament and a complaint to the European Commission

An enterprise operating in a European Union Member State can submit a petition to the European Parliament. The petition can for instance appeal to the European Parliament concerning the application of EU law.

For more information about petitions: <http://www.europarl.europa.eu/aboutparliament/fi/00533cec74/Petitions.html?jsessionid=2A46C1FEE889488E98569281E4E5347F.node2>

A complaint can be lodged with the European Commission if it is considered that a practice or regulation of a Member State is not compatible with EU law. The complaint can lead to the initiation of infringement proceedings against a Member State. It is in the complainant's own interest to use the applicable national administrative and judicial procedures and other legal remedies before lodging a complaint with the Commission.

For more information about the complaint procedure: http://ec.europa.eu/eu_law/your_rights/your_rights_en.htm

5.6.9 Court of Justice of the European Union, direct actions and preliminary rulings

In matters linked with EU law, competence belongs to the national courts, and the decisions of the national courts cannot be appealed in the EU Court of Justice. A case with an EU link pending before a national court can be brought before the EU Court of Justice

for a preliminary ruling under Article 234 of the EC Treaty. The Article gives the courts of the Member States the right and, subject to certain conditions, the national courts of last instance, the obligation to seek a preliminary ruling from the EU Court of Justice concerning the interpretation of a provision of EU law or the validity of the regulations or decisions of EU institutions. The EU Court of Justice does not give a mere opinion, but a judgement or a reasoned order. The interpretation ruling is binding on the national court when it settles the pending case in question. The judgement likewise binds other national courts which deal with the same problem. In practice, the preliminary ruling procedure offers persons and enterprises with legal capacity the most common mechanism for having a case with an EU link investigated by the EU Court of Justice.

In accordance with Articles 226 and 227 of the Treaty, the Commission or another Member State can bring an action against a Member State. It should be noted that action raised by the Commission can be based on a “complaint”, lodged with the Commission by a private party as mentioned above, that a Member State fails to comply with its membership obligations arising from the fact that EU legislation is not correctly applied nationally. A typical example of a breach of membership obligation is a situation where a Member State has not implemented a Directive at all, or has not implemented it in full, at the national level within the time limit.

For more information about the Court of Justice of the European Union and the General Court, as well as on the different types of actions and the preliminary ruling procedure: http://europa.eu/about-eu/institutions-bodies/court-justice/index_en.htm

Appendices

Appendix 1: Finland's largest trading partners for trade in goods

Finland's largest trading partners for trade in goods in 2012				
	Country	Exports, billion (%)	Imports, billion (%)	Volume of trade, billion (%)
1	Russia	5.7 billion (10%)	10.6 billion (17.9%)	16.3 billion (14.0%)
2	Germany	5.2 billion (9.2%)	7.3 billion (12.3%)	12.6 billion (10.8%)
3	Sweden	6.3 billion (11.1%)	6.2 billion (10.5%)	12.5 billion (10.8%)
4	China	2.6 billion (4.6%)	4.6 billion (7.8%)	7.2 billion (6.2%)
5	Netherlands	3.6 billion (6.3%)	3.3 billion (5.6%)	6.9 billion (5.9%)
6	United States	3.6 billion (6.3%)	2.0 billion (3.3%)	5.5 billion (4.8%)
7	United Kingdom	2.9 billion (5.1%)	1.8 billion (3.0%)	4.6 billion (4.0%)
8	Norway	1.8 billion (3.2%)	1.5 billion (3.7%)	4.0 billion (3.4%)
9	France	1.7 billion (3.0%)	1.3 billion (3.1%)	3.5 billion (3.0%)
10	Estonia	1.7 billion (3.0%)	1.6 billion (2.6%)	3.2 billion (2.8%)
11	Belgium	1.7 billion (3.1%)	1.3 billion (2.1%)	3 billion (2.6%)
12	Italy	1.3 billion (2.4%)	1.6 billion (2.7%)	2.9 billion (2.5%)
13	Poland	1.4 billion (2.5%)	1.2 billion (2.0%)	2.6 billion (2.2%)
14	Denmark	1 billion (1.8%)	1.4 billion (2.3%)	2.4 billion (2.1%)
15	Japan	1 billion (1.9%)	740 million (1.2%)	1.8 billion (1.6%)
16	South Korea	690 million (1.2%)	960 million (1.6%)	1.7 billion (1.4%)
17	Spain	830 million (1.5%)	740 million (1.3%)	1.6 billion (1.4%)
18	Brazil	730 million (1.3%)	810 million (1.4%)	1.5 billion (1.3%)
19	Switzerland	840 million (1.5%)	670 million (1.1%)	1.5 billion (1.3%)
20	Turkey	690 million (1.2%)	420 million (0.7%)	1.1 billion (1.0%)
	Finland's total trade	56.8 billion (100%)	59.2 billion (100%)	115.9 billion (100%)

Appendix 2: Export market interest of enterprises (N=415)

Europe	35	<i>Eastern Europe</i>	1	Argentina	3
<i>Eastern Europe</i>	9	Italy	6	Mexico	2
Russia	189	Spain	5	Columbia	2
Ukraine	16	Portugal	3	Paraguay	2
Poland	13			Uruguay	2
Belarus	9	Europe, total	686	Peru	1
Romania	6				
Hungary	3	Asia	28	South America, total	54
Czech Republic	2	<i>Central Asia</i>	3		
Moldova	1	Kazakhstan	12	North America	13
		Mongolia	1	USA	43
<i>The Balkans</i>	2	Pakistan	1	Canada	10
Bulgaria	3			<i>Central America</i>	10
FYR Macedonia	3	<i>South Asia</i>	3		
Bosnia and Herzegovina	2	India	20	North America, total	76
Slovakia	2	Bangladesh	2		
Kosovo	1	Nepal	1	Africa	19
Croatia	1			<i>East Africa</i>	0
Montenegro	1	<i>East Asia</i>	2	Kenya	1
Serbia	1	China	62		
Slovenia	1	Japan	23	<i>Central Africa</i>	0
		South Korea	16	Tanzania	4
<i>Central Asian countries</i>	1	Taiwan	3	Uganda	1
<i>CIS countries</i>	15				
<i>EU countries</i>	25	<i>Arab countries</i>	5	<i>South Africa</i>	2
<i>Baltic Sea States</i>	4	<i>Middle East</i>	18	Republic of South Africa	5
<i>Nordic countries</i>	47	Turkey	11	Zambia	1
Sweden	66	Saudi Arabia	3		
Norway	30	United Arab Emirates	2	<i>North Africa</i>	5
Denmark	11	Iraq	2	Egypt	2
Iceland	2	Israel	1	Tunisia	2
		Jordan	1	Algeria	1
<i>Baltic countries</i>	37	Kuwait	1	Libya	1
Estonia	10	Qatar	1	Morocco	1
Latvia	3				
Lithuania	3	<i>South East Asia</i>	18	<i>West Africa</i>	1
		Indonesia	4	Ghana	1
<i>Central Europe</i>	17	Singapore	3	Nigeria	1
<i>Western Europe</i>	1	Thailand	3		
Germany	38	Vietnam	3	Africa, total	29
United Kingdom	17	Malaysia	2		
France	14	Philippines	1	Oceania	0
Netherlands	11			Australia	3
Belgium	6	Asia, total	256	New Zealand	2
Switzerland	5				
Austria	4	South America	22	Oceania, total	5
Luxembourg	4	Brazil	14		
		Chile	6		

Appendix 3: Centres for Economic Development, Transport and the Environment

Team Finland coordinators at the Centres for Economic Development, Transport and the Environment		
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Appendix 4: Export and internationalisation trips hoped for by enterprises (N=265)

Europe	3	Europe, total	311	Columbia	2
<i>Eastern Europe</i>	4	Asia	12	Peru	2
Russia	102	<i>Central Asian countries</i>	2		
Poland	12	<i>Central Asia</i>	3	South America, total	40
Ukraine	10	Kazakhstan	7	North America	0
Romania	8	Afghanistan	1	USA	27
Belarus	5	Mongolia	1	Canada	7
Hungary	3	Pakistan	1		
Moldova	2	Turkmenistan	1	<i>Central America</i>	3
Georgia	1			Dominican Republic	
Czech Republic	1	<i>South Asia</i>	0		
		India	22	Jamaica	1
<i>The Balkans</i>	0	Bangladesh	1	Nicaragua	1
Bulgaria	6			Panama	1
FYR Macedonia	3	<i>East Asia</i>	0	Trinidad	1
Serbia	3	China	52		
Kosovo	2	Japan	19	North America, total	42
Croatia	2	South Korea	7		
Slovakia	2	Taiwan	1	Africa	6
				<i>East Africa</i>	0
<i>CIS countries</i>	6	<i>Arab countries</i>	4	Kenya	3
<i>EU countries</i>	4	<i>Middle East</i>	12	Ethiopia	2
<i>Baltic Sea States</i>	0	Turkey	8	Somalia	1
<i>Nordic countries</i>	5	Iraq	7		
Sweden	18	United Arab Emirates	6	<i>South Africa</i>	1
Norway	16	Iran	5	Republic of South Africa	
Denmark	5	Saudi Arabia	5		
Iceland	0	Qatar	4	Tanzania	2
		Bahrain	2	Zambia	1
<i>Baltic countries</i>	11	Israel	2		
Estonia	7	Kuwait	2	<i>North Africa</i>	4
Latvia	6	Yemen	1	Algeria	3
Lithuania	5	Lebanon	1	Egypt	3
				Tunisia	3
<i>Western Europe</i>	4	<i>South East Asia</i>	2	Morocco	2
Germany	17	Vietnam	7	Libya	1
UK	10	Indonesia	6		
France	7	Philippines	4	<i>West Africa</i>	2
Austria	3	Malaysia	4	Nigeria	4
Netherlands	3	Singapore	4	Ghana	2
Belgium	1	Thailand	3		
Switzerland	1			Africa, total	44
		Asia, total	219	Oceania	0
<i>Southern Europe</i>	0	South America	8	Australia	6
Italy	5	Brazil	15	New Zealand	1
Spain	4	Chile	5		
Portugal	4	Argentina	4	Oceania, total	7
		Mexico	4		

Appendix 5: Barriers to trade reported on the survey, by country (N=1,374)

RUSSIA	402	29.26%	TUNISIA	4	0.29%
CHINA	118	8.59%	VIETNAM	4	0.29%
FINLAND	106	7.71%	BANGLADESH	3	0.22%
GENERAL	70	5.09%	EL SALVADOR	3	0.22%
EU AREA	63	4.59%	GHANA	3	0.22%
BRAZIL	60	4.37%	HONDURAS	3	0.22%
INDIA	57	4.15%	LUXEMBOURG	3	0.22%
UNITED STATES	54	3.93%	MOROCCO	3	0.22%
UKRAINE	31	2.26%	SINGAPORE	3	0.22%
ARGENTINA	22	1.60%	SLOVAKIA	3	0.22%
JAPAN	20	1.46%	SWITZERLAND	3	0.22%
SOUTH KOREA	19	1.38%	TANZANIA	3	0.22%
GERMANY	19	1.38%	CZECH REPUBLIC	3	0.22%
KAZAKHSTAN	18	1.31%	HUNGARY	3	0.22%
FRANCE	15	1.09%	AUSTRIA	2	0.15%
SWEDEN	15	1.09%	MALAYSIA	2	0.15%
CANADA	12	0.87%	PAKISTAN	2	0.15%
KENYA	11	0.80%	SLOVENIA	2	0.15%
POLAND	11	0.80%	THAILAND	2	0.15%
CHILE	10	0.73%	UZBEKISTAN	2	0.15%
NORWAY	9	0.66%	VENEZUELA	2	0.15%
TURKEY	9	0.66%	AUSTRALIA	1	0.07%
BELARUS	9	0.66%	BELIZE	1	0.07%
LATVIA	8	0.58%	BOTSWANA	1	0.07%
NEPAL	8	0.58%	BULGARIA	1	0.07%
SPAIN	7	0.51%	ECUADOR	1	0.07%
IRAN	7	0.51%	IRELAND	1	0.07%
LITHUANIA	7	0.51%	GREECE	1	0.07%
NIGERIA	7	0.51%	MONGOLIA	1	0.07%
SERBIA	7	0.51%	MOZAMBIQUE	1	0.07%
ESTONIA	7	0.51%	PANAMA	1	0.07%
ALGERIA	6	0.44%	PERU	1	0.07%
UNITED ARAB EMIRATES	6	0.44%	ZAMBIA	1	0.07%
ITALY	6	0.44%	TAIWAN	1	0.07%
MEXICO	6	0.44%	UGANDA	1	0.07%
SAUDI ARABIA	6	0.44%	URUGUAY	1	0.07%
PHILIPPINES	5	0.36%			
GUATEMALA	5	0.36%	Total	1,374	
INDONESIA	5	0.36%			
IRAQ	5	0.36%			
ROMANIA	5	0.36%			
NETHERLANDS	4	0.29%			
BELGIUM	4	0.29%			
EGYPT	4	0.29%			
UNITED KINGDOM	4	0.29%			
ISRAEL	4	0.29%			
PORTUGAL	4	0.29%			
DENMARK	4	0.29%			

Appendix 6: EU Free Trade Agreements

Free trade agreements in force	Free trade negotiations concluded – agreements not yet in force	Free trade negotiations in progress	Future free trade negotiations
<ul style="list-style-type: none"> – Peru – South Korea – Mexico – South Africa – Chile – Turkey, Andorra and San Marino (customs union) – Norway, Iceland, and Liechtenstein (Agreement on the European Economic Area) – Switzerland – Faeroe Islands – FYR Macedonia – Croatia – Albania – Montenegro – Bosnia and Herzegovina – Serbia – Algeria – Egypt – Israel – Jordan – Lebanon – Palestinian Territories – Tunisia – With African, Caribbean and Pacific countries, three EPAs (Economic Partnership Agreements) (Caribbean region, Pacific region, Eastern and Southern Africa) 	<ul style="list-style-type: none"> – Singapore – Columbia – Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) – Ukraine – With African, Caribbean and Pacific countries, five EPAs (Economic Partnership Agreements) (Côte d'Ivoire, Cameroon, the Southern African Development Community, Ghana, East Africa) 	<ul style="list-style-type: none"> – Japan – Canada – India – Malaysia – Vietnam – Morocco (the agreement is being deepened) – Thailand – Mercosur countries (Argentina, Brazil, Paraguay and Uruguay, and Venezuela) – Georgia – Armenia – Moldova – The Gulf Cooperation Council (UAE, Bahrain, Kuwait, Oman, Qatar and Saudi Arabia) – With African, Caribbean and Pacific countries, several EPAs (Economic Partnership Agreements) 	<ul style="list-style-type: none"> – United States (starting in the summer of 2013) – Egypt (revision of the agreement) – Jordan (revision of the agreement) – Tunisia (revision of the agreement) – Other ASEAN countries (Indonesia, Philippines)

