



**BUSINESS ENVIRONMENT TRENDS  
IN EUROPE 2007**

- ICELAND, NORWAY, SWEDEN, GERMANY AND RUSSIA

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# **THE CENTRAL CHAMBER OF COMMERCE OF FINLAND**

BUSINESS ENVIRONMENT TRENDS IN EUROPE 2007  
- Iceland, Norway, Sweden, Germany and Russia

December 2007

THE CENTRAL CHAMBER OF COMMERCE OF FINLAND  
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## FOREWORD

The Central Chamber of Commerce of Finland has conducted periodic surveys amongst Finnish companies in various European markets. The survey results help the Chamber member companies and the authorities picture the Finnish companies' business environment and identify key areas of interest.

The newest survey report deals with the markets of Iceland, Norway, Sweden, Germany and Russia and its regions: the City of Moscow and Moscow Oblast, the City of St Petersburg and Leningrad Oblast as well the other areas of North-West Russia. Sweden and Germany are EU member states. Iceland and Norway are ETA member countries. Sweden, Germany and Russia are Finland's main import and export partners (Appendix 1).

The findings have been compared with those of the 1998, 2001, 2002, 2005 and 2007 surveys<sup>1</sup>, where applicable.

In general, markets grew and the economic situation improved in all surveyed countries and areas. Using the "school-grade" system to evaluate business environments, Sweden, Norway, Germany and Iceland were classed in the top tier of business environments. Russia achieved the same school-grade as Poland previously scored in the 2001/2002 survey report.

Overall, the respondents expect the importance of the Russian markets to increase most in their business activities during the next five years.

Corruption is a serious problem in Russia and its regions. Of the areas surveyed, the City of St Petersburg and Leningrad Oblast have been most successful in fighting corruption.

The survey report also shows that the business environments of Finnish companies need to be further developed in the countries and areas covered in the current survey report.

The Central Chamber of Commerce of Finland commissioned the market research company Taloustutkimus Ltd to interview Finnish enterprises operating in these markets for the survey 31 August - 21 September, 2007. Ms Anne Hatanpää, Deputy Director of the Central Chamber of Commerce of Finland compiled the survey report.

Helsinki, 17 December 2007

THE CENTRAL CHAMBER OF COMMERCE OF FINLAND

Dr Kari Jalas  
Director General

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<sup>1</sup>"Finnish Business Perspective of the EU Eastern Expansion" (1998), "Estonia and Poland on the Road to EU Membership" (2001), "Finnish Corporate Experiences of Latvian and Lithuanian Markets" (2002), "The Finnish Business Perspective of the Baltic and Polish Markets" (2005) and "The Finnish Business Perspective of the Eastern European Markets – Bulgaria, Hungary, Romania, Turkey and Ukraine" (2007).

## CONTENTS

1. BUSINESS ENVIRONMENT ASSESSMENT.....	7
1.1. <i>Business environment assessment</i> .....	8
1.2. <i>Sectors showing positive development</i> .....	9
1.3. <i>Main problems detected in trade and markets</i> .....	19
1.4. <i>Experiences with authorities</i> .....	30
1.5. <i>Main factors impeding business operations</i> .....	39
1.5.1. <i>Corruption</i> .....	47
2. THE FUTURE SIGNIFICANCE OF THE MARKETS .....	49
2.1. <i>Significance of the markets</i> .....	49
2.2. <i>Companies' reaction to the growth of market significance</i> .....	51
2.3. <i>Investments</i> .....	53
2.3.1. <i>Investments during the last 12 months</i> .....	53
2.3.2. <i>Prospective investments during the next 12 months</i> .....	55
3. SUMMARY.....	57
4. APPENDICES.....	59

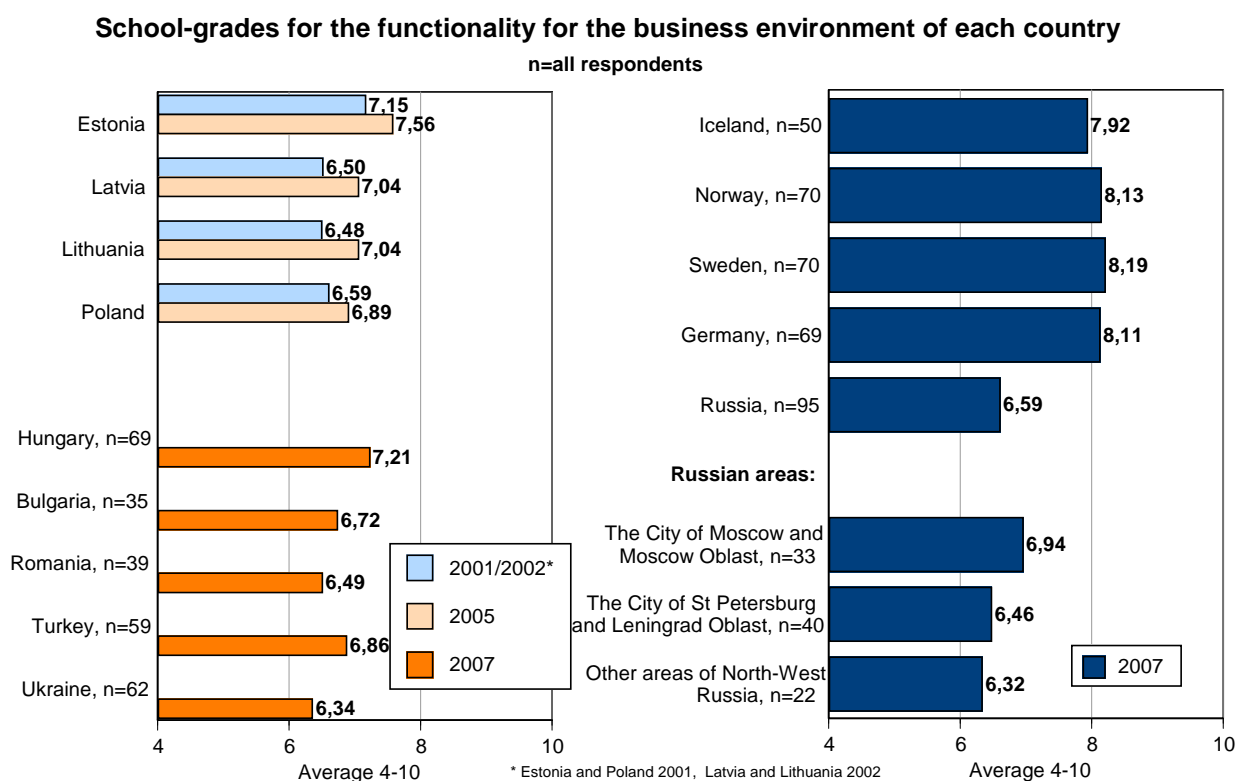
## **1. BUSINESS ENVIRONMENT ASSESSMENT**

The respondents were asked to list three factors that, in their experience, have improved the business environment during the last few years. Additionally, the respondents were requested to name the three biggest problem areas that have impeded their business operations in their particular markets. Furthermore, the respondents were asked to evaluate the performance of the relevant authorities, and to list any factors or circumstances that have had a negative impact on their business operations in their markets. Finally, the respondents were to assess each business environment on the school-grade scale, ie. 4 (poor) – 10 (excellent).

## 1.1. Business environment assessment

The respondents were asked to rate the functionality of each country's business environment and assess its progress. The ratings were to be given as school-grades, of which the lowest grades 5 – 6 were equivalent to poor, 7 satisfactory, 8 good and 9 – 10 excellent. Finland was rated excellent (9).

Sweden (8.19), Norway (8.13) and Germany (8.11) all scored more than 8, while Iceland (7.92) was marginally under 8. By contrast, Russia's rating was 6.59. The respondents rated the City of Moscow and Moscow Oblast best (6.94), followed by the City of St Petersburg and Leningrad Oblast (6.46) and other areas of North-West Russia (6.32)<sup>2</sup>.



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

Based on the school-grade results, Sweden, Norway, Germany and Iceland were in the top tier of business environments (7.92 – 8.19). The next tier scored around 7, with the Estonian business environment rating highest (7.56 in 2005) and the City of Moscow and Moscow Oblast lowest (6.94). The third tier of countries scored better than 6.5. Poland leads the group (6.89 in 2005) followed by Turkey (6.86), Bulgaria (6.72), Russia (6.59) and Poland (6.59 in 2001/2002). The final tier recorded a score of 6 or better. Latvia (6.50/2001/2002), Lithuania (6.48/2001/2002), Romania (6.49), the City of St Petersburg and Leningrad Oblast (6.46), Ukraine (6.34) and other areas of North-West Russia 6.32 comprise this lowest-ranked group<sup>3</sup>. (Appendix 2).

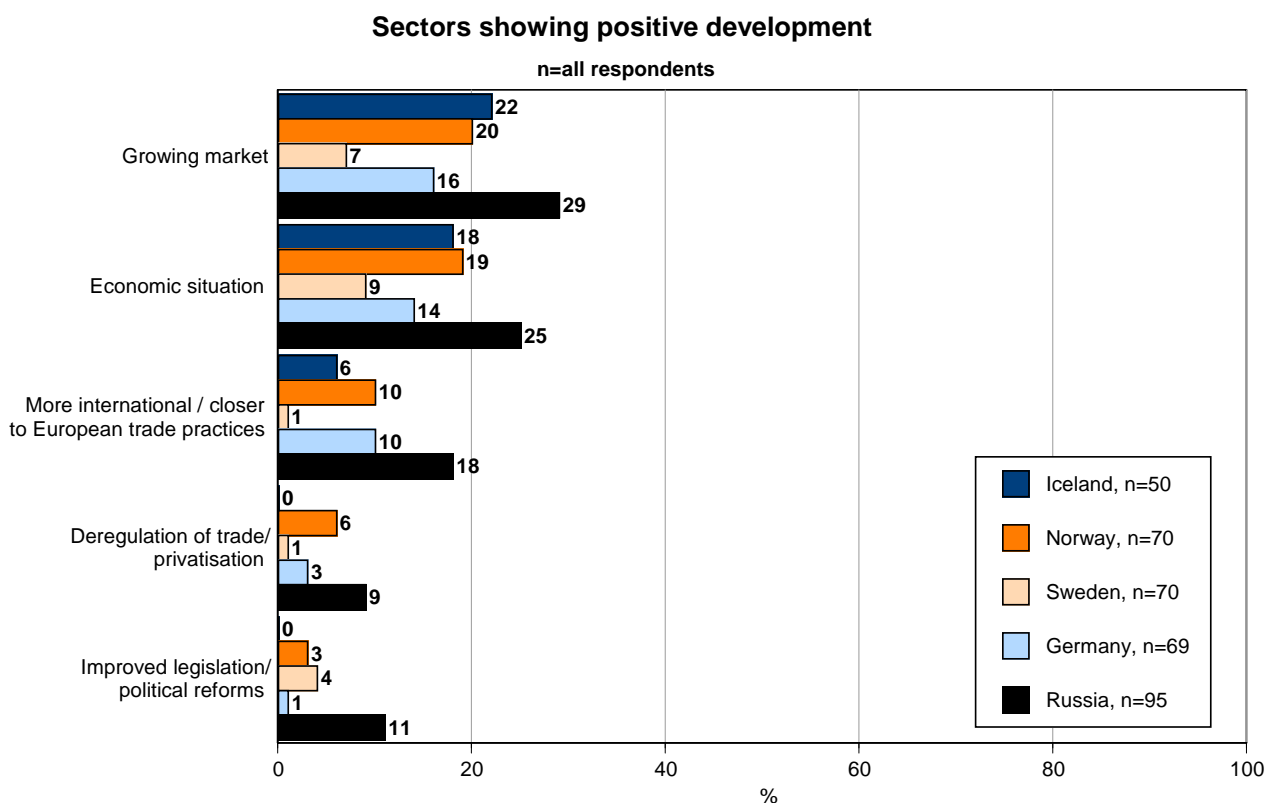
<sup>2</sup> All figures 2007 unless indicated otherwise.

<sup>3</sup> All figures 2007 unless indicated otherwise.

## 1.2. Sectors showing positive development

The respondents were asked to determine three sectors or factors which favourably affected their business operations during the last few years.

The respondents believed that Russia had shown more progress than the other surveyed countries in the following sectors: market growth, improved economic situation, deregulation of trade and internationalisation. Legislation was also showing signs of improvement.

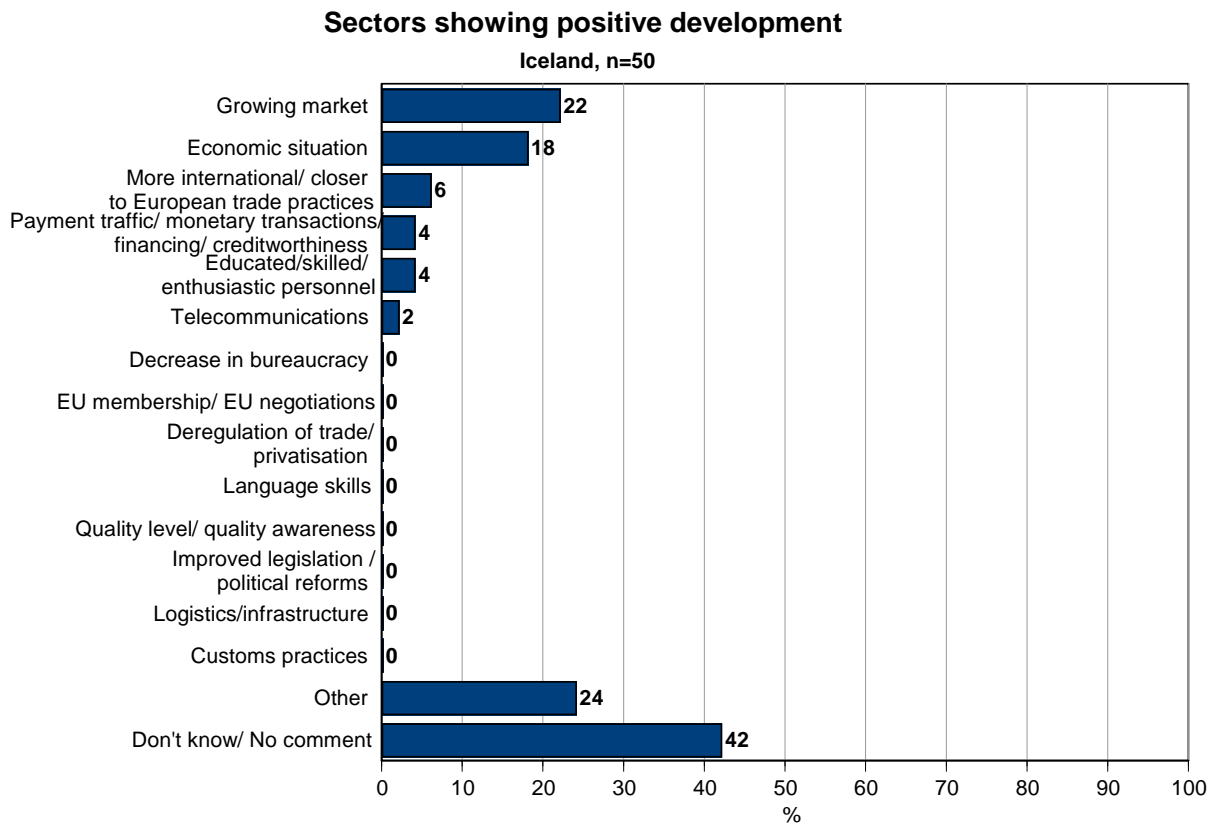


Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## Iceland

Approximately one fifth of the respondents felt that the market had grown and the economic situation had improved in Iceland. The country had become more international and its trade practices had become more European (6%). Availability of financing had improved and skilled personnel were available (4%) in the country. Adequate telecommunications were also seen as a positive factor (2%).

Almost half of the respondents chose not to or were unable to answer the question.

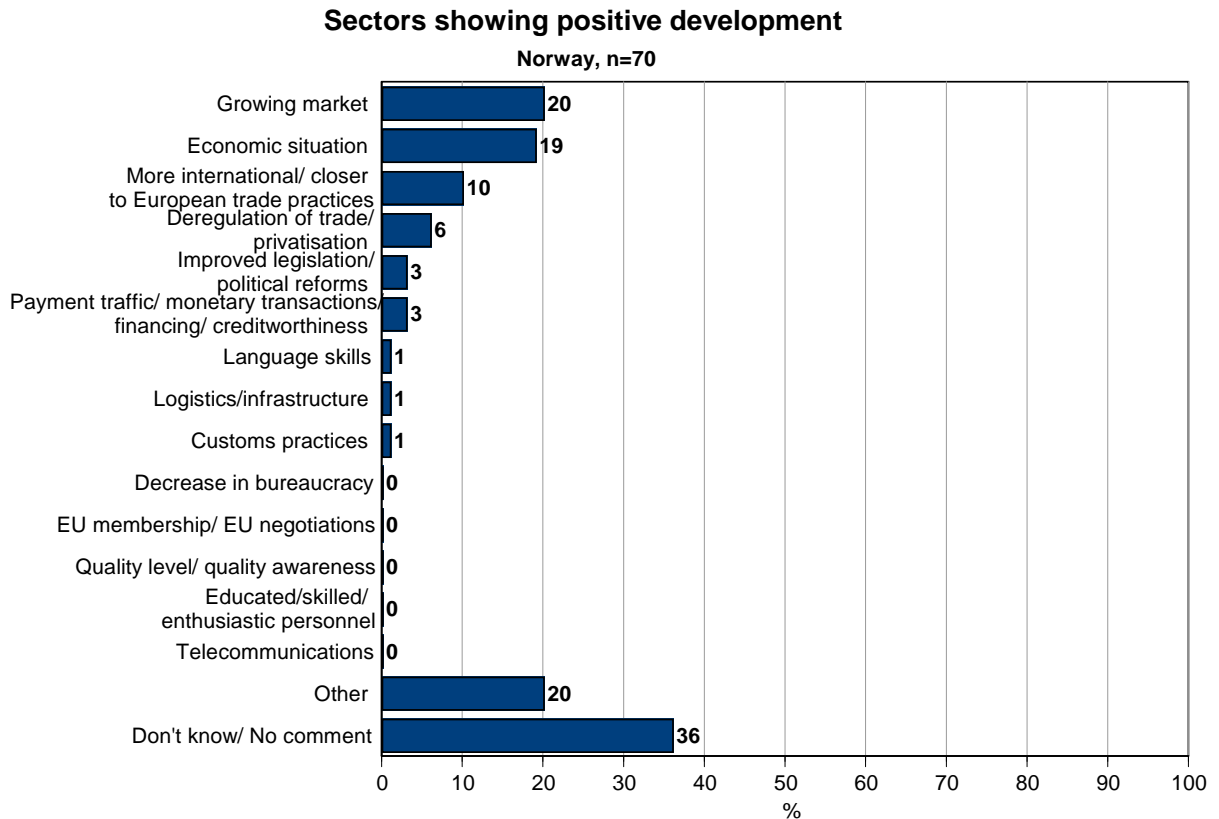


Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## Norway

One fifth of the respondents perceived the Norwegian market to have grown and the country's economic situation to have improved. Norway had become more international and was closer to European trade practices (10%).

Of the respondents 36 percent chose not to or were unable to answer the question.

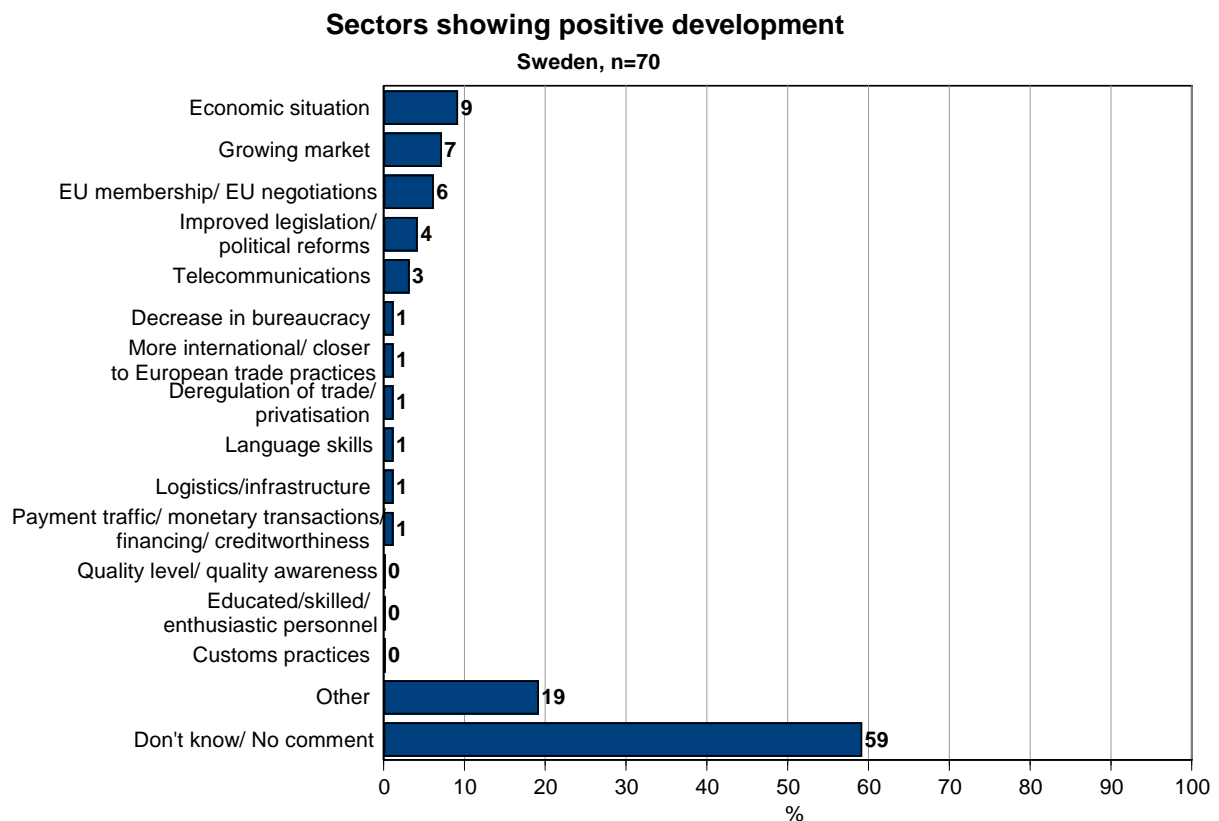


Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## Sweden

The economic situation in Sweden had improved (9%) and the market had grown (7%). 6 percent of the respondents ranked EU membership in the group of three most favourable factors affecting development. Legislation had improved and the telecommunications were adequate.

Almost 60 percent of the respondents chose not to or were unable to answer the question. This might be explained by the fact that enterprises had not faced problems to a large extent in Sweden.

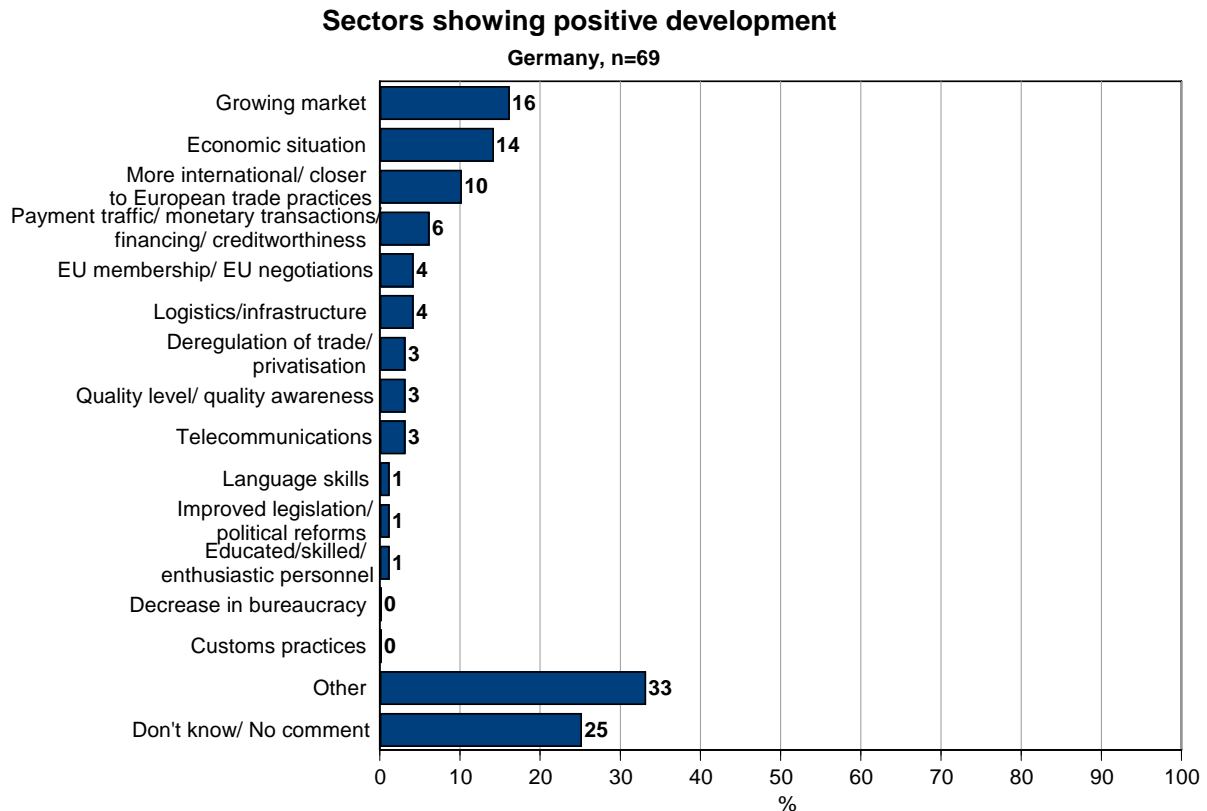


Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## Germany

In Germany, the market had grown (16%), the economic situation had improved (14%) and the country had become more international and closer to European trade practices (10%). 4 percent of the respondents considered EU membership a factor related to positive development in the country.

Of the respondents 25 percent chose not to or were unable to answer the question.

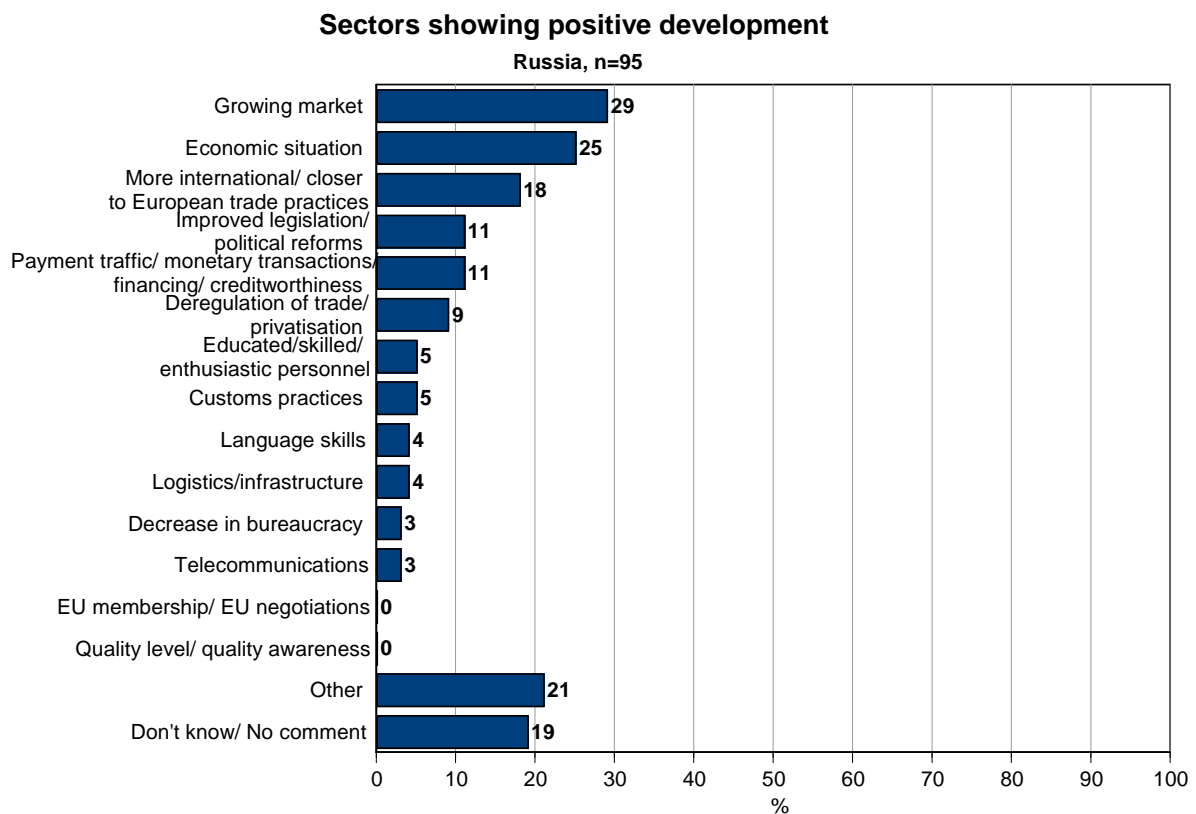


Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## Russia

One third of the respondents believed that the market had grown in Russia and one fourth that the economic situation had improved. The country had internationalised and was closer to European trade practices (18%). Positive developments had occurred in the areas of legislation, monetary transactions and deregulation of trade.

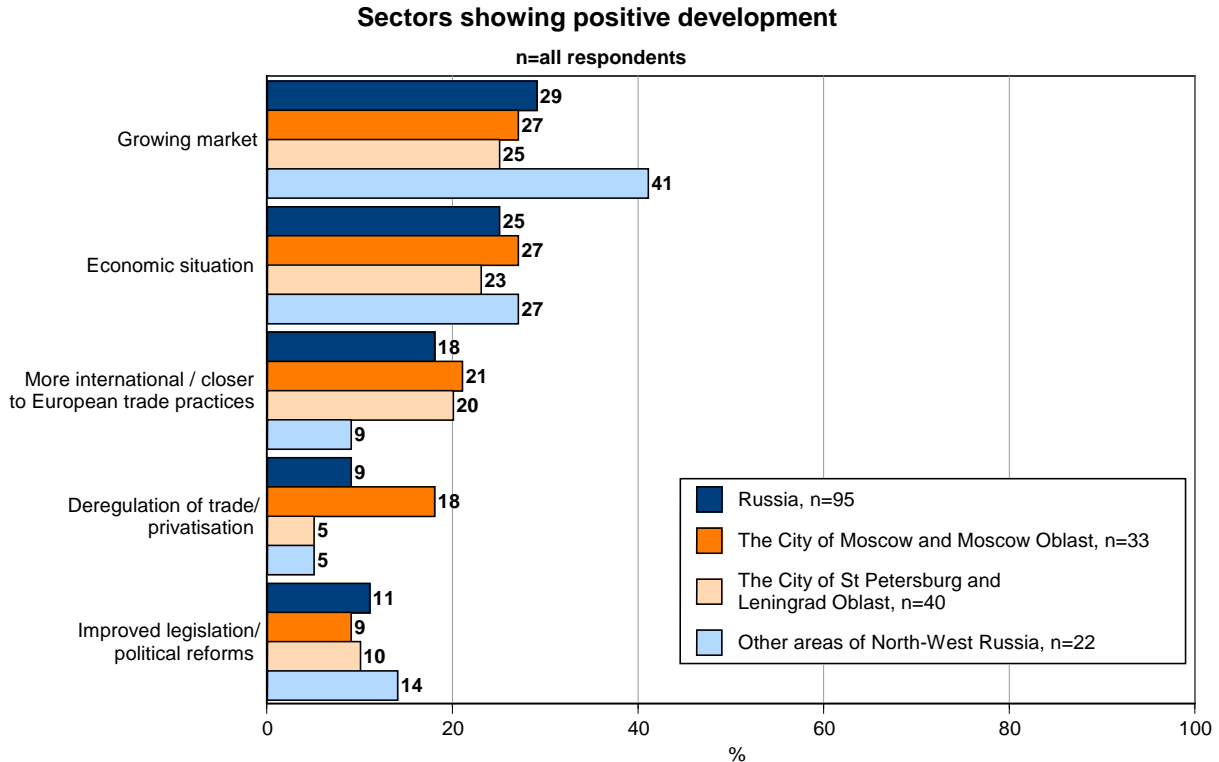
19 percent of the respondents chose not to or were unable answer the question. This might be explained by the fact that Finnish enterprises are familiar with the Russian markets and the challenges they face in said markets.



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## Areas of Russia

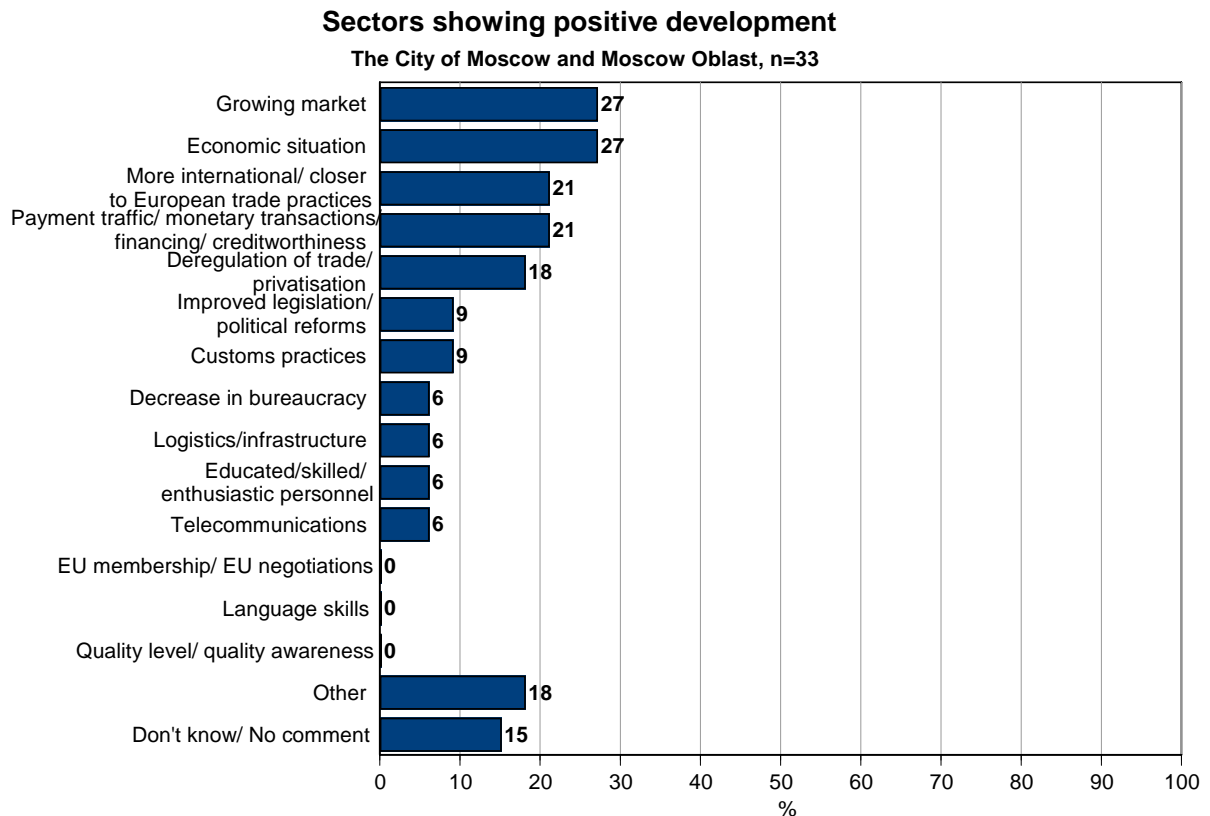
The respondents believed that the markets would grow faster in other areas of North-West Russia than in the other surveyed Russian areas. Trade had been deregulated most in the City of Moscow and in Moscow Oblast.



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## The City of Moscow and Moscow Oblast

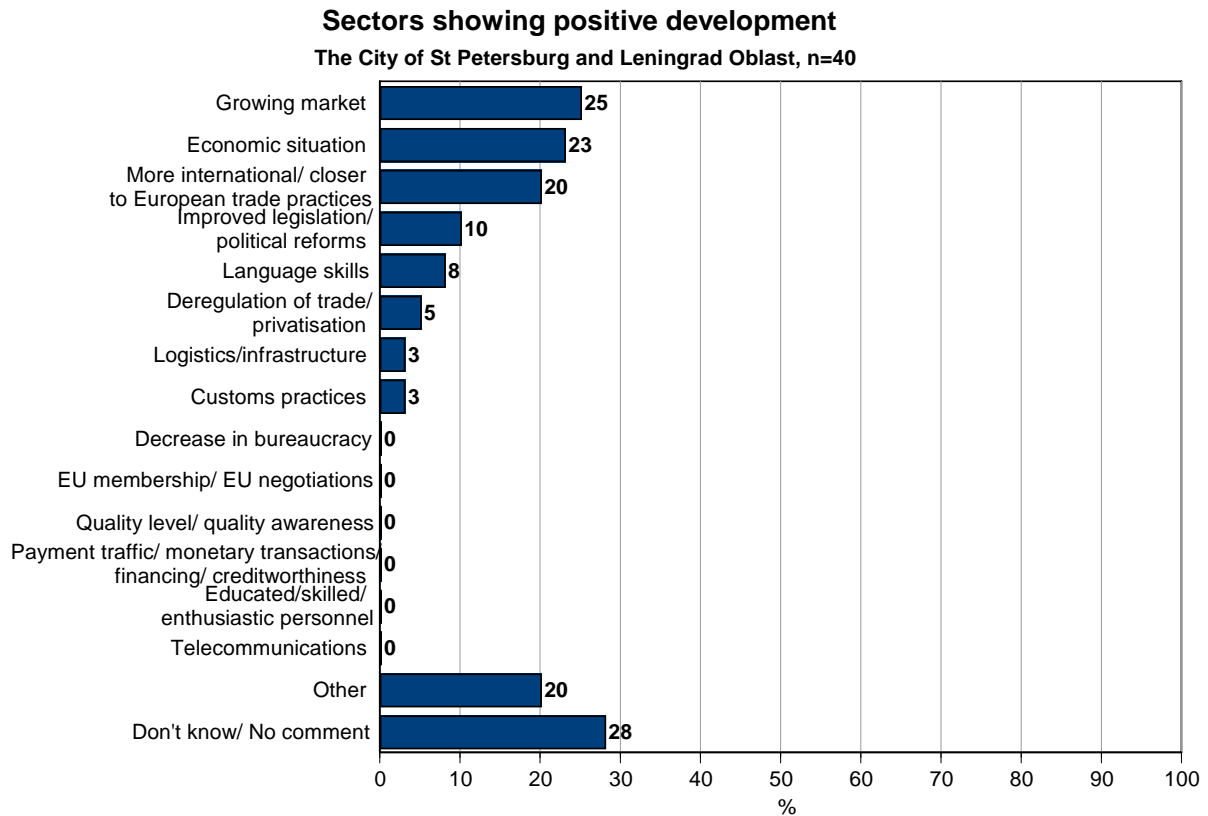
The interviewees believed that the market had grown and the economic situation had improved (27%) in the City of Moscow and Moscow Oblast. The region had become more international and was closer to European trade practices (21%). Monetary transactions functioned better (21%) than before. Trade had been deregulated and positive developments could be seen in legislation and in customs practices. 6 percent of the respondents believed that bureaucracy had decreased and the infrastructure and transport connections had improved.



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## The City of St Petersburg and Leningrad Oblast

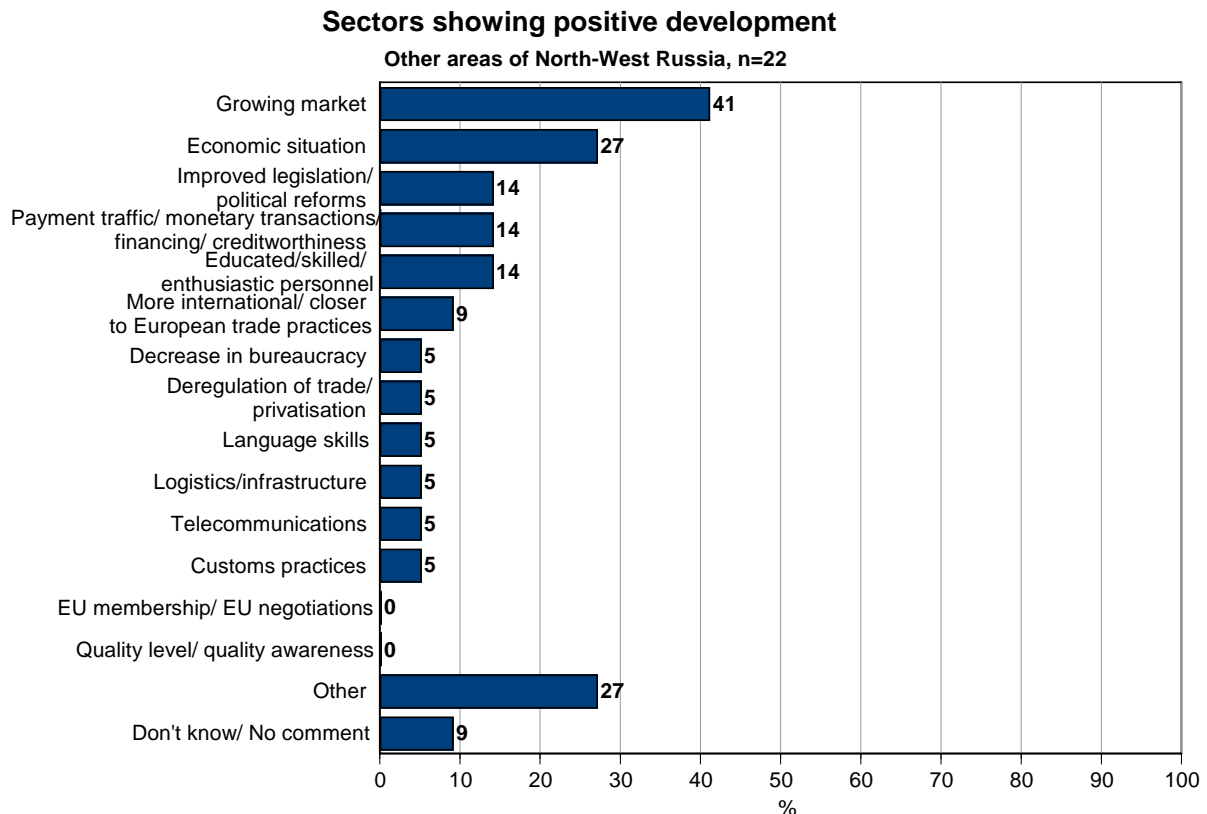
A quarter of the respondents indicated that the market had grown in the City of St Petersburg and Leningrad Oblast. The economic situation had improved (23%). The region had internationalised and was closer to European trade practices (20%). Positive developments could also be seen in legislation and in improved language skills. Trade had been deregulated. 3 percent of the respondents believed that transport connections and infrastructure as well as customs practices had developed favourably.



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## Other areas of North-West Russia

More than 40 percent of the respondents believed that the market had grown in other areas of North-West Russia. The economic situation in the area had improved (27%). Positive developments could be seen in legislation, monetary transactions and supply of skilled personnel. Bureaucracy had decreased and customs practices had improved (5%).



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

### *Previous survey reports:*

According to the survey report of January 2007, 33 percent of the respondents believed that, in the last few years, EU membership had had a positive effect on market development in Hungary. A third (34%) of the interviewees felt that the Bulgarian market had grown, while 26 percent thought that Romania had become more international and had increasingly adopted European trade practices. Approximately one fourth of the respondents (24%) valued market growth in Turkey most highly. The economic situation had improved in Ukraine, and its market had also grown (23%).

One fifth of the 2005 survey report respondents believed that the Estonian commercial culture had improved in recent years. For Latvia, the most important positive factors listed at that time were the country's EU membership, its improved commercial culture and its increased purchasing power. Nearly half of the respondents felt that EU membership had been the main contributor to Lithuanian development, while a quarter thought likewise for Poland.

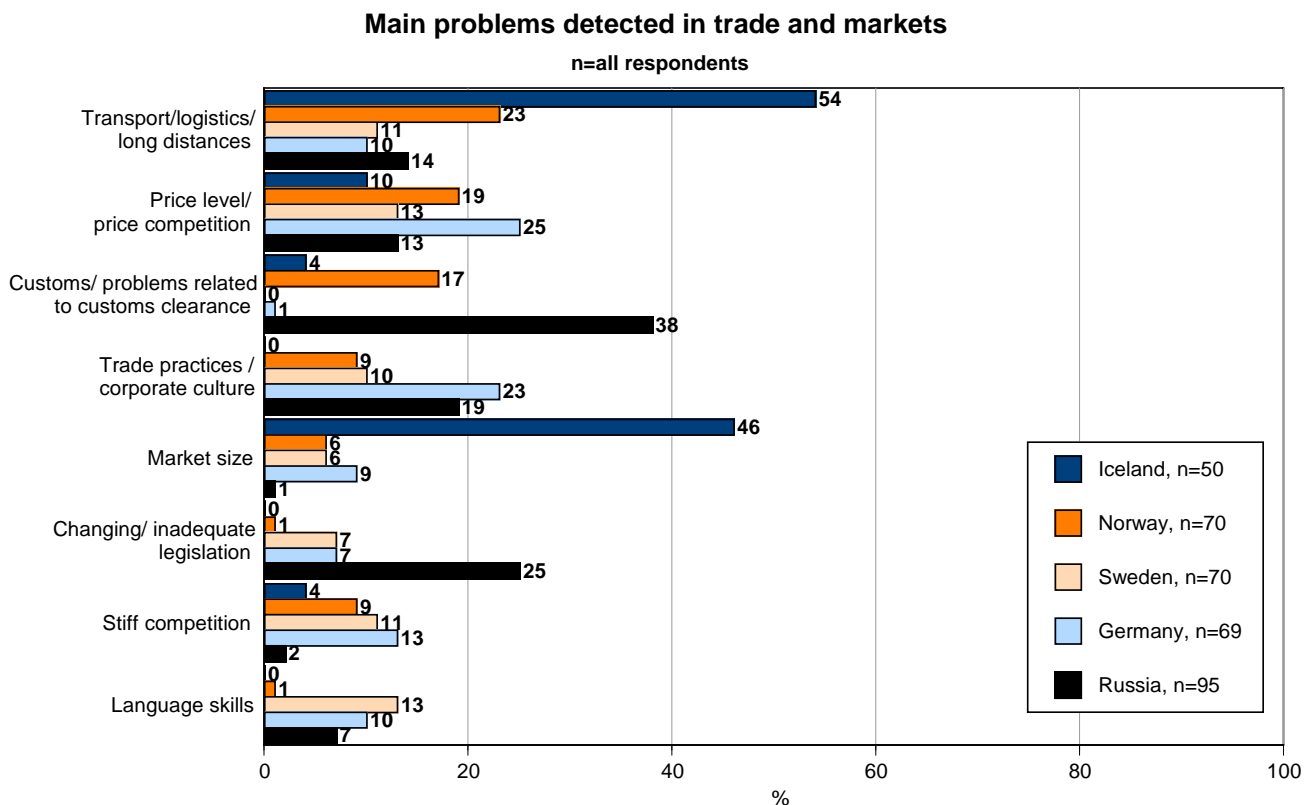
Enhanced commercial culture and increased market accessibility (20%) were the most positive developments in Latvia in 2002. In the same year respondents felt that economic growth and the improved economic situation (24%) had had the most positive effect on Lithuania's development.

Respondents felt that the improved economic situation and economic growth (32%) had the most positive effect on Estonia in 2001. In the same year, enhanced commercial culture and increased market accessibility (26%) were listed as the most positive developments in Poland (Appendix 3).

### 1.3. Main problems detected in trade and markets

The respondents were asked to point out three sectors or factors that had made their business operations more difficult in recent years.

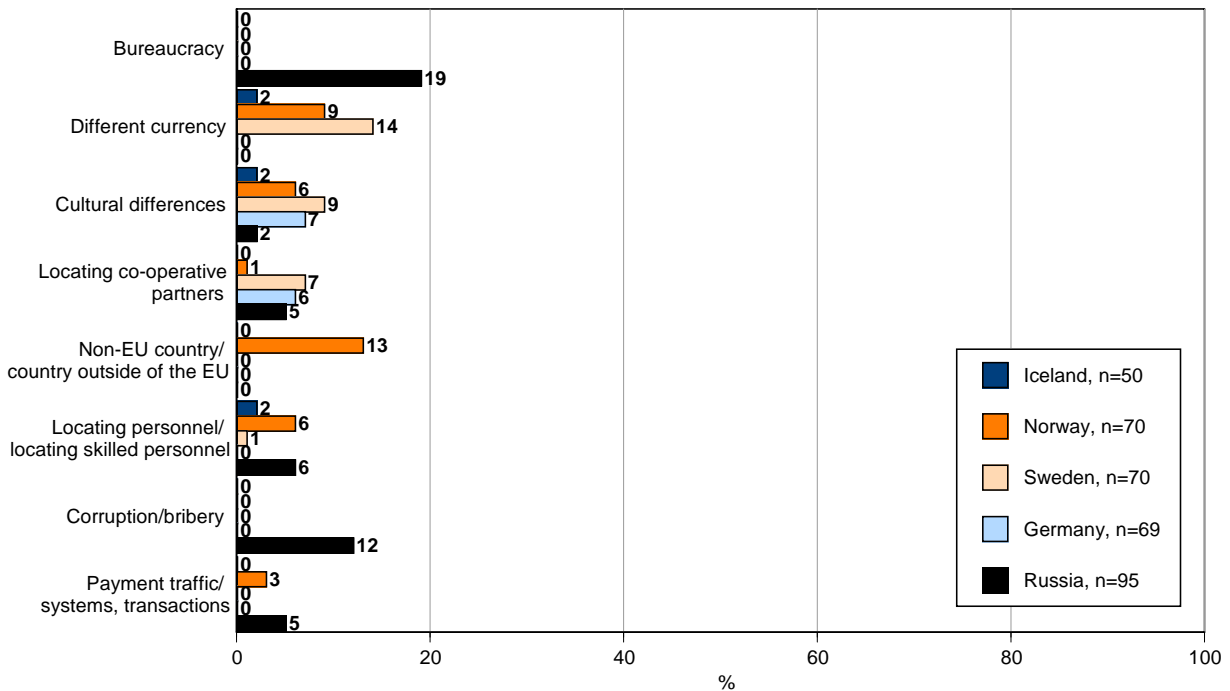
Transport and the small size of the markets impeded enterprises' business operations most in Iceland in comparison with other surveyed countries. Non-EU membership caused concerns among enterprises in the Norwegian market. A different currency and a lack of language skills made business operations more difficult in Sweden. Low price level / price competition, different trade practices and the economic situation hindered business in Germany. In Russia problems were related to customs clearance, changing and inadequate legislation as well as bureaucracy and corruption.



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

### Main problems detected in trade and markets (continues)

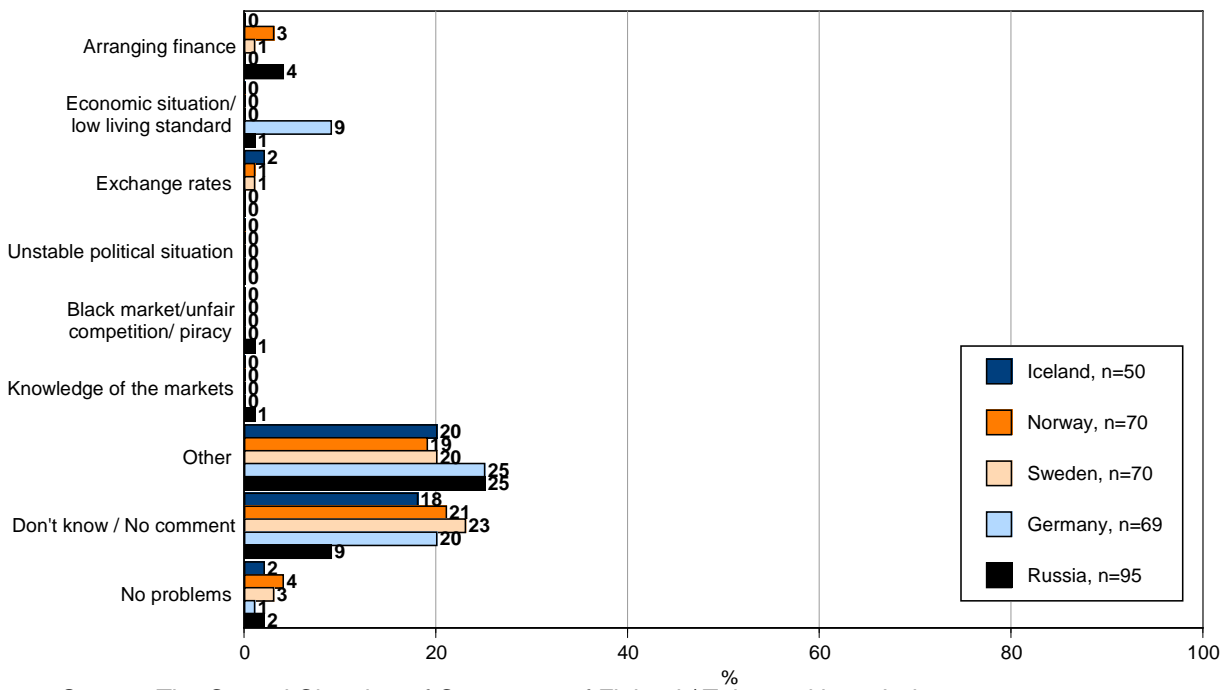
n=all respondents



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

### Main problems detected in trade and markets (continues)

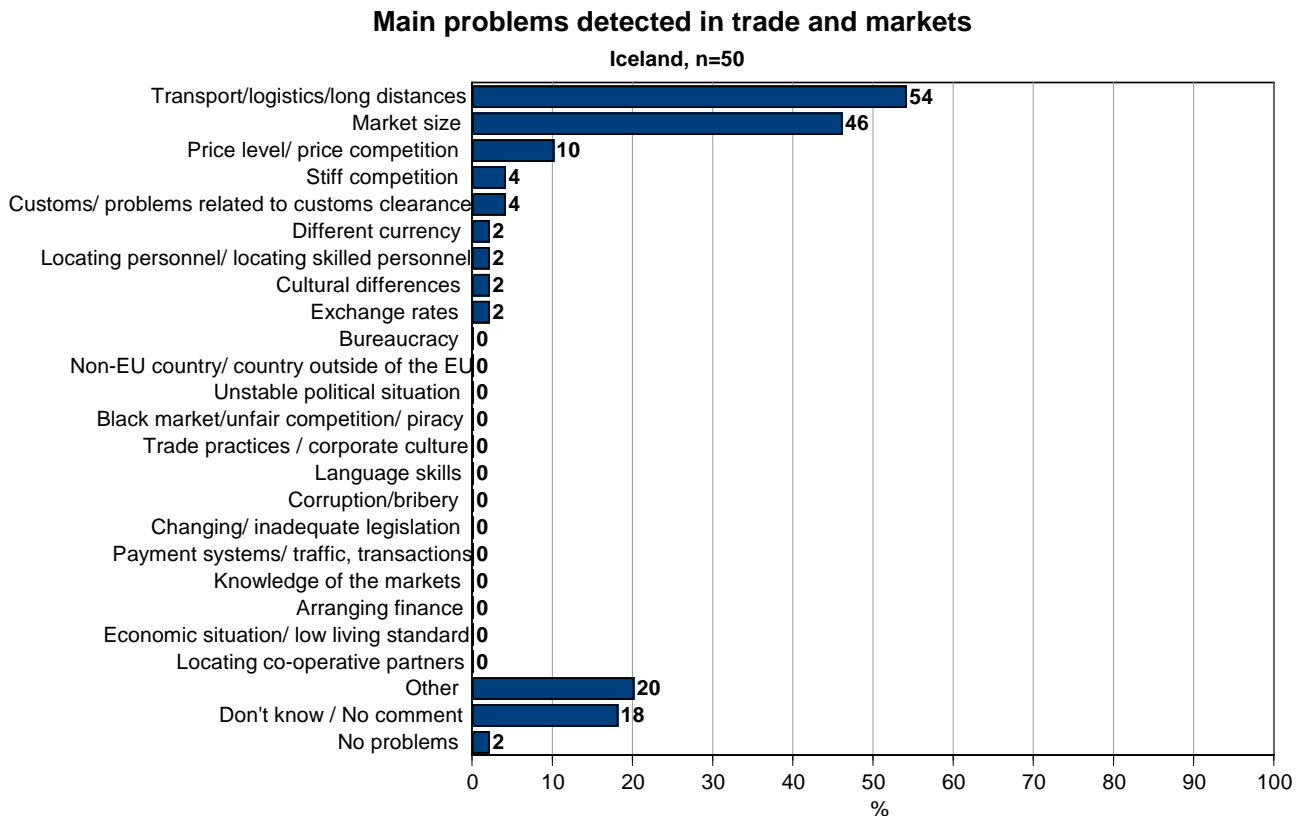
n=all respondents



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## Iceland

More than half of the respondents considered issues related to transport, logistics and long distances the biggest impediments to business operations in Iceland. The small size of the markets (46%) and low price level / price competition (10%) were also seen as problematic. 2 percent of the interviewees felt that different currency hindered their business activities.

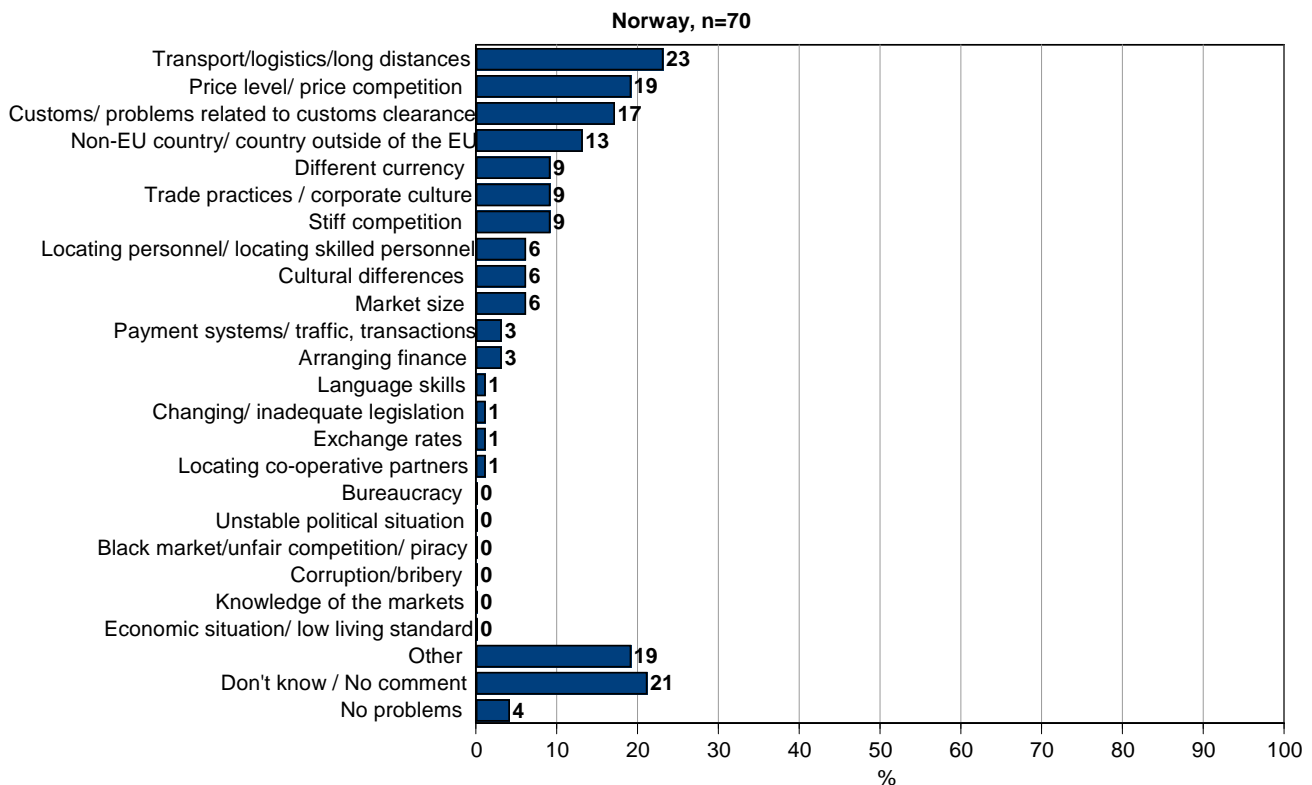


Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## Norway

The main problems reported in Norway were related to transport, logistics and long distances (23%). Low price level / price competition (19%) and problems related to customs clearance (17%) also impeded business operations. Of the respondents 13 percent felt that Norway's non-EU membership hindered their business activities and 9 percent thought that different currency was problematic. 4 percent of the respondents perceived no problems in the Norwegian market.

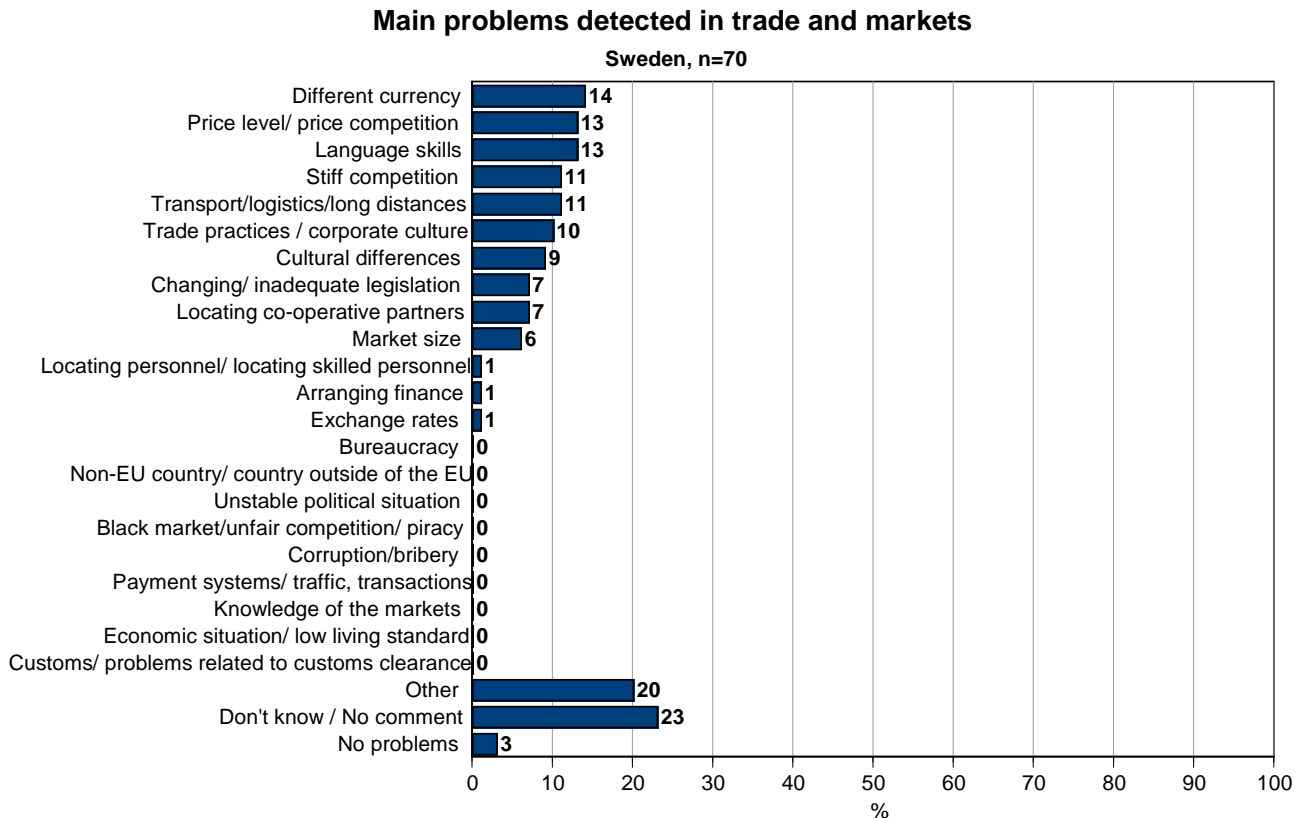
### Main problems detected in trade and markets



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## Sweden

Of the respondents, 14 percent felt that different currency caused problems for business in Sweden. Low price level / price competition (13%) and a lack of language skills (13%) were also seen as hindrances to business operations. Every tenth respondent thought that issues related to transport logistics, long distances and stiff competition were impediments to business in the Swedish market. Trade practices were also considered problematic.



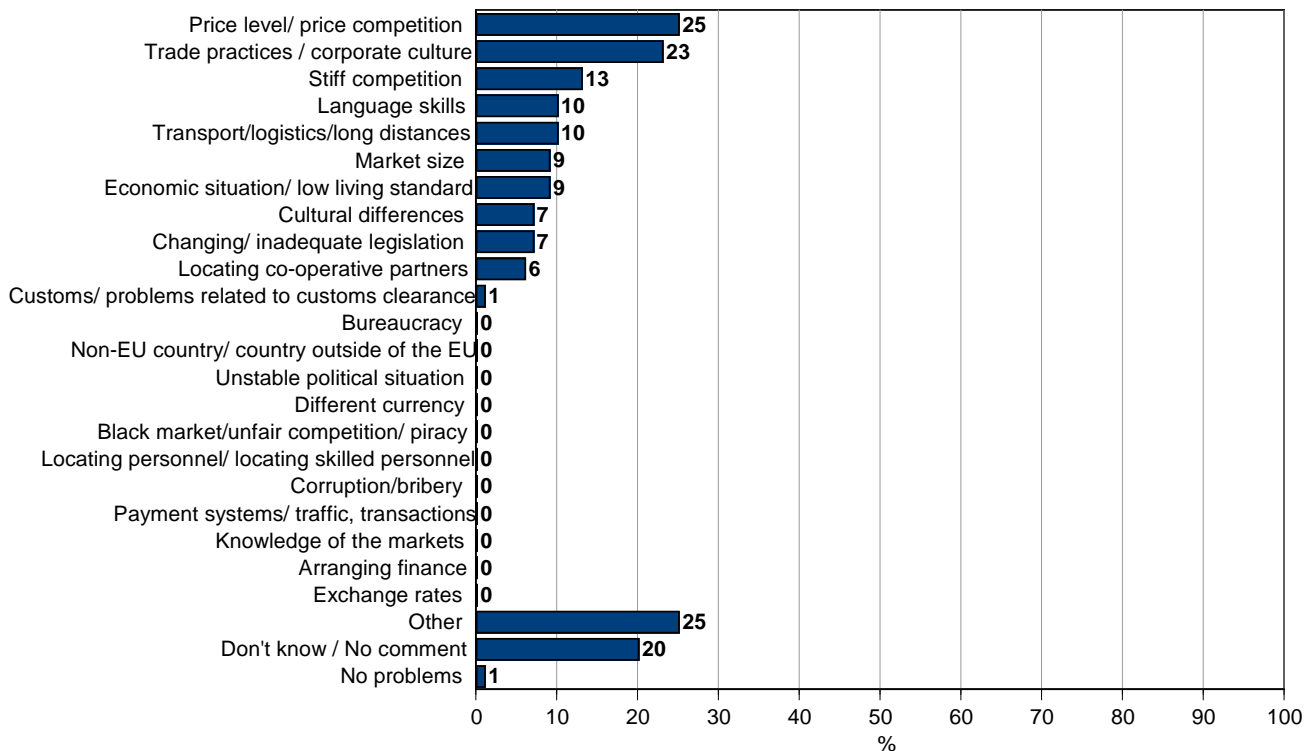
Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## Germany

A quarter of the respondents thought that low price level / price competition was the biggest problem in Germany. Different trade practices / corporate culture (23%) and stiff competition (13%) also impeded business operations. Every tenth interviewee felt that poor language skills and issues related to transport, logistics and long distances were problematic.

### Main problems detected in trade and markets

Germany, n=69

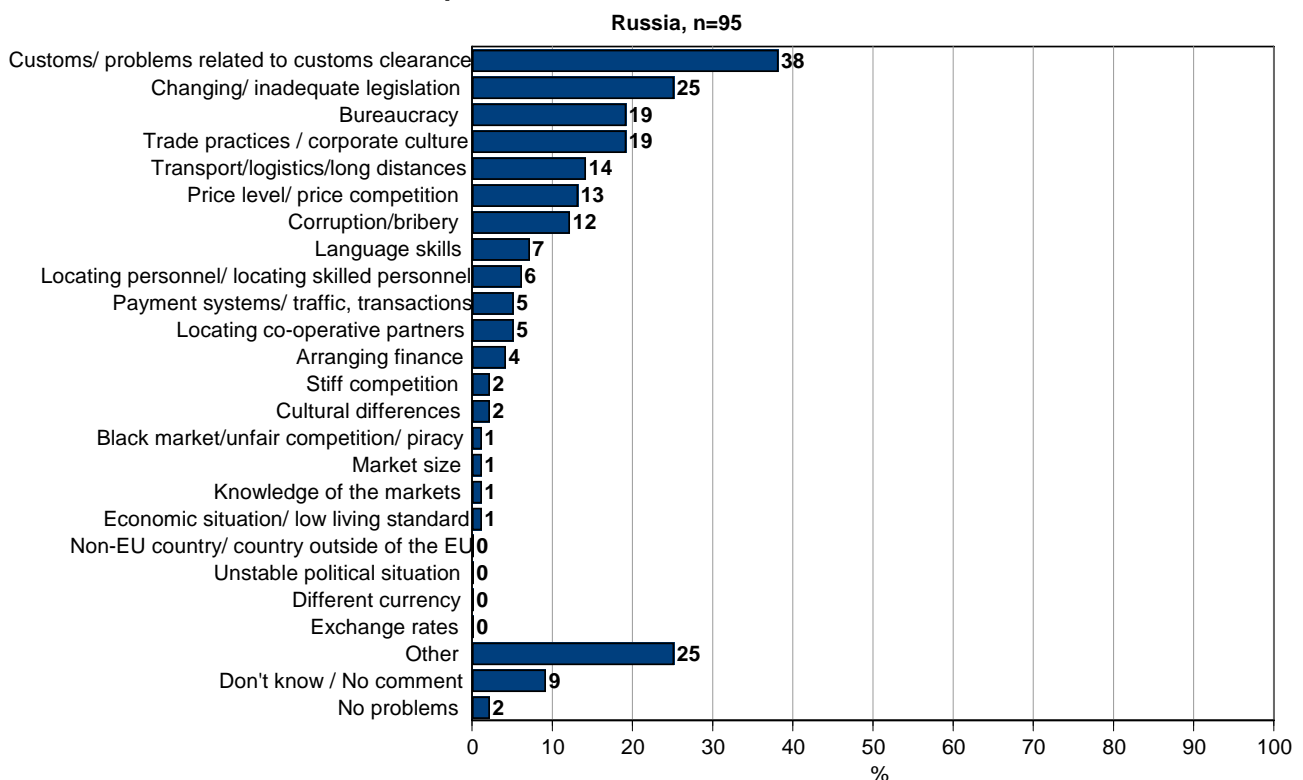


Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## Russia

In Russia, 38 percent of the respondents considered issues related to customs clearance the biggest impediments to business operations. A quarter of the interviewees believed that constantly changing, inadequate legislation hindered their business operations. Almost a fifth of the enterprise representatives felt that bureaucracy and different trade practices / corporate culture were problematic in Russia. Transport / logistics and long distances, low price level / price competition and corruption also caused difficulties. 2 percent of the respondents perceived no real problems in the Russian market.

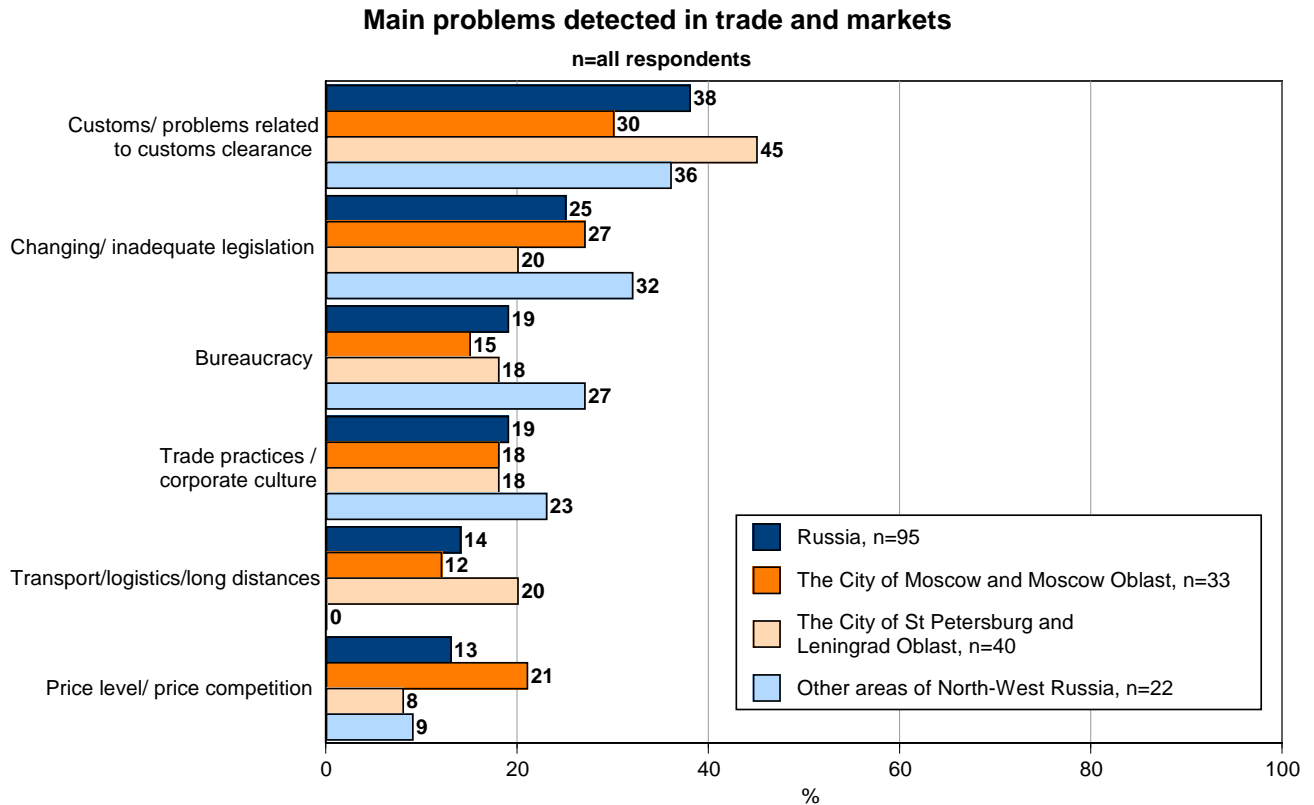
### Main problems detected in trade and markets



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## Areas of Russia

Issues related to customs clearance and transport were seen as the biggest problems in the City of St Petersburg and in Leningrad Oblast. Inadequate, changing legislation, bureaucracy and different trade practices impeded business operations most in the other parts of the North-West Russia. Low price level / price competition was reported as the main difficulty in the City of Moscow and Moscow Oblast.



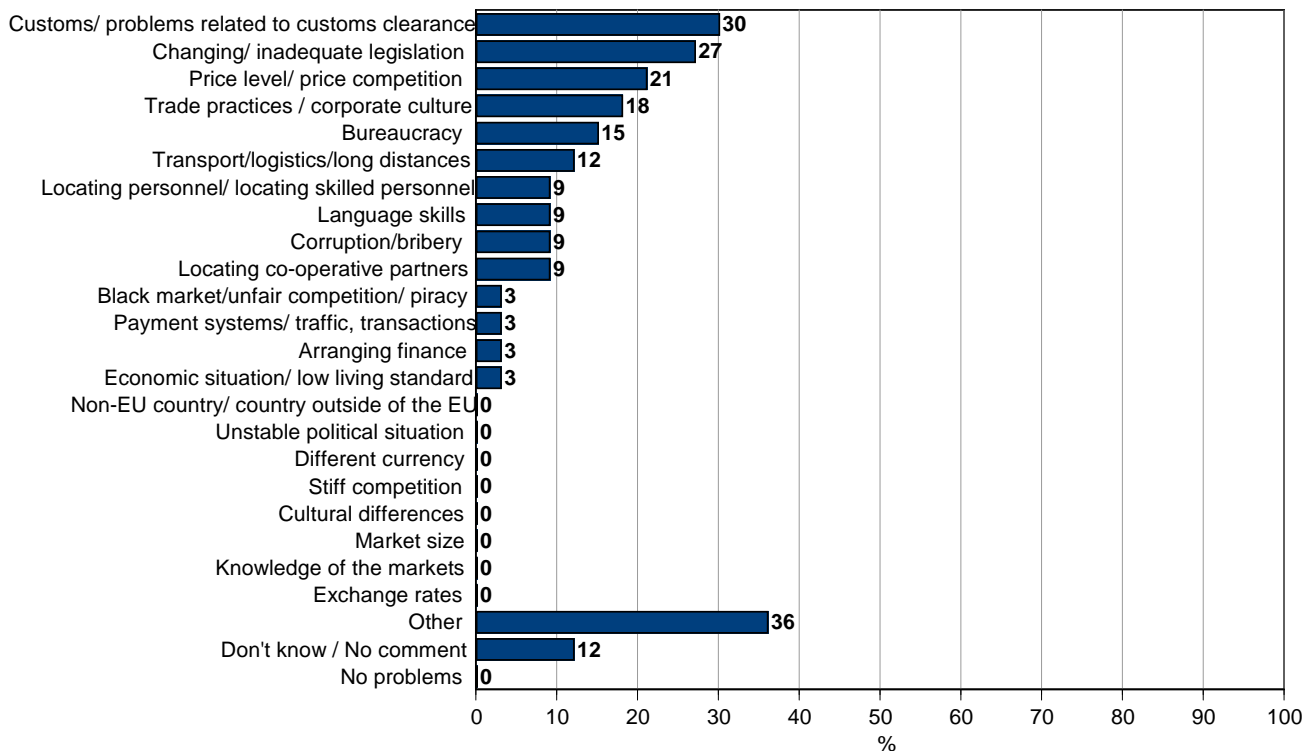
Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## The City of Moscow and Moscow Oblast

Issues related to customs clearance (30%), constantly changing, inadequate legislation (27%) and low price level / price competition (21%) were the biggest impediments to enterprises' business operations in the City of Moscow and Moscow Oblast. Different trade practices / corporate culture (18%), bureaucracy (15%) and issues related to transport, logistics and long distances (12%) also caused problems for businesses.

### Main problems detected in trade and markets

The City of Moscow and Moscow Oblast, n=33



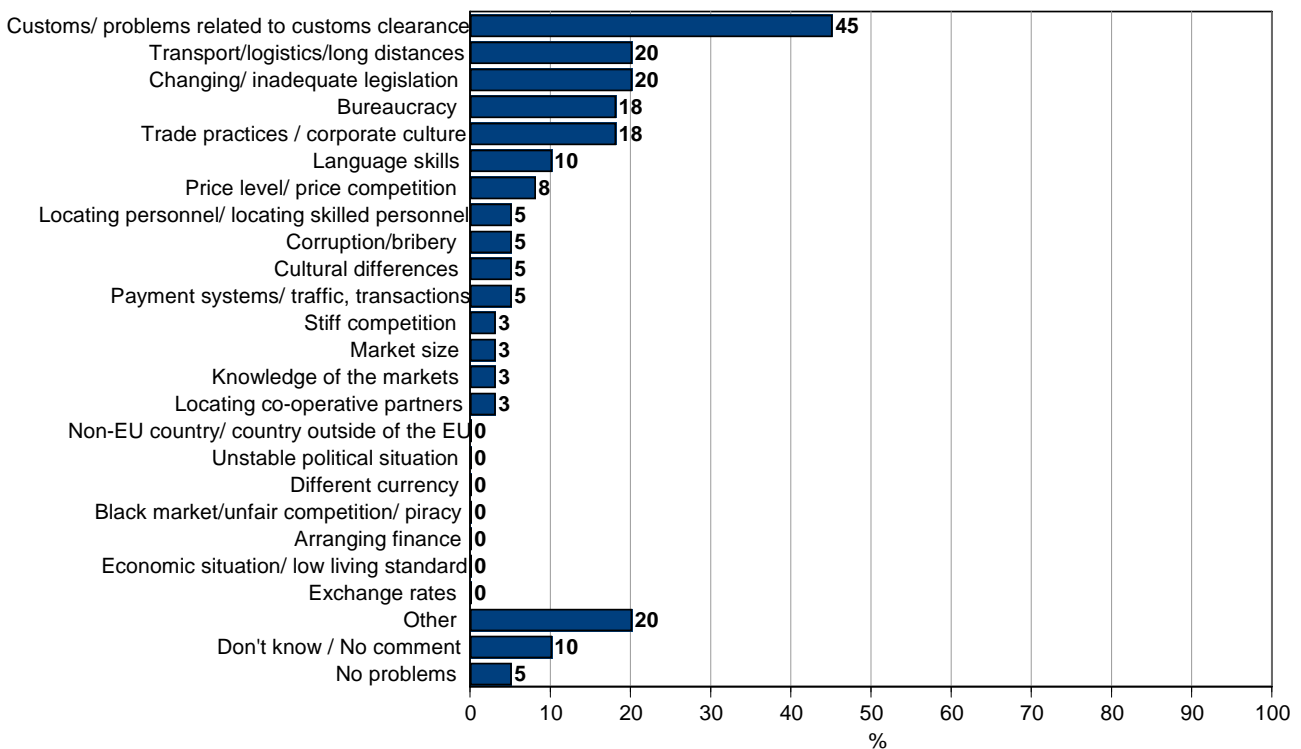
Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## The City of St Petersburg and Leningrad Oblast

45 percent of the respondents felt that customs clearance hindered their business operations in the City of St Petersburg and Leningrad Oblast. One fifth of the interviewees thought that issues related to transport, logistics and long distances and constantly changing, inadequate legislation impeded business in the area. Bureaucracy (18%), different trade practices and corporate culture (18%) and a lack of language skills (10%) were also seen as problems. 5 percent of the respondents reported no problems in the business environment.

### Main problems detected in trade and markets

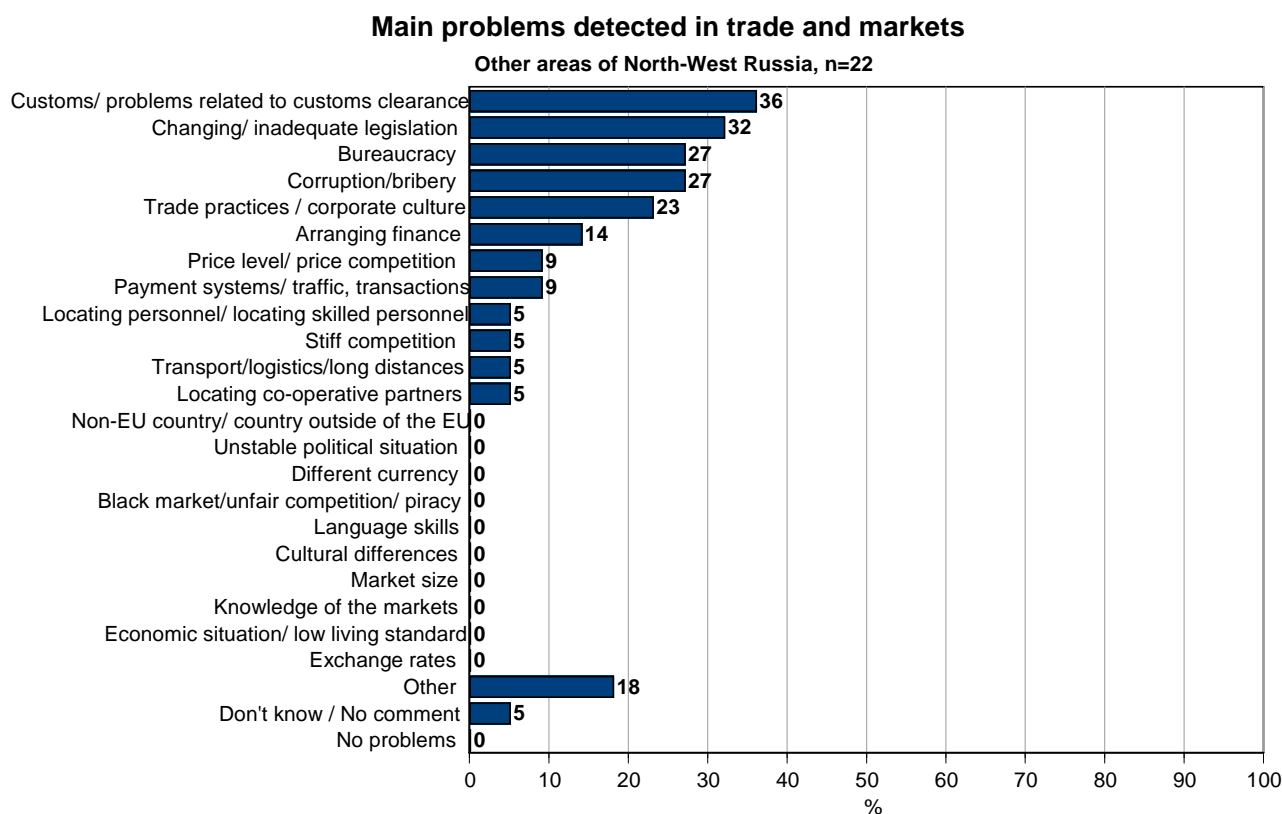
The City of St Petersburg and Leningrad Oblast, n=40



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## Other areas of North-West Russia

Of the respondents, 36 percent felt that customs clearance hindered their business operations in other areas of North-West Russia. Constantly changing, inadequate legislation (32%) also impeded business operations in the area. Almost a third of the interviewees reported that bureaucracy and corruption caused problems in the markets of other areas of North-West Russia. Different trade practices and corporate culture (23%) as well as availability of finance (14%) were seen as problematic.



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

### *Previous survey reports:*

In the January 2007 survey report, 16 percent of the respondents reported that the biggest problems in Hungary were low price level / price competition, and issues related to transport, logistics and long distances. In Bulgaria, availability of finance was problematic according to 23 percent of the respondents. In Romania (21%) and in Turkey (22%), bureaucracy impeded business operations. Customs and customs clearance issues (27%) were the main cause of problems for Finnish companies in Ukraine.

In Estonia in 2005, the biggest problems were low price level (17%), modest purchasing power and small markets (15%) as well as stiff competition (9%). In Latvia, the biggest problems were associated with a lack of language skills (17%), stiff competition, arranging financing and low price level (10%). In Lithuania, the respondents felt that trade practices and corporate culture (22%), stiff competition (19%) and low price level

(18%) impeded business most. The biggest problems in Poland were related to trade practices, corporate culture (23%), low price level (21%), and financing (19%).

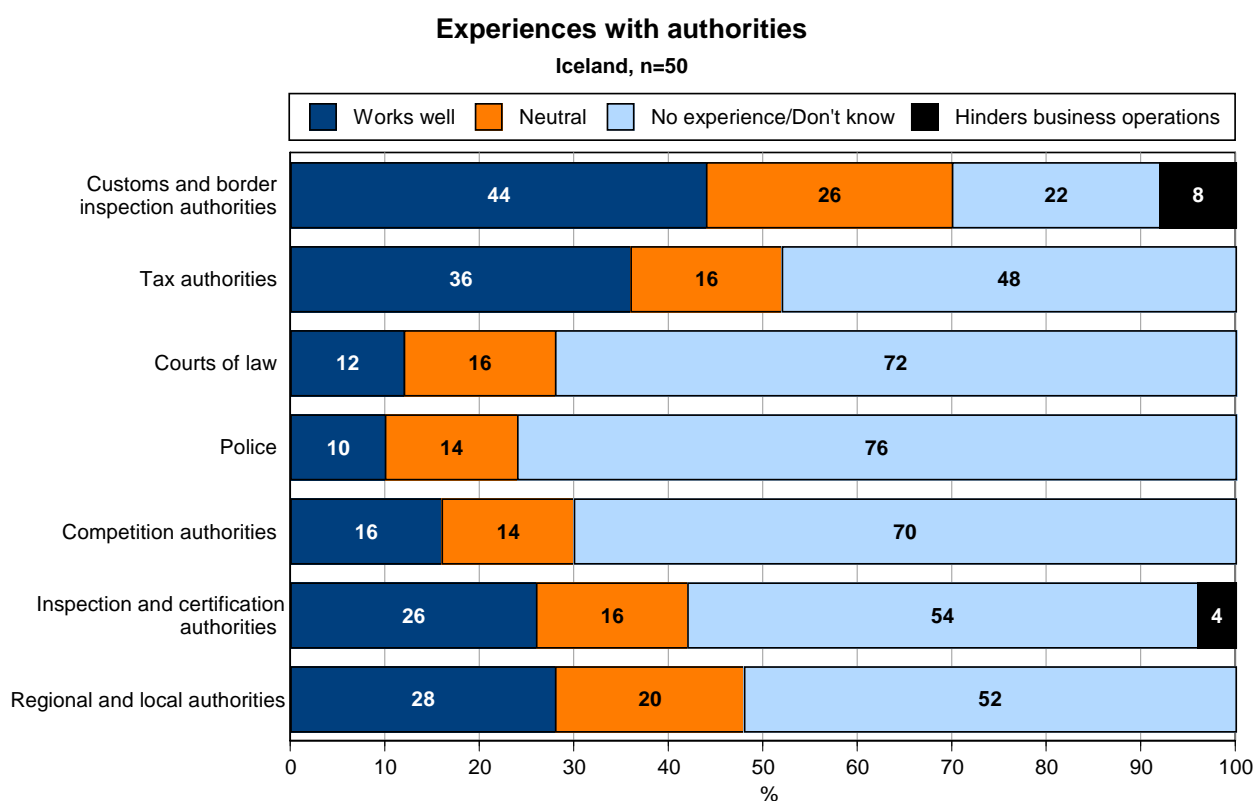
Customs and customs clearance (29%) were the biggest problems in Latvia in 2002, with financing and creditworthiness (30%) in cited Lithuania.

Stiff competition and price competition (24%) impeded business most in Estonia in 2001. In the same year, issues related to customs and customs clearance (22%) as well as stiff competition and price competition (22%) were considered most problematic in Poland (Appendix 4).

## 1.4. Experiences with authorities

### Iceland

Authorities in Iceland worked well or neutrally in almost all cases surveyed. The customs and border inspection authorities (8%) and the inspection and certification authorities (4%) slowed down business operations slightly.

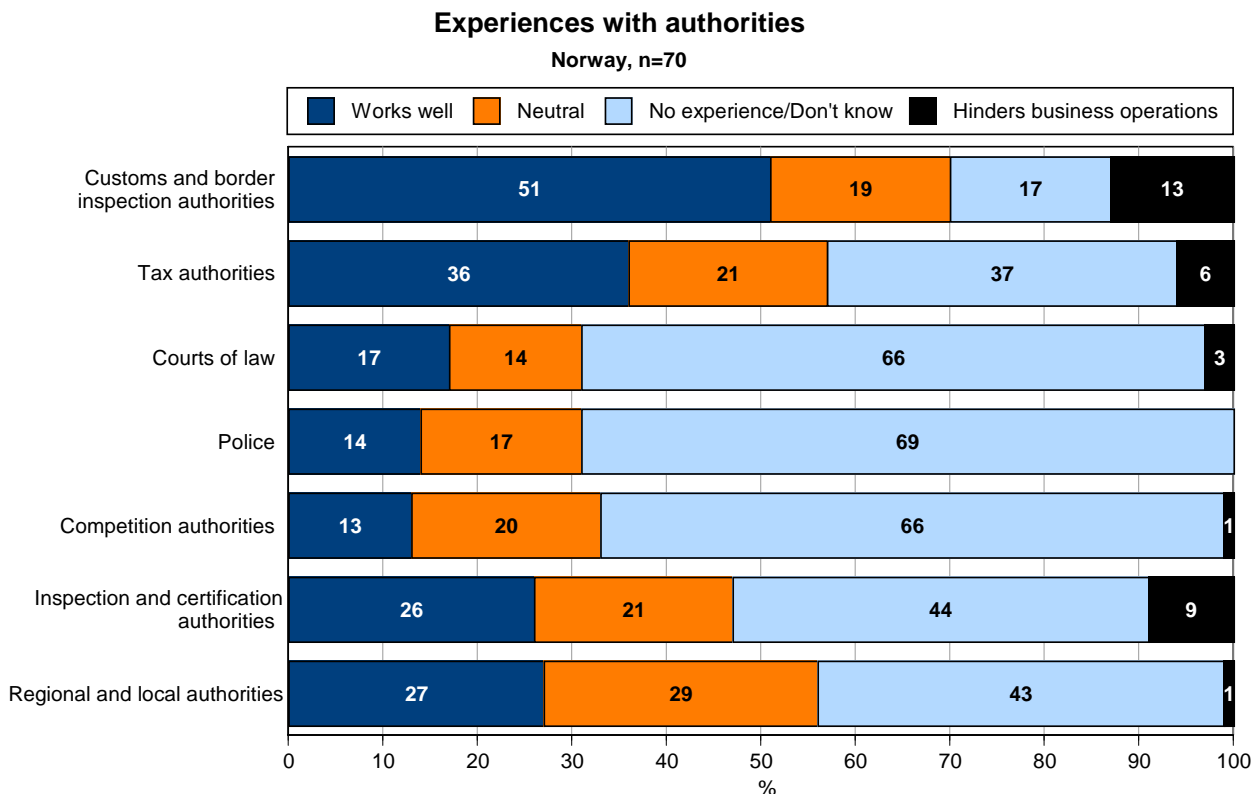


Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## Norway

Of the respondents, 70 percent reported that customs and border inspection authorities worked well or neutrally in Norway. The interviewees were also satisfied with the performances of the tax authorities (57%) as well as those of local and regional (56%) authorities.

On the other hand, the interviewees thought that customs and border inspection authorities (13%), inspection and certification authorities (9%) and tax authorities (6%) slowed down their business operations.



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

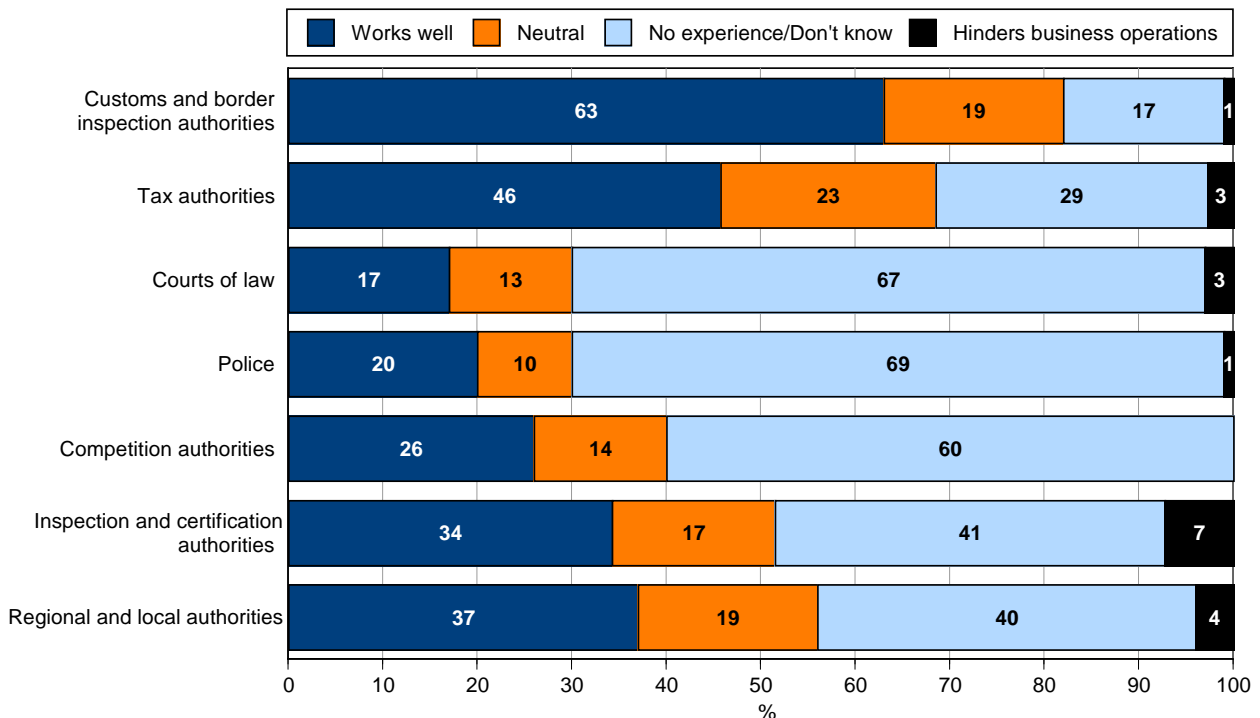
## Sweden

82 percent of the interviewees believed that customs and border inspection authorities worked well or neutrally in Sweden. The respondents were satisfied with the performances of the tax authorities (69%) and the local and regional authorities (56%).

On the other hand, inspection and certification authorities (7%) slowed down enterprises' business operations slightly.

### Experiences with authorities

Sweden, n=70



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

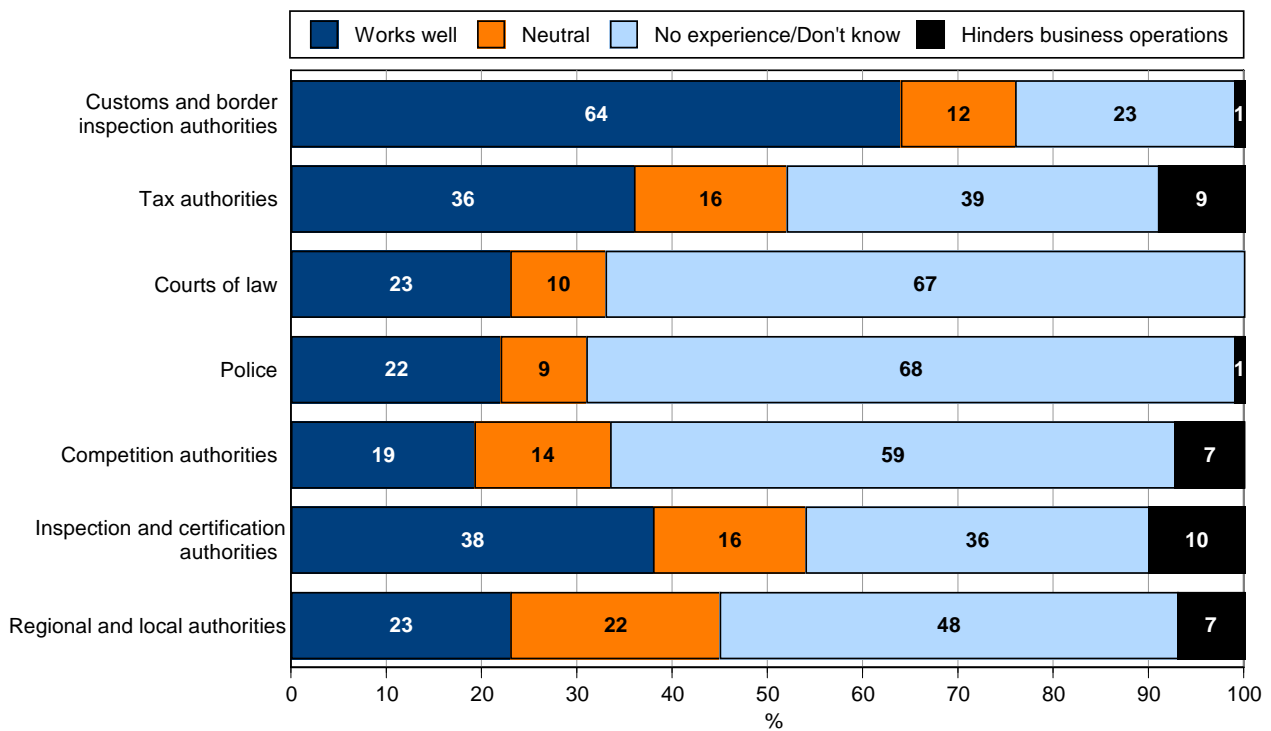
## Germany

Of the interviewees, 76 percent reported that customs and border inspection authorities worked well or neutrally in Germany. More than half of the respondents were satisfied with the performances of the tax authorities as well the with the work of the inspection and certification authorities.

On the other hand, inspection and certification authorities (10%) and tax authorities (9%) slowed down enterprises' business operations.

### Experiences with authorities

Germany, n=69

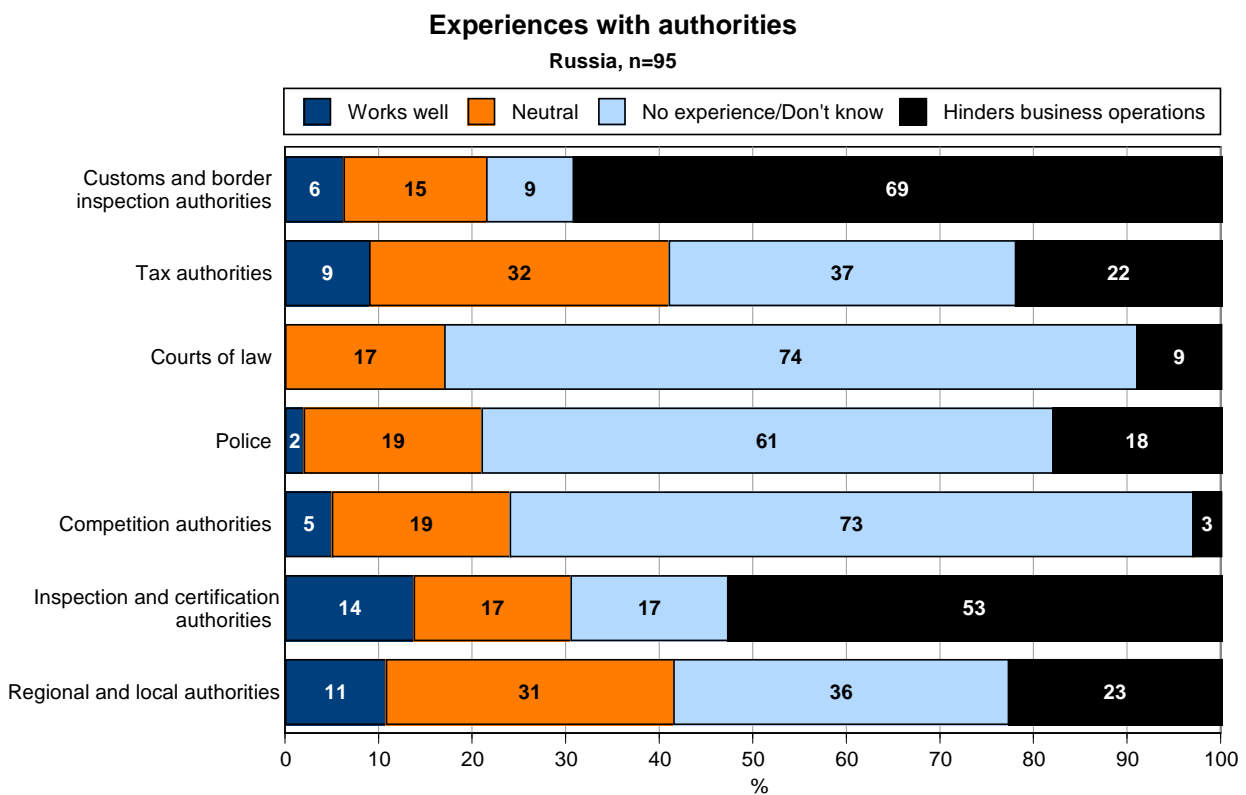


Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## Russia

42 percent of the respondents believed that local and regional authorities worked well and 41 percent of the interviewees were satisfied with the performances of the tax authorities.

Customs and border inspection authorities (69%) and inspection and certification authorities (53%) slowed down enterprises' business operations most. Companies were also dissatisfied with the performances of local and regional authorities (23%), tax authorities (22%) and the police (18%). The respondents believed that courts of law worked neutrally (but not well) and that they slowed down enterprises' business operations (9%) slightly.

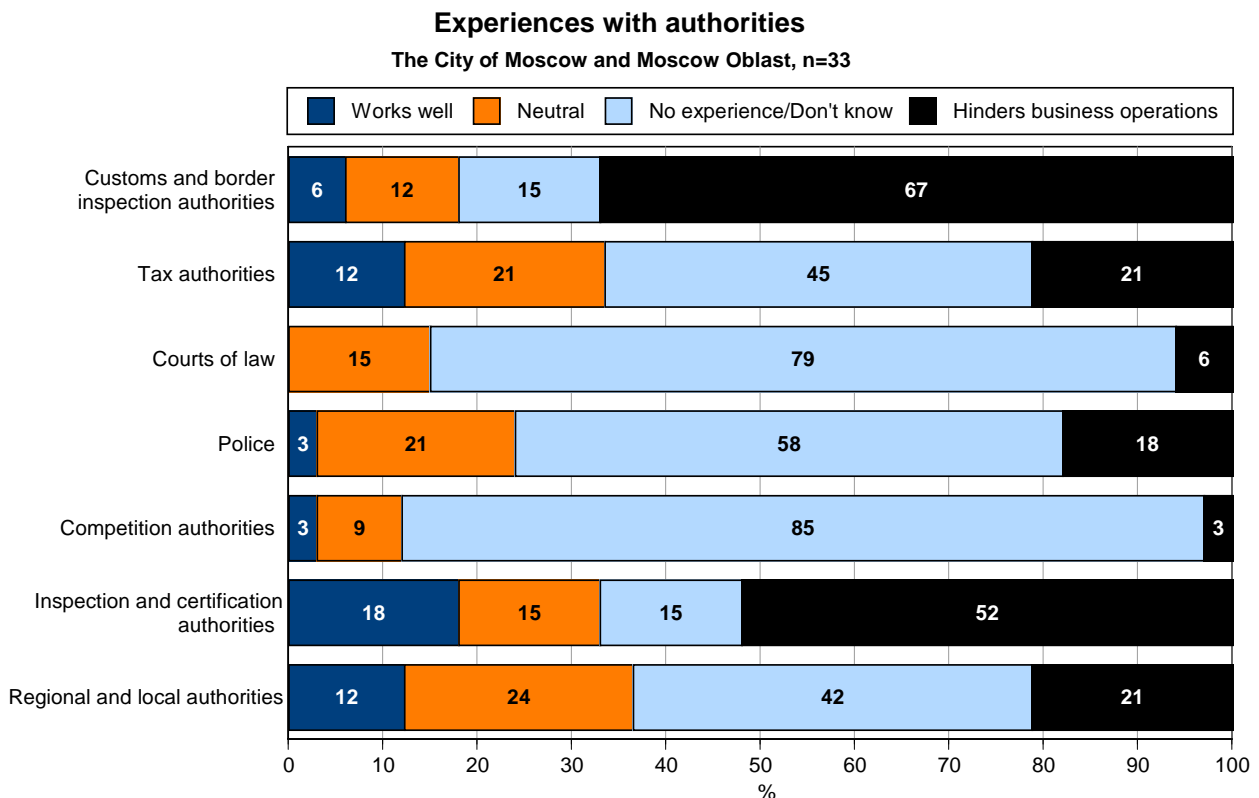


Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## The City of Moscow and Moscow Oblast

36 percent of the respondents reported that they were satisfied with the performances of the local and regional authorities in the City of Moscow and Moscow Oblast.

Customs and border inspection authorities (67%), inspection and certification authorities (52%), local and regional authorities and tax authorities (21%) slowed down enterprises' business operations most. Interviewees were also dissatisfied with the performances of the police (18%). The respondents thought that courts of law worked neutrally (but not well) and that they slowed down enterprises' business operations slightly (6%).

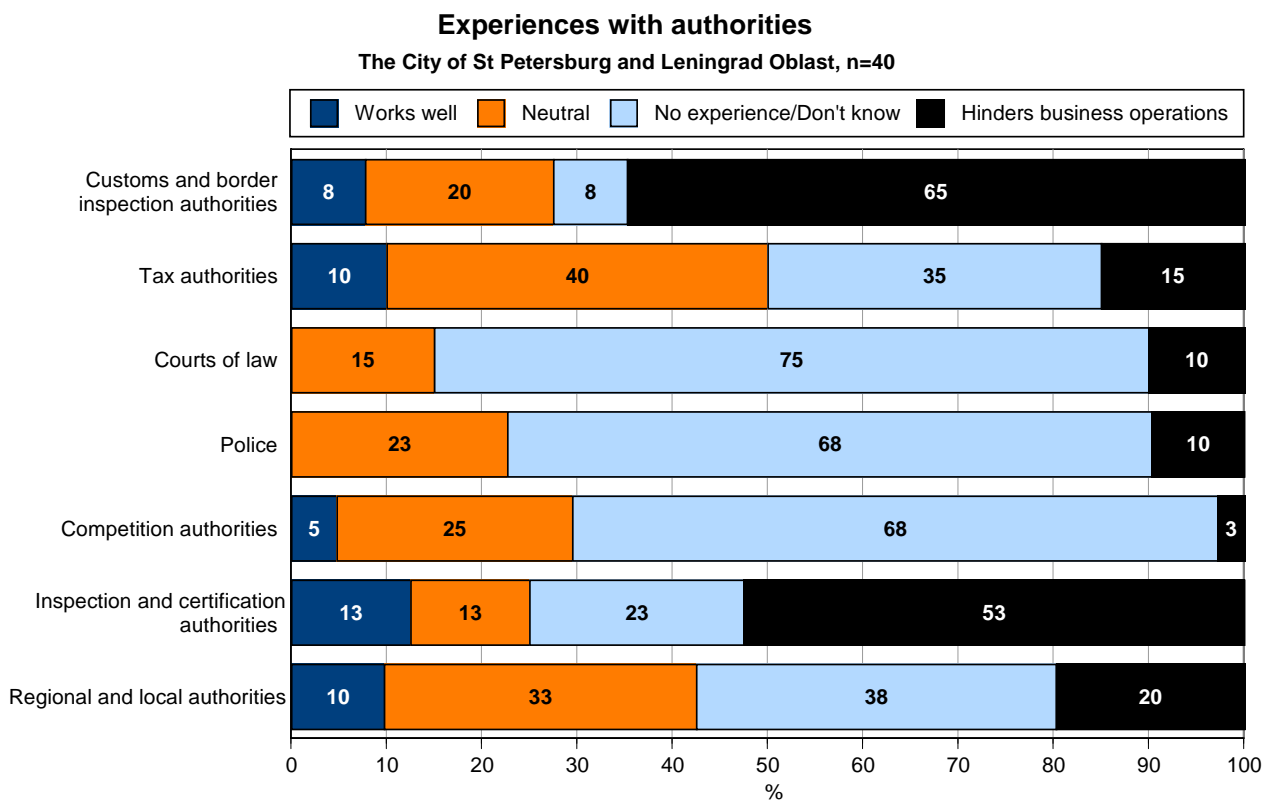


Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## The City of St Petersburg and Leningrad Oblast

Tax authorities (50%) as well as local and regional authorities (43%) worked well in the City of St Petersburg and Leningrad Oblast.

Customs and border inspection authorities (65%) and inspection and certification authorities (53%) slowed down enterprises' business operations most. One fifth of the interviewees considered the performances of local and regional authorities a hindrance to their business activities. 15 percent of the respondents were dissatisfied with the performances of the tax authorities. The courts of law and the police worked neutrally (but not well) and according to every tenth interviewee they slowed down companies' business operations.

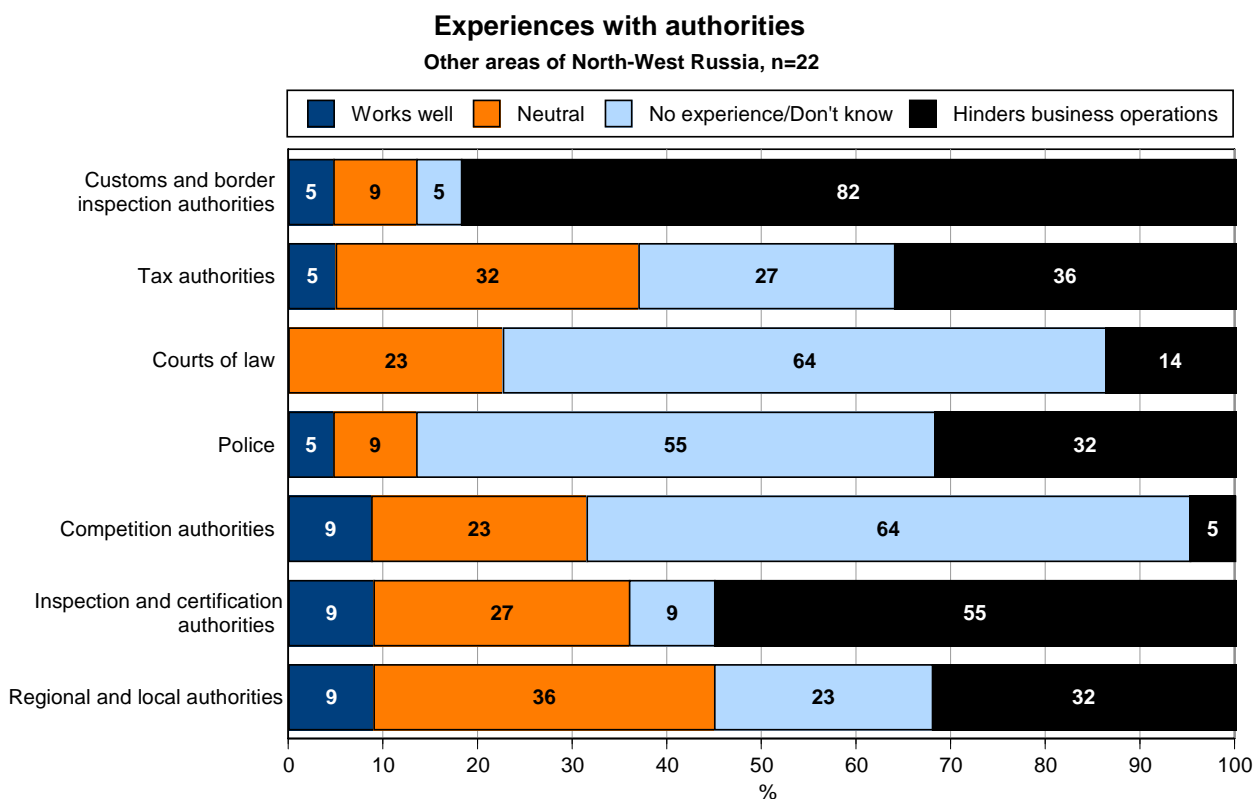


Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## Other areas of North-West Russia

45 percent of the interviewees felt that local and regional authorities worked well in the other areas of North-West Russia. 37 percent of them believed that tax authorities worked well and 36 percent of the respondents were satisfied with the performances of the inspection and certification authorities.

Customs and border inspection authorities (82%), inspection and certification authorities (55%) and tax authorities (36%) slowed down enterprises' business operations most. One third of the respondents (32%) were dissatisfied with the performance of the police as well as that of the local and regional authorities. Courts of law worked neutrally (but not well) and slowed down enterprises' business operations (14%) slightly.



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

*Previous survey reports:*

According to the January 2007 survey report, the Finnish companies frequently gave the Hungarian authorities the highest ratings, and the lowest to those of Ukraine. Of the respondents, 55 percent believed that the customs and border inspection authorities unnecessarily slowed down business operations in Ukraine. By contrast, they felt that these authorities worked well and only slightly slowed down business operations (6%) in Hungary. The certification authorities impeded business operations in Ukraine (32%) but only slightly in Hungary (7%). These results should be examined against the background of a large share of “No experience / No comment” responses.

In 2005, 9 percent of the respondents felt that the Estonian regional and local authorities had unnecessarily slowed down business operations. In Latvia, 14 percent of the respondents were dissatisfied with the inspection and certification authorities and 11 percent with the regional and local authorities. The regional and local authorities as well as the inspection and certification authorities impeded business most in Lithuania. One fifth of the respondents felt that the country's customs and border inspection authorities had slowed down their operations in Poland. Every fourth respondent was dissatisfied with the inspection and certification authorities, and every tenth with the tax, regional and local authorities.

In 2002, a quarter (26%) of the Finnish interviewees felt the performance of the authorities was the biggest problem in trade with Lithuania. The corresponding percentage for Latvia was slightly lower. Every third respondent thought that issues related to customs had caused the biggest problems to business in Latvia, whereas only every fifth interviewee reported similar problems in Lithuania.

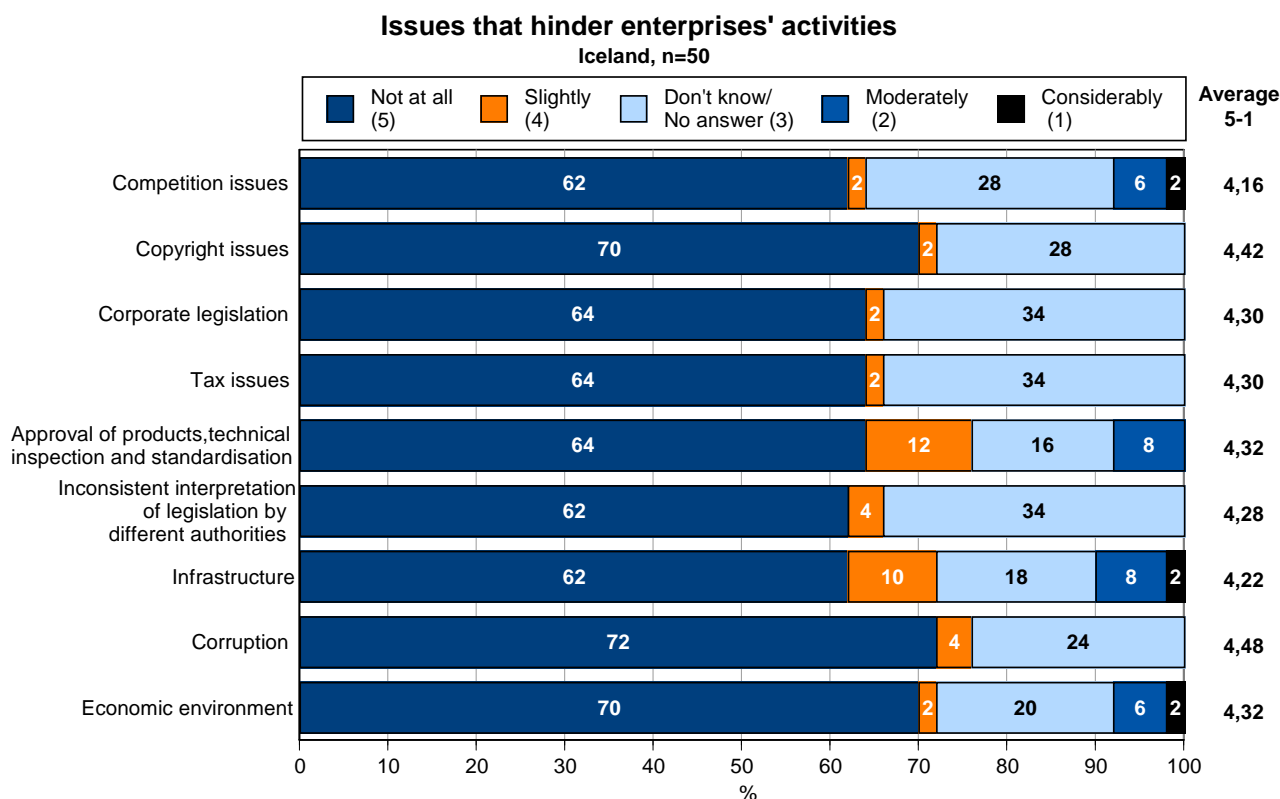
In 2001, the Finnish companies operating in Poland were most critical of the Polish customs and border inspection as well as certification and inspection authorities. Half (52%) of the business executives felt that the customs and border inspection authorities slowed down business. Some of the Finnish companies also reported negative experiences with the customs and border inspection as well as with the certification and inspection authorities in Estonia and Poland, though they were clearly fewer in Estonia. Every fourth company (24%) felt that the customs and border authorities had slowed down business and every fifth (21%) reported that the certification and inspection authorities had also hindered their operations in Estonia.

## 1.5. Main factors impeding business operations

The respondents were asked to assess how given factors had impeded their operations in each country. The average values in the illustrations were calculated from responses given on the following scale: 5 – Not at all, 1 – Greatly. The country-specific reports discuss the issues that created the most difficulties.

### Iceland

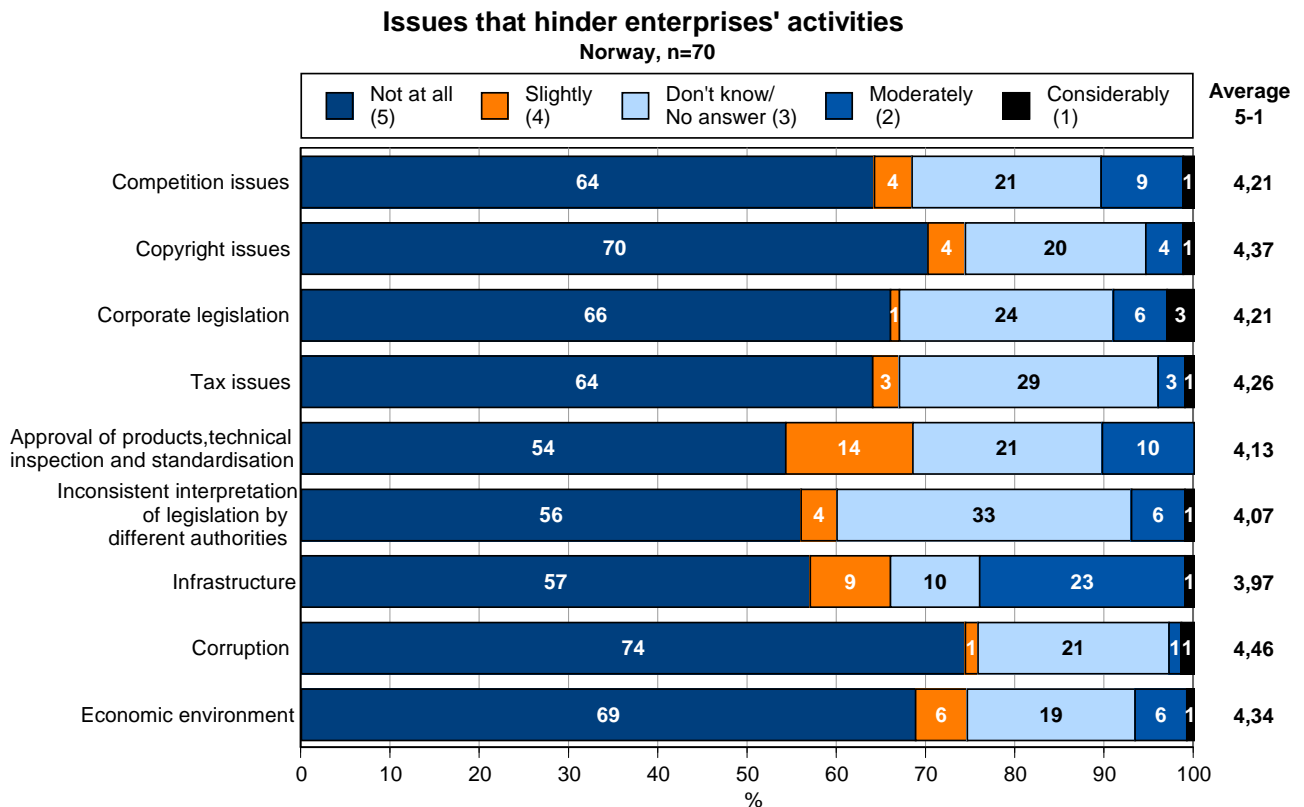
Poor infrastructure (10%), competition issues (8%), the economic environment (8%) and approval of products, technical inspection and standardisation (8%) had impeded business most in Iceland.



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## Norway

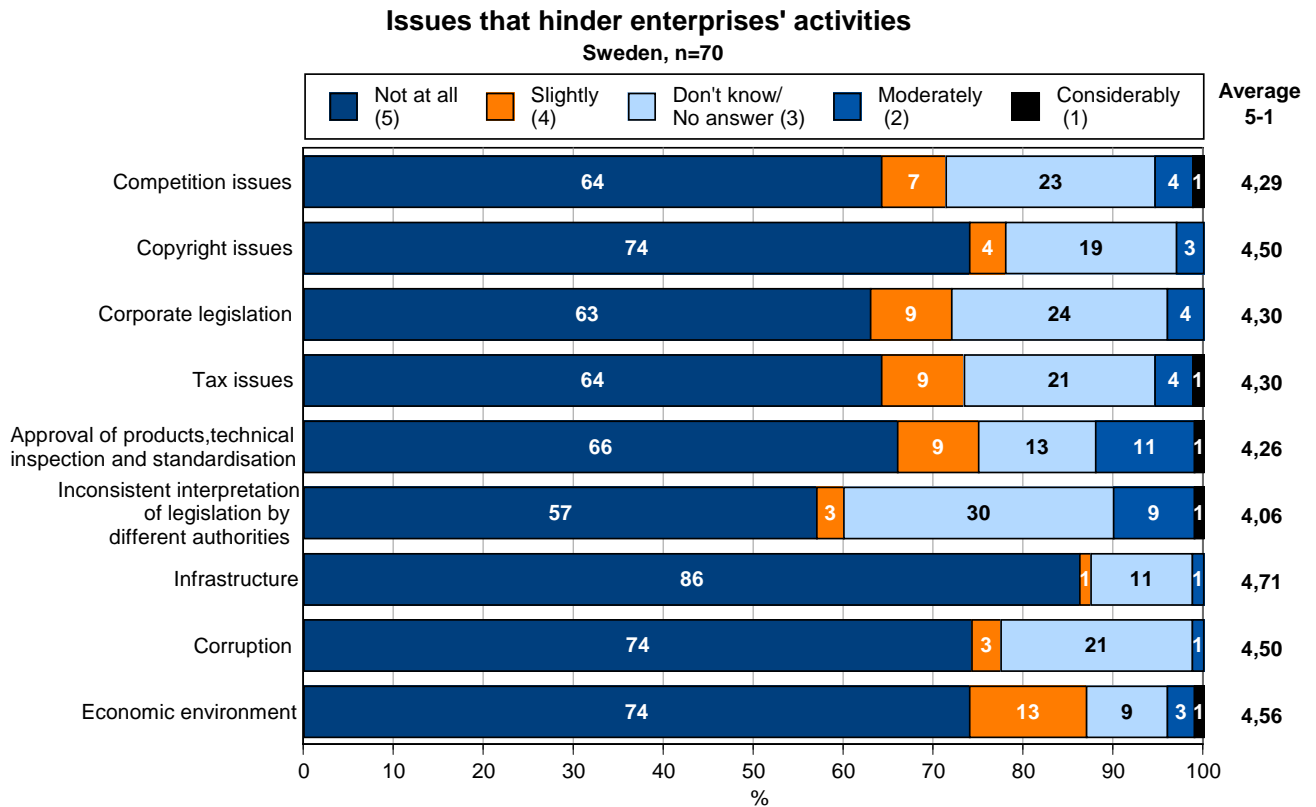
A fourth of the respondents reported that poor infrastructure had impeded their business in Norway. Competition issues, approval of products, technical inspection and standardisation (10%) and corporate legislation (9%) had also made business operations difficult.



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## Sweden

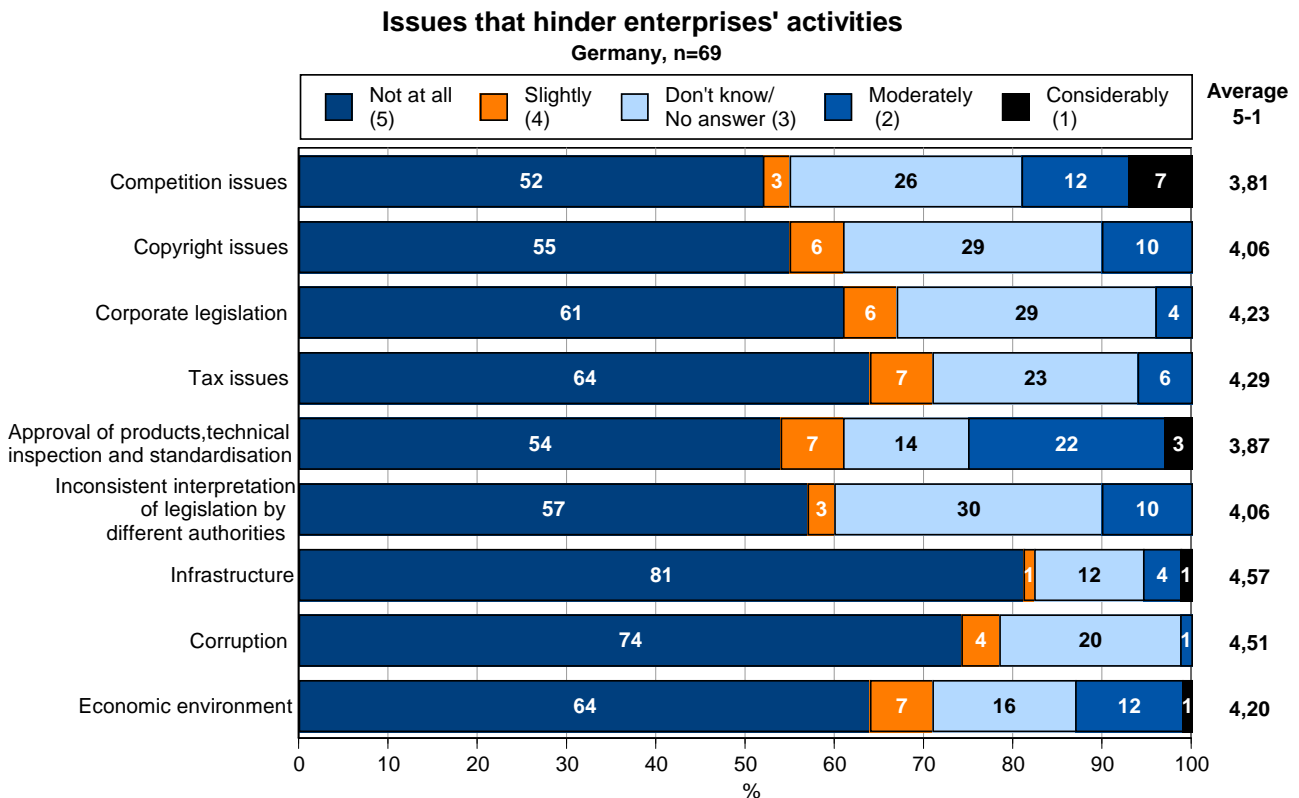
Approval of products, technical inspection and standardisation (12%) and inconsistent interpretation of legislation by different authorities (10%) had hindered business operations in Sweden.



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## Germany

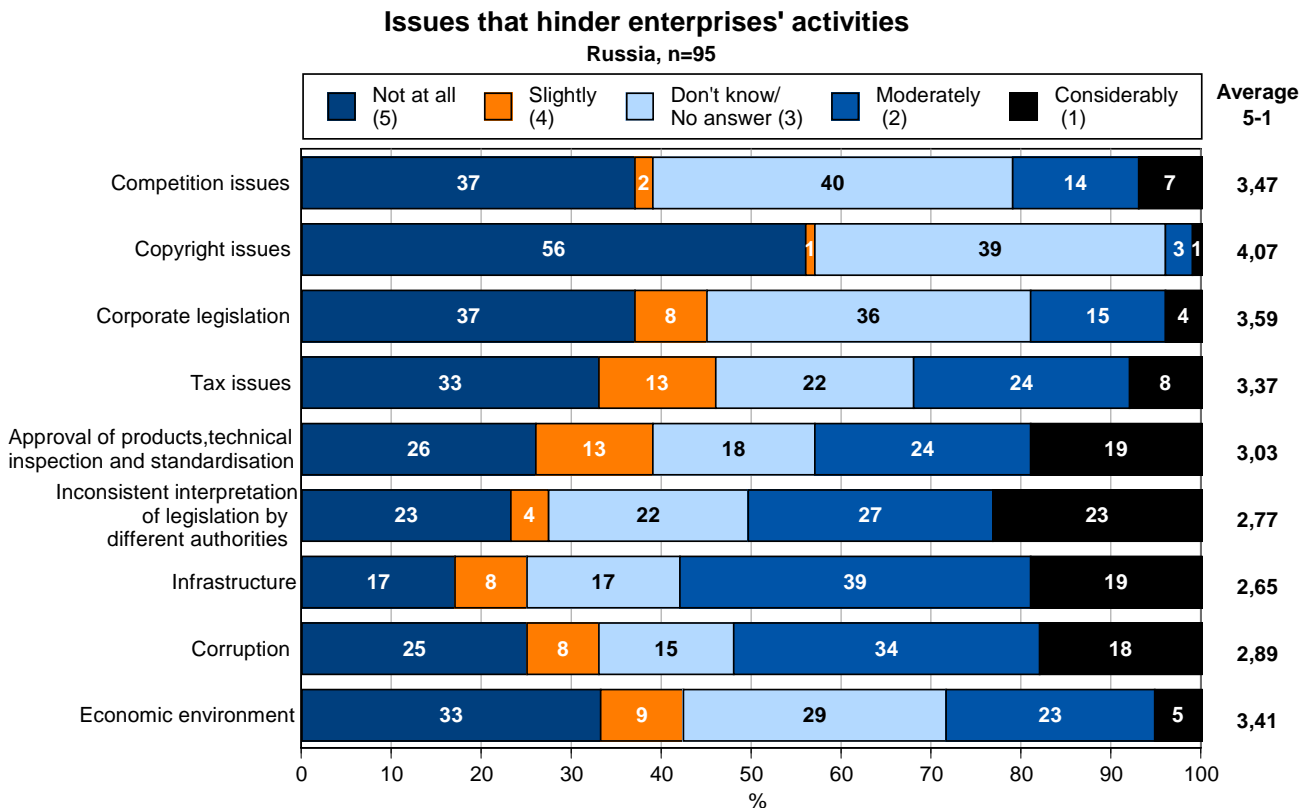
Approval of products, technical inspections and standardisation (25%), competition issues (19%) as well as the economic environment (13%) impeded enterprises' business operations in Germany. Problems were also caused by copyright issues and inconsistent interpretation of legislation by different authorities.



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## Russia

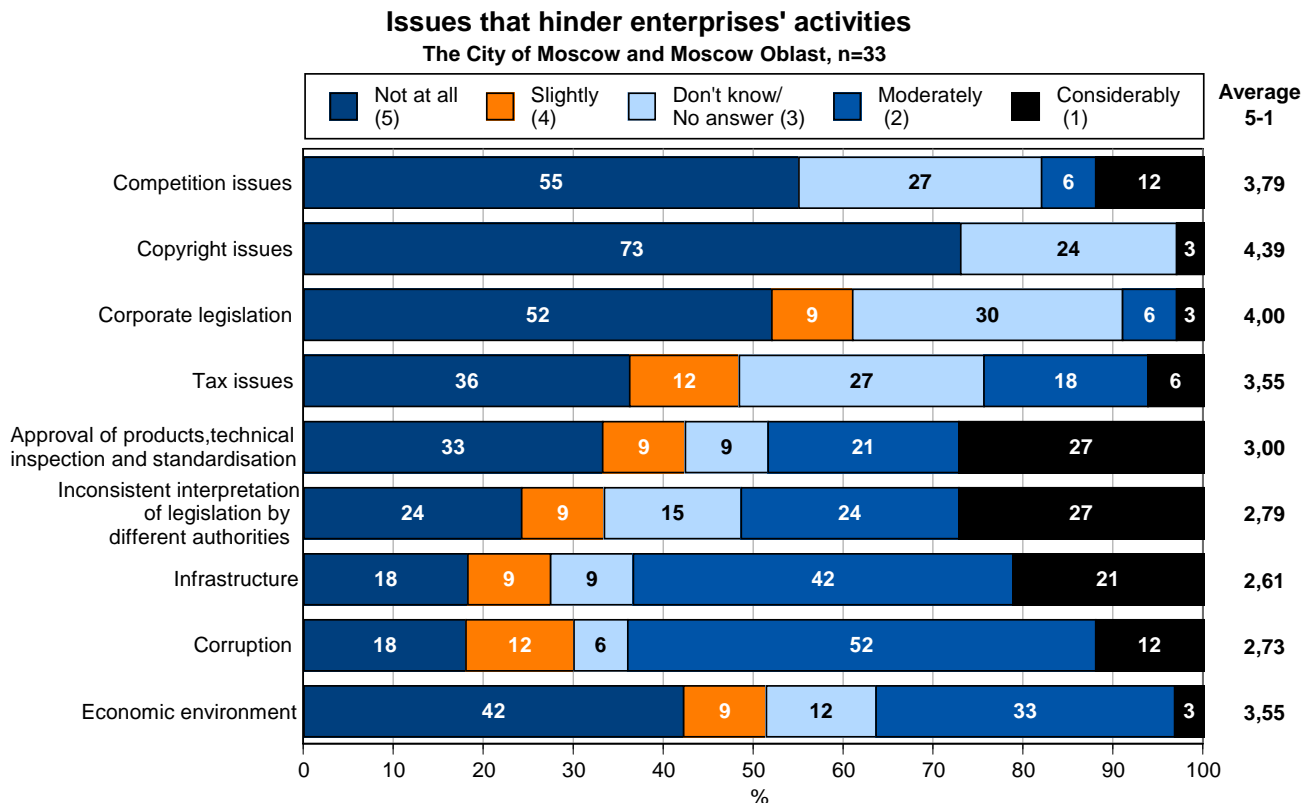
Poor infrastructure (58%), corruption (52%) and inconsistent interpretation of legislation by different authorities (50%) had hindered enterprises' business operations most in Russia. Respondents reported approval of products, technical inspections and standardisation (43%) as factors which had also made business activities difficult. Copyright issues (4%) had impeded business operations least.



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## The City of Moscow and Moscow Oblast

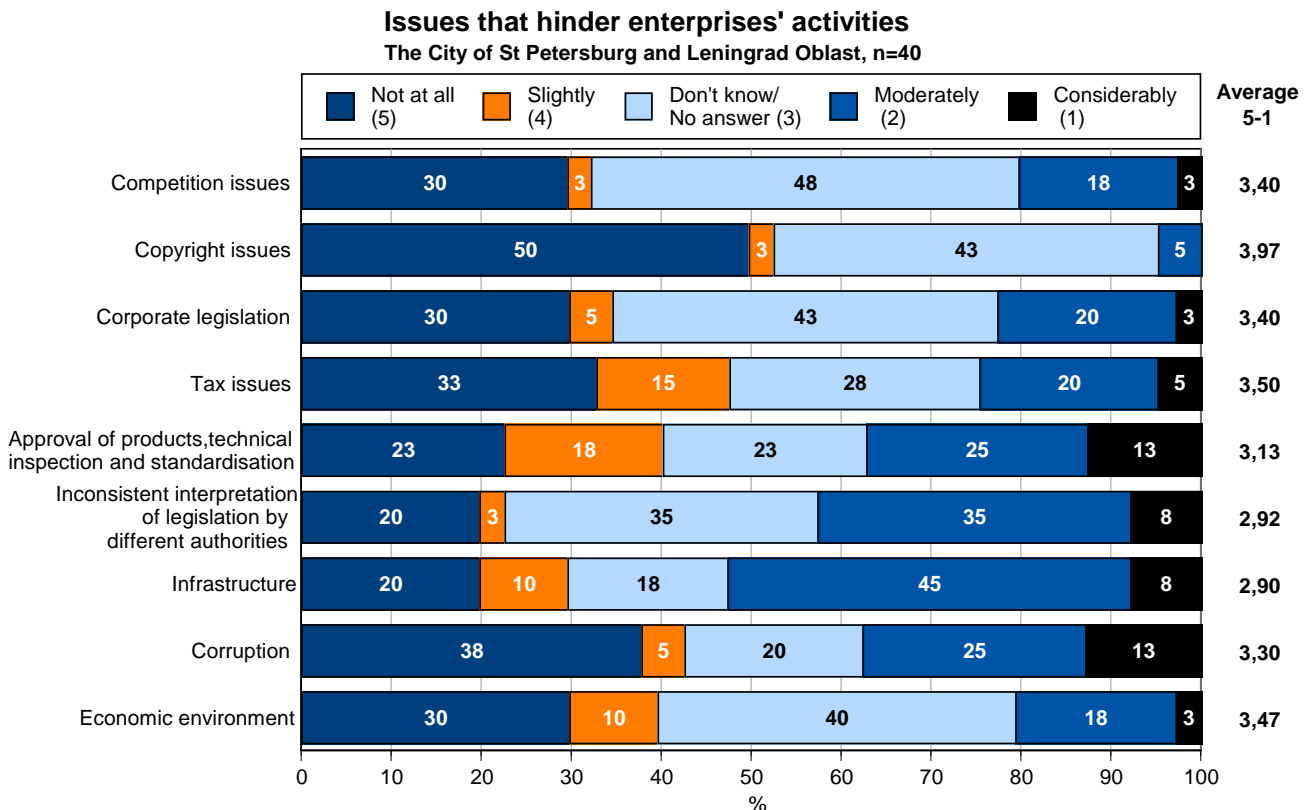
Corruption (64%), poor infrastructure in the area (63%), inconsistent interpretation of legislation by different authorities (51%) and approval of products, technical inspections and standardisation (48%) hindered business operations most in the City of Moscow and Moscow Oblast. Only 3 percent of the respondents believed that copyright issues caused problems to their activities.



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## The City of St Petersburg and Leningrad Oblast

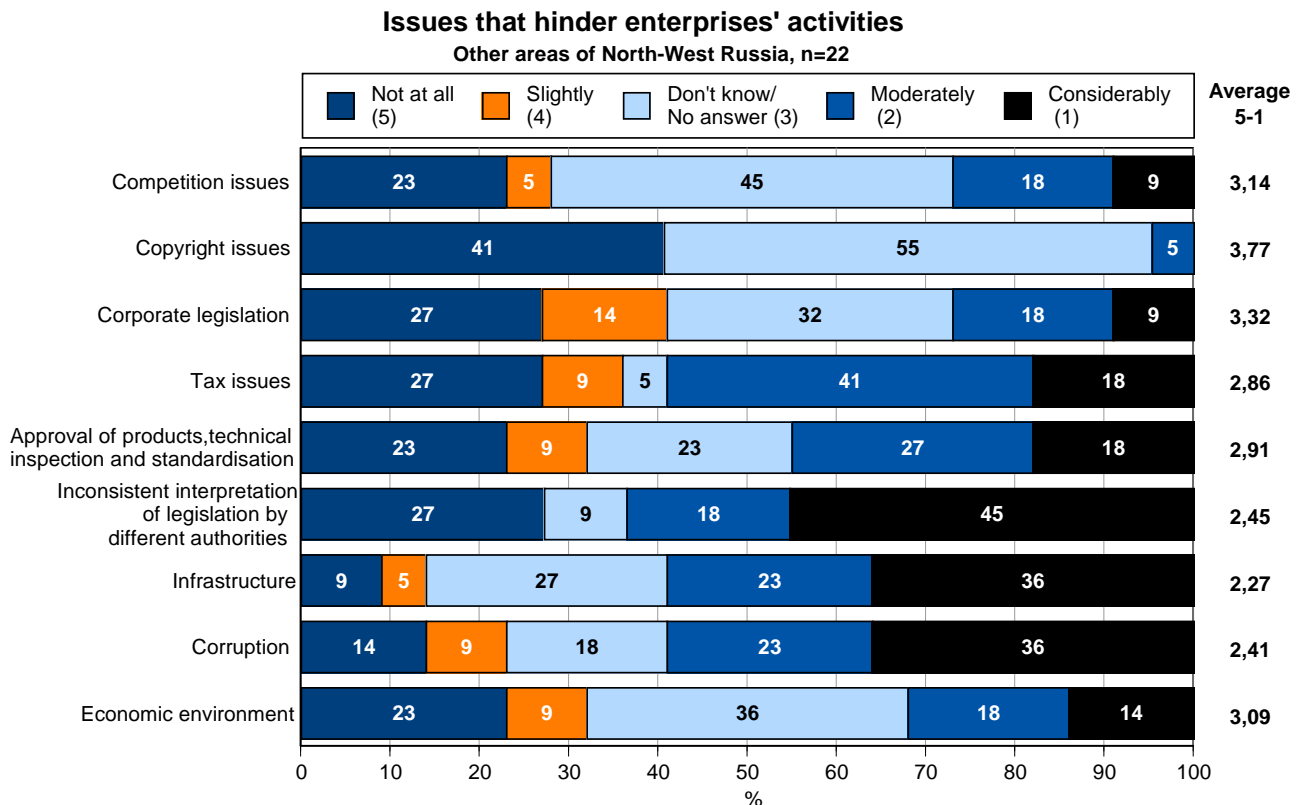
Poor infrastructure (53%), inconsistent interpretation of legislation by different authorities (43%), corruption (38%) and approval of products, technical inspections and standardisation (38%) hindered enterprises' business operations most in the City of St Petersburg and Leningrad Oblast. Only 5 percent of the respondents thought that copyright issues impeded their business activities.



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## Other areas of North-West Russia

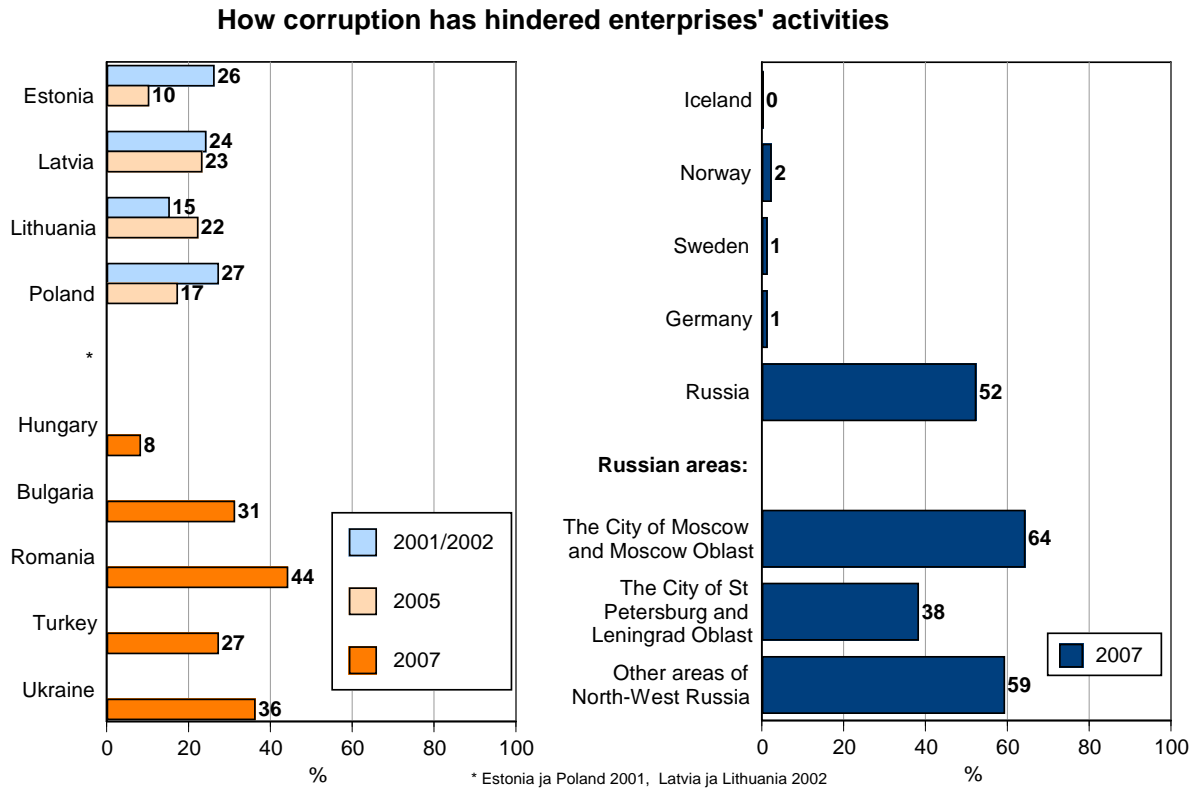
Inconsistent interpretation of legislation by different authorities (63%), tax issues (59%), poor infrastructure (59%) and corruption (59%) impeded enterprises' business operations most in the other areas of North-West Russia. Only 5 percent of the respondents believed that copyright issues caused problems to their activities.



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

### 1.5.1. Corruption

In their open responses, the interviewees felt that corruption in particular was a factor that had hindered their business operations.



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

According to the interviewees corruption was not a factor in Iceland. There was little or no corruption in Norway, Sweden and Germany. The City of Moscow and Moscow Oblast and other areas of North-West Russia were the most corrupt areas. In comparison with other survey reports the City of St Petersburg and Leningrad Oblast were rated between Ukraine and Bulgaria (2007) (Appendix 5).

*Previous survey reports:*

In their open answers to the January 2007 survey report, the interviewees believed that corruption in particular hindered their business operations. Of the countries surveyed, the respondents found most corruption in Romania and Ukraine, but the least in Hungary. By way of comparison, there was as much corruption in Hungary in 2007 as in Estonia in 2005.

In the 2005 survey report which covered Estonia, Latvia, Lithuania and Poland, the biggest problem was poor infrastructure in Estonia, Latvia and Lithuania. However, the infrastructure was clearly better in Estonia than in the other countries surveyed. Additionally, respondents felt that corruption impeded business in Lithuania. On the other hand copyright and competition were the least problematic issues in Poland.

The companies reported in 2002 that the bureaucracy created by the authorities was very time-consuming and exhausting. Every fourth company executive felt that authorities' performance created problems for their business operations in Lithuania. One fifth of the companies saw this as a problem in Latvia. Almost half of the respondents (45%) in Latvia, and every third respondent (35%) in Lithuania, believed that corruption impeded business.

In 2001, the problems encountered by the Finnish companies in Poland and Estonia were similar to those reported in the 1998 survey ("Finnish Business Perspective of the EU Eastern Expansion"). Trade barriers, poor infrastructure, unstable economy and corruption continued to impede business.

## 2. THE FUTURE SIGNIFICANCE OF THE MARKETS

### 2.1. Significance of the markets

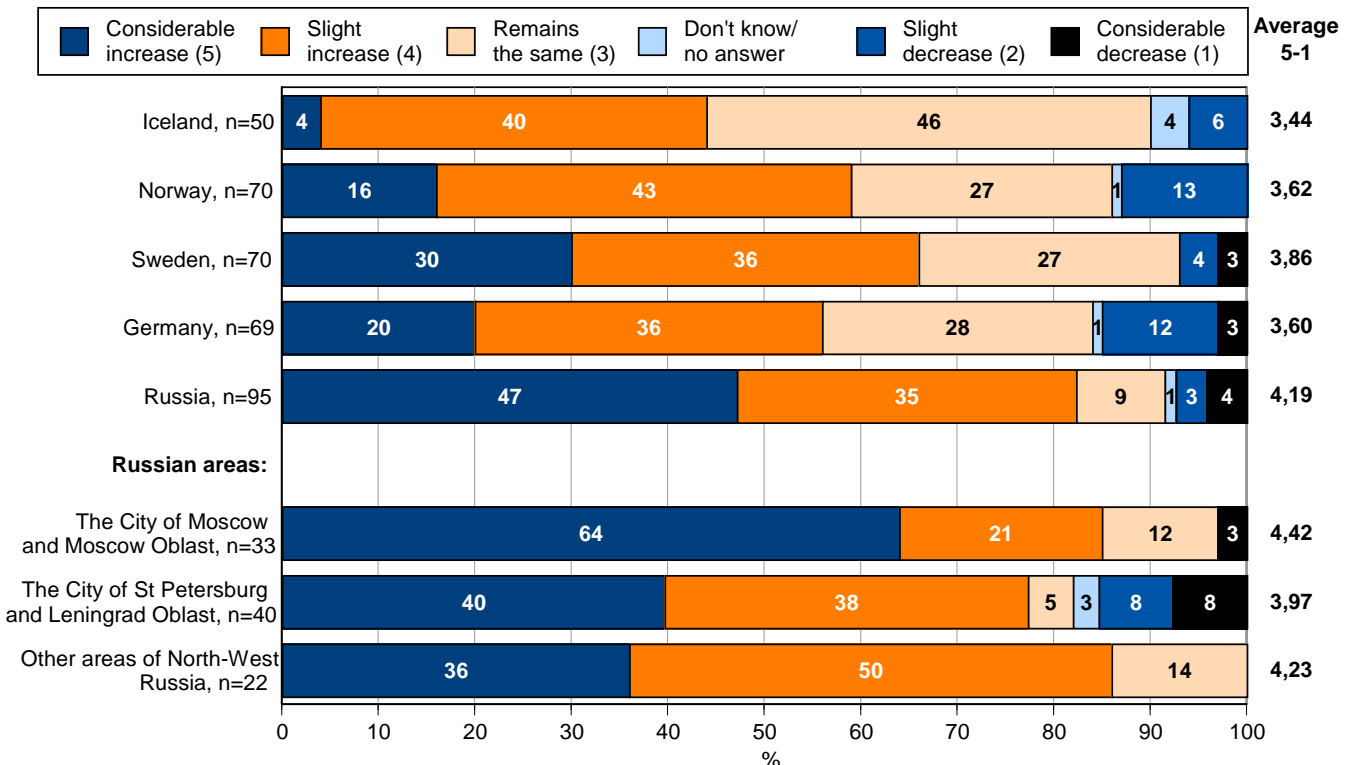
The respondents firmly believed that the significance of the target markets would increase over the next five years. They expected the significance of the Russian market for business operations to increase most (82%). The respondents' expectations for the increasing significance of the Swedish (66%), Norwegian (59%), German (56%) and Icelandic (44%) markets were more cautious. Almost half of the interviewees thought that the significance of the Icelandic market would remain unchanged.

By contrast, some respondents expected the significance of the German (15%) and Norwegian (13%) markets to decrease slightly over the next five years. Similar predictions were made for Russia (7%), Sweden (7%) and Iceland (6%).

In the target areas of Russia – other areas of North-West Russia (86%), the City of Moscow and Moscow Oblast (85%) as well as the City of St Petersburg and Leningrad Oblast (78%) – the significance of markets is expected to increase considerably. Conversely, some respondents believed that the significance of the markets of City of St Petersburg and Leningrad Oblast (16%) and the City of Moscow and Moscow Oblast (3%) would decrease over the next five years.

**The future significance of the markets**

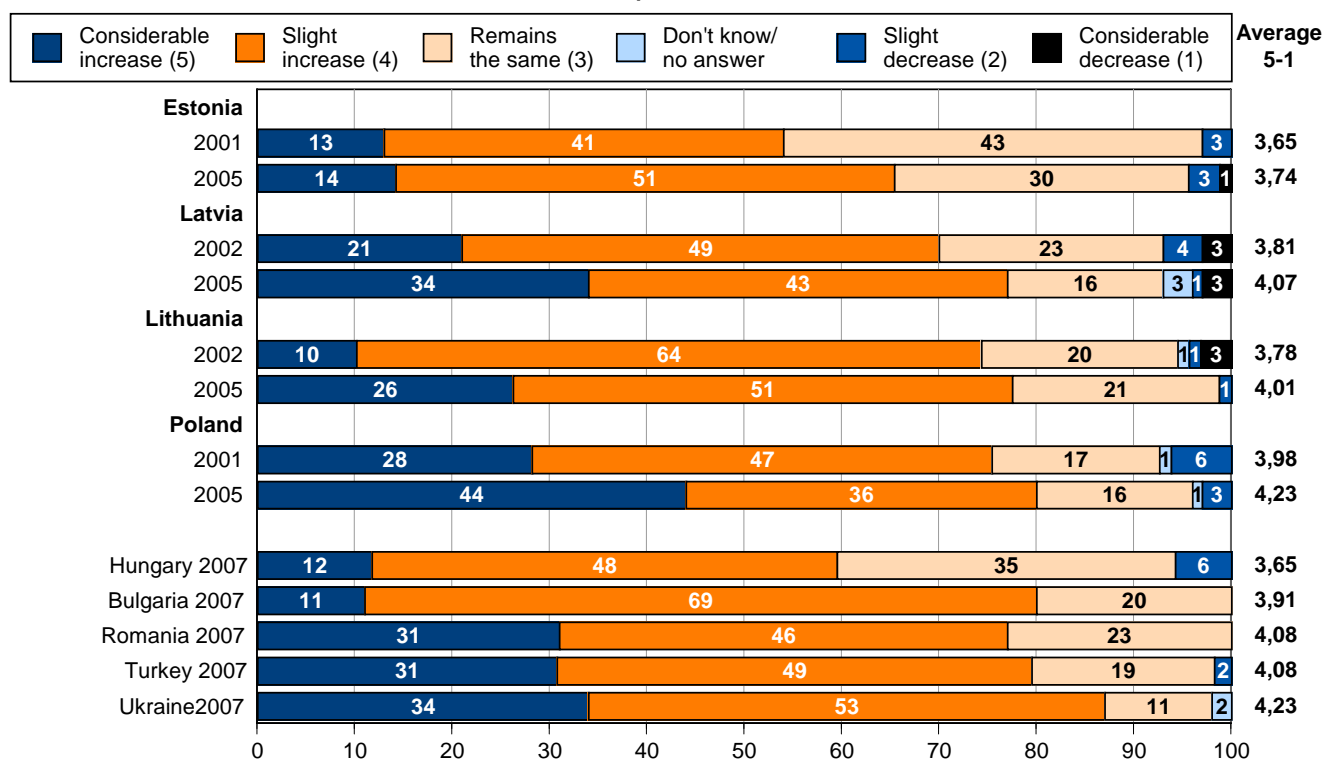
n=all respondents



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## The future significance of the markets

n=all respondents



Source: The Central Chamber of Commerce of Finland / Täloustutkimus Ltd.

### Previous survey reports:

In the January 2007 survey report the respondents firmly believed that the significance of the surveyed markets would increase over the following five years. They expected the significance of the Ukrainian market for their business operations to increase most (87%) despite some difficulties.

In 2005 the respondents believed that the significance of the Estonian, Latvian, Lithuanian and Polish markets would increase over the following five years. The significance of the Polish market, in particular, was expected to increase considerably.

In 2002, 70 percent of the Finnish business executives believed that the significance of the Latvian market would grow over the following five years, and 74 percent expected the same to happen with the Lithuanian market.

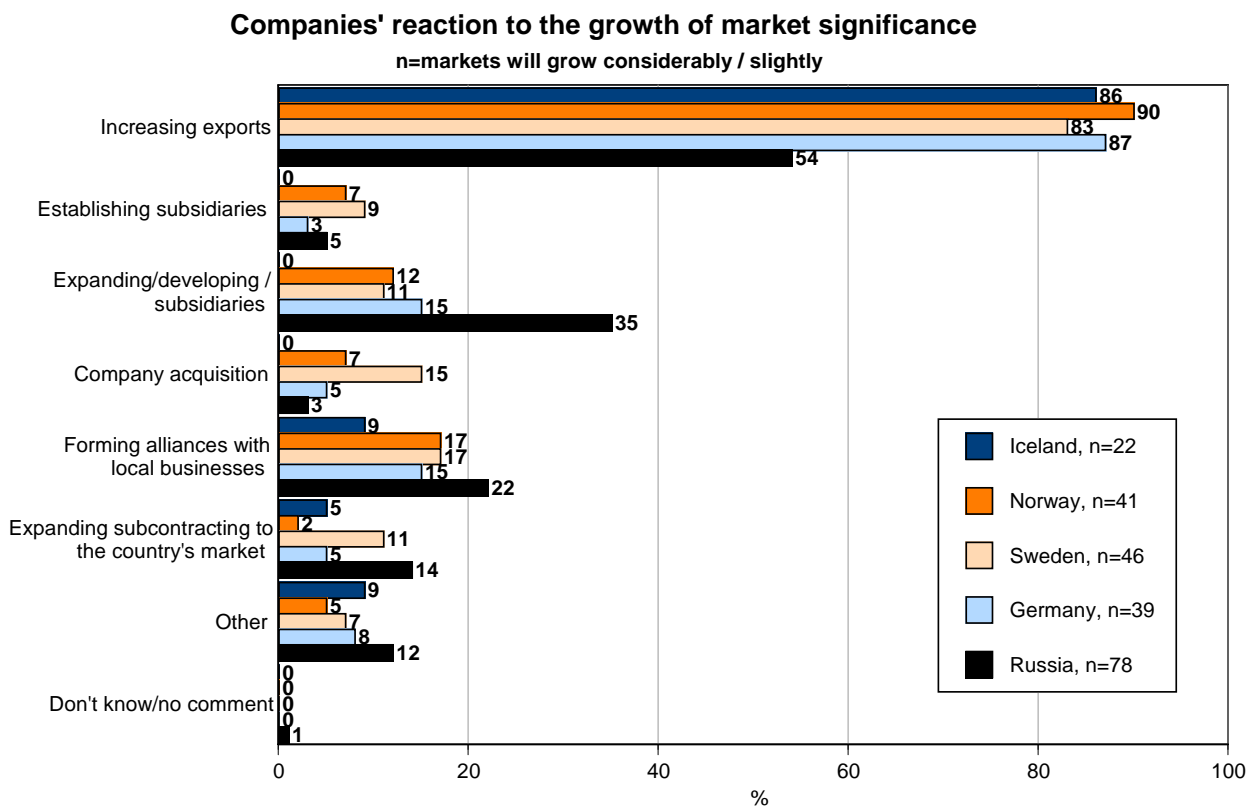
In 2001, 75 percent of the Finnish businesses operating in Poland and 54 percent of those operating in Estonia felt that the significance of these markets for their business would increase over the following five years.

## 2.2. Companies' reactions to the growth of market significance

The most common strategy for companies to react to the increasing significance of the surveyed markets was to raise exports to these countries. Of all the interviewed companies, 90 percent intended to increase their exports to Norway, more than 80 percent to Germany, Iceland and Sweden. 54 percent of the respondents planned to increase exports to Russia.

Of the interviewees, 35 percent intended to expand and develop subsidiaries and 22 percent planned to form alliances with local businesses in Russia. Forming alliances with local businesses was a popular strategy for reacting to market growth in all countries.

Among the respondents, no company acquisitions were planned in Iceland whereas 15 percent of enterprises were interested in acquisitions in Sweden. Of the interviewees, 14 percent planned to expand subcontracting in Russia and 11 percent in Sweden.



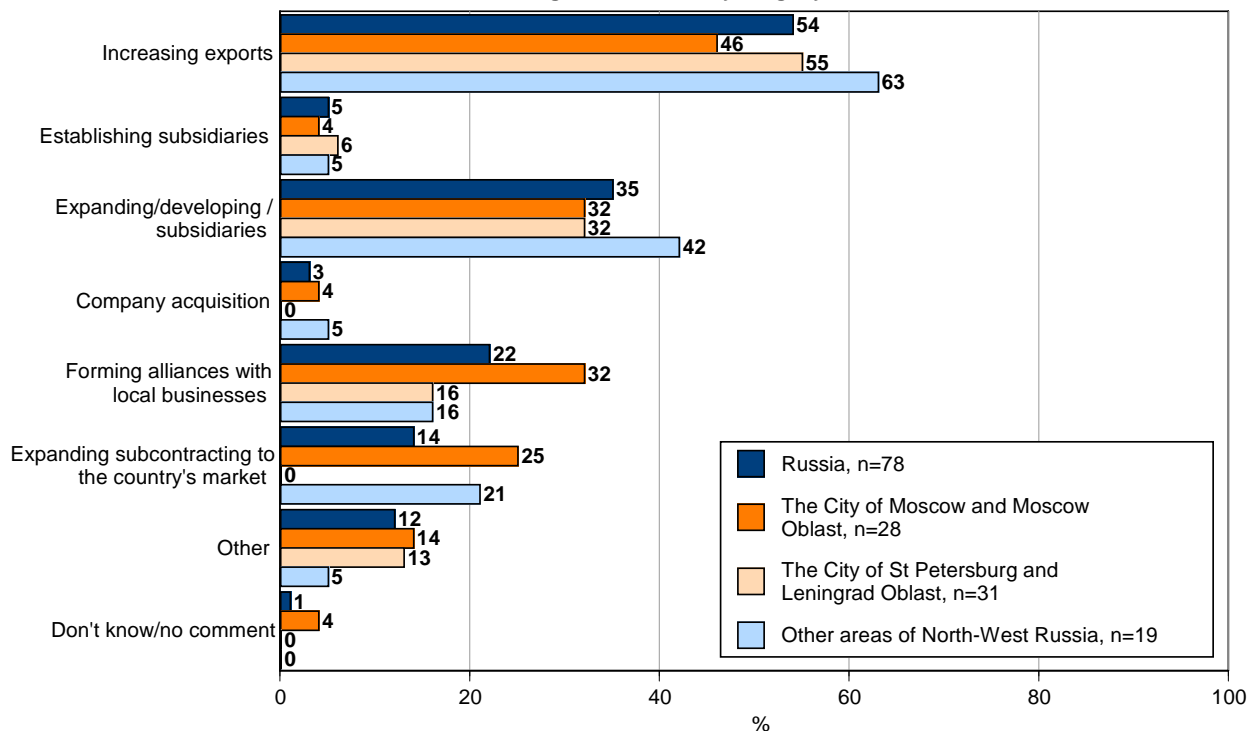
Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## Areas of Russia

The most common strategy for companies to react to the increasing significance of the surveyed markets in Russian regions was also to raise exports to these areas. In particular, companies intended to increase their exports (63%) to the other areas of North-West Russia and expand and develop their subsidiaries (42%) there. Finnish companies planned to form alliances with local business, develop subsidiaries (32%) and expand subcontracting (25%) in the City of Moscow and Moscow Oblast.

### Companies' reaction to the growth of market significance

n=markets will grow considerably / slightly



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

### Previous survey reports:

In the January 2007 survey report, the most common strategy for the companies to react to the increasing significance of the surveyed markets was to raise exports to these countries. Of all interviewed companies, 96 percent intended to increase their exports to Bulgaria, 91 percent to Ukraine, 87 percent to Romania, 80 percent to Hungary and 77 percent to Turkey.

The majority of the respondents to the 2005 survey report were aiming to react to the increasing significance of the Estonian, Latvian, Lithuanian and Polish markets by raising their exports to these countries. 11 percent of the interviewees planned to establish subsidiaries in Poland, 20 percent of the respondents intended to form alliances with the local Polish companies and 18 percent of the executives aimed to increase their sub-contracting there.

In 2002, half (50%) of the trade, service and manufacturing companies operating in Latvia intended to increase their business operations by raising exports. Similar measures were also planned in Lithuania.

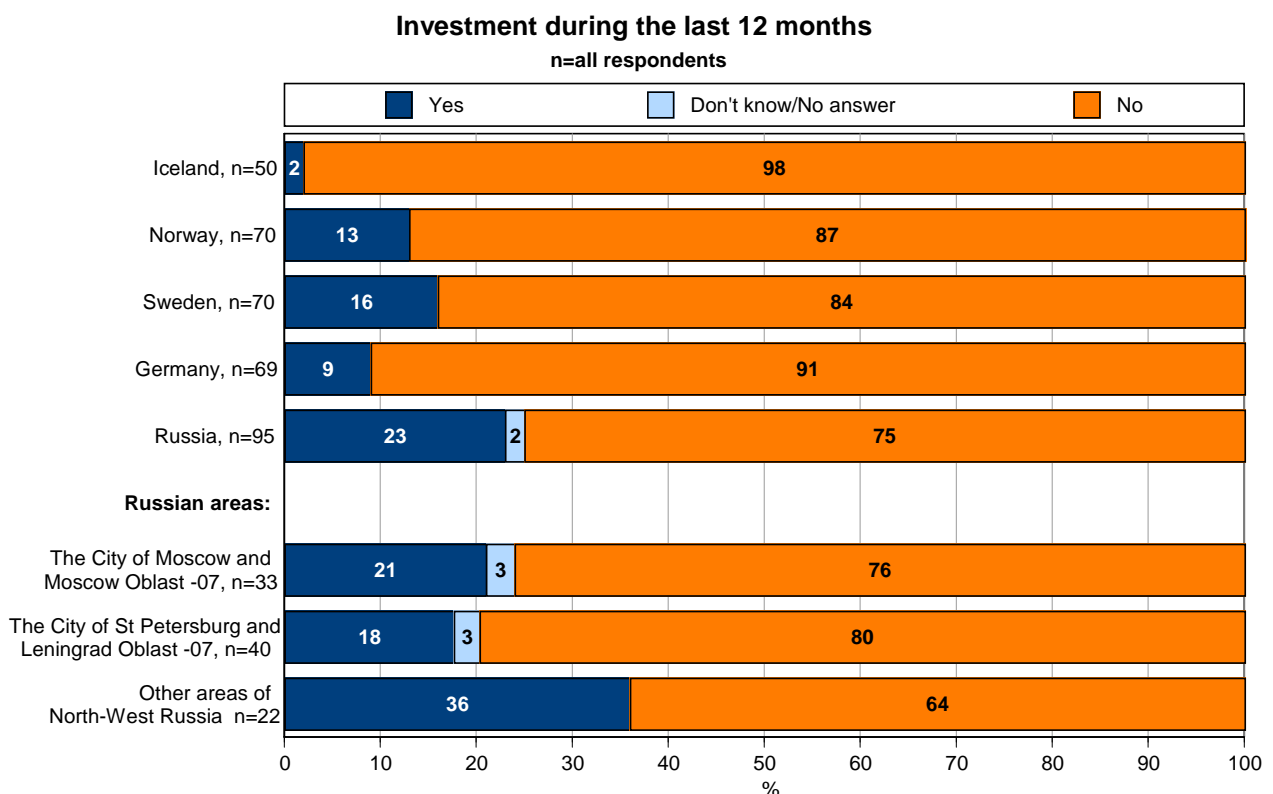
In 2001, the respondents aimed to increase exports to Estonia and to Poland in order to increase their business operations in these markets.

### 2.3. Investments

The interviewees were asked whether their companies had invested in the countries surveyed in the previous 12 months, and whether they intended to invest over the next 12 months.

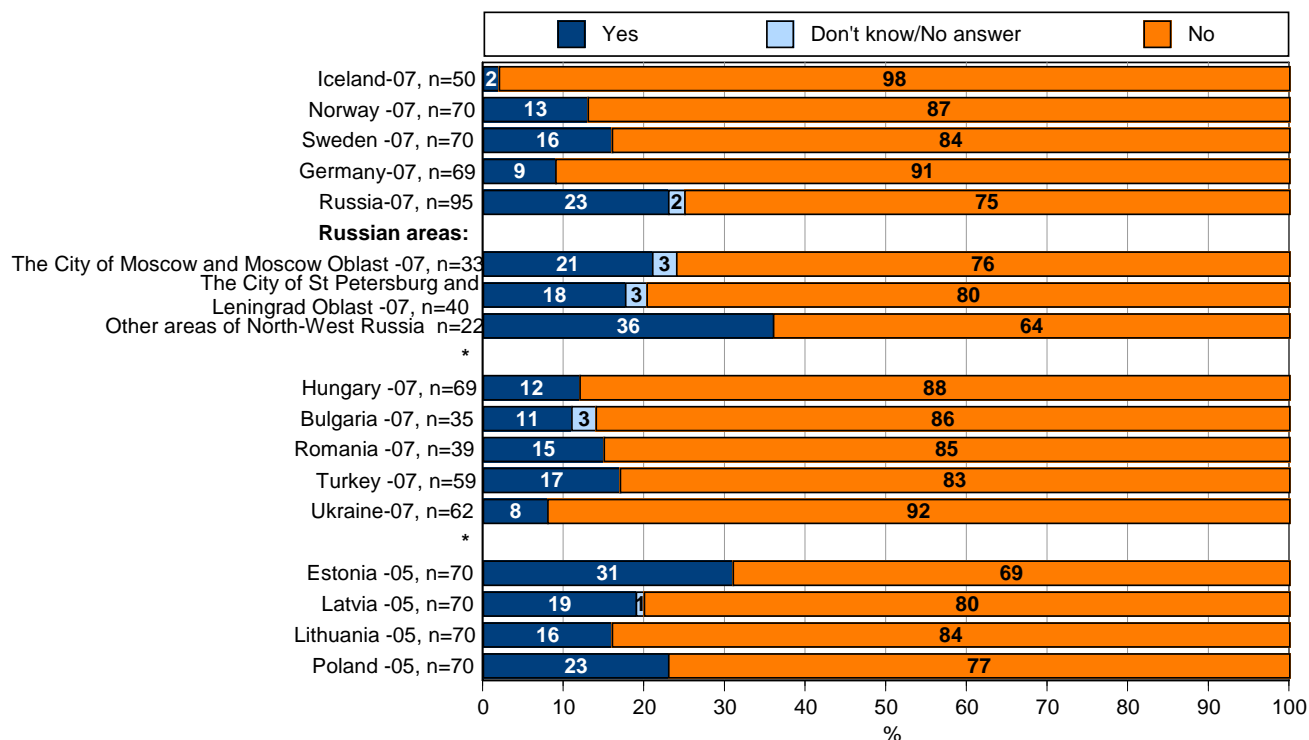
#### 2.3.1. Investments during the last 12 months

Of the respondents, 23 percent had invested in Russia during the last 12 months. Finnish enterprises had invested most in the other areas of North-West Russia (36%). Investments had also been made in Sweden (16%), Norway (13%) and Germany (9%), but hardly any in Iceland (2%).



### Investment during the last 12 months

n=respondents



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

#### Previous survey reports:

In the January 2007 survey, 17 percent of the respondents had invested in Turkey, 15 percent in Romania, 12 percent in Hungary, 11 percent in Bulgaria and 8 percent in Ukraine.

In 2005, 31 percent had invested in Estonia, 23 percent in Poland, 19 percent in Latvia and 16 percent in Lithuania.

### 2.3.2. Prospective investments during the next 12 months

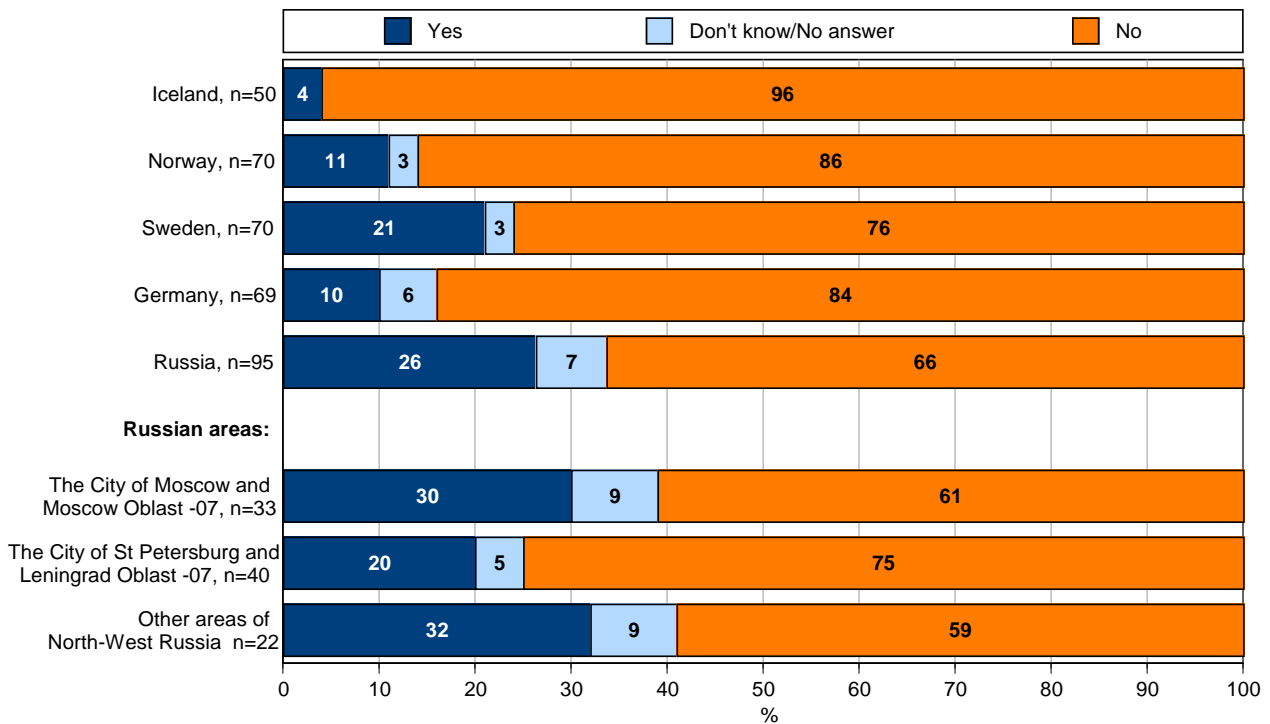
Of the respondents, 26 percent intended to invest in Russia and 21 percent in Sweden during the next 12 months. 10 percent of the interviewees intended to invest in Germany and 11 percent in Norway, but hardly any in Iceland.

A third of the respondents planned to invest in the City of Moscow and Moscow Oblast and in the other areas of North-West Russia.

On the other hand, almost 10 percent of the interviewees were unable to confirm whether their companies would invest in the City of Moscow and Moscow Oblast and in the other areas of North-West Russia.

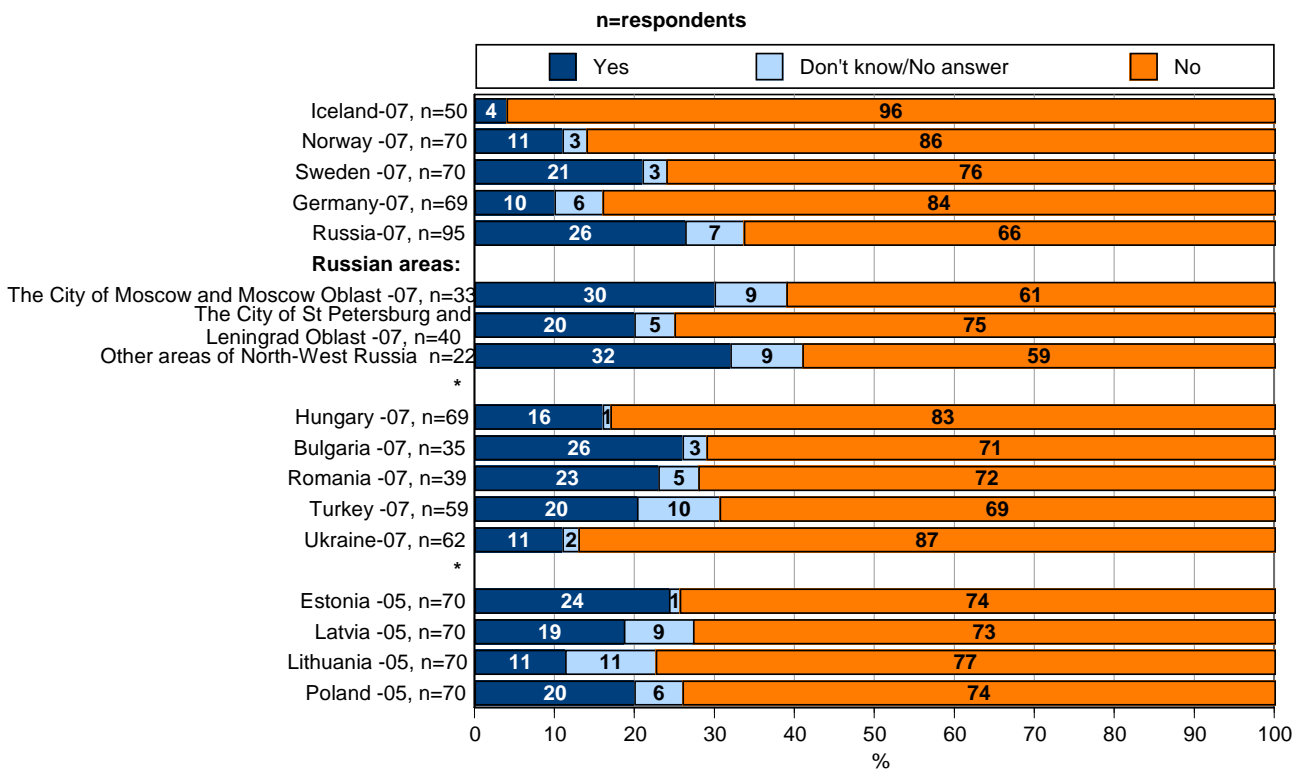
**Prospective investments during the next 12 months**

n=all respondents



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## Prospective investments during the next 12 months



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

### Previous survey reports:

In the January 2007 survey report, 26 percent of the companies intended to invest in Bulgaria, 23 percent in Romania, 20 percent in Turkey, 16 percent in Hungary, and 11 percent in Ukraine over the following 12 months.

In the 2005 survey report, every fourth respondent intended to invest in Estonia, every fifth in Latvia and Poland, and every tenth in Lithuania.

### 3. SUMMARY

The aim of this survey was to examine, from the Finnish companies' perspective, the quality of the business environment and the functionality of the markets in Iceland, Norway, Sweden, Germany and Russia. A more specific evaluation of the Russian areas important to Finnish companies – the City of Moscow and Moscow Oblast, the City of St Petersburg and Leningrad Oblast and other areas of North-West Russia - was included in the current survey report.

Most of the interviewed Finnish enterprises exported to the surveyed countries and areas.

Using the school-grade system to evaluate business environments, Sweden, Norway, Germany and Iceland were classed in the top tier of business environments. Russia achieved the same school-grade as Poland previously scored in the 2001/2002 survey report. Within Russia, The City of Moscow and Moscow Oblast were ranked best and the other areas of North-West Russia lowest. Other areas of North-West Russia achieved the same school-grade as Ukraine in the January 2007 survey report.

The interviewed enterprises reported that the markets had grown and the economic situation had improved in all surveyed countries and areas. Internationalisation of the business environment was often seen as a positive factor.

Issues related to transport, logistics and long distances were problematic in Iceland and Norway whereas the different currency made enterprises' business operations difficult in Sweden. Price competition / price level had caused problems in every surveyed country, particularly in Germany. In all Russian areas surveyed enterprises were dissatisfied with both customs and changing legislation.

Authorities worked mainly well or neutrally in Iceland and Sweden. Customs and border inspection authorities slowed down enterprises' business operations most in Norway whereas inspection and certification authorities as well as tax authorities were most problematic in Germany. Customs and border inspection authorities and inspection and certification authorities impeded business operations most in Russia.

Poor infrastructure hindered enterprises' operations most in Russia (58%), Norway (24%) and Iceland (10%). Approval of products, technical inspections and standardisation impeded business operations in Germany (25%) and in Sweden (12%). In the City of Moscow and Moscow Oblast corruption (64%), in the City of St Petersburg and Leningrad Oblast poor infrastructure (53%) and in other areas of North-West Russia inconsistent interpretation of legislation by different authorities (63%) were cited as the biggest impediments. These results should be examined against the background of a large share of "No experience / No comment" responses.

Corruption was not a factor in Iceland. There was little or no corruption in Norway, Sweden and Germany. The most corrupt areas were the City of Moscow and Moscow Oblast as well as the other areas of North-West Russia. The City of St Petersburg and Leningrad Oblast were ranked between Ukraine and Bulgaria and ahead Romania (The January 2007 survey report) and other areas of Russia. Comparison was made between the results of various survey reports carried out by the Central Chamber of Commerce of Finland.

The respondents expected the significance of the Russian market for their business operations to increase most. Almost half of the interviewees believed that the significance of the Icelandic market would remain unchanged. In the Russian areas – other areas of North-West Russia, the City of Moscow and Moscow Oblast as well as the City of St Petersburg and Leningrad Oblast – the significance of the markets was expected to increase considerably. However, the interviewees expected the significance of the German, Norwegian, Russian and Swedish markets to decrease slightly over the next five years.

The most common strategy for companies to react to the increasing significance of the surveyed markets was to raise exports to these countries. Of the interviewees, 35 percent intended to expand and develop subsidiaries and 22 percent planned to form alliances with local businesses in Russia. No company acquisitions or establishment of subsidiaries were planned in Iceland whereas 15 percent of respondents were interested in company acquisitions in Sweden.

Of the respondents, 23 percent had invested in Russia during the last 12 months. Finnish enterprises had invested most in the other areas of North-West Russia (36%). Investments had also been made in Sweden, Norway and Germany, but hardly any in Iceland.

Of the respondents, 26 percent intended to invest in Russia and 21 percent in Sweden during the next 12 months. 10 percent of the interviewees intended to invest in Germany and 11 percent in Norway, but hardly any in Iceland. A third of the respondents intended to invest in the City of Moscow and Moscow Oblast and in other areas of North-West Russia.

## 4. APPENDICES

### APPENDIX 1

#### DESCRIPTION OF SURVEY AND RESPONDENTS

##### Survey description

The aim of this survey was to examine, from the Finnish companies' perspective, the quality of the business environment and the functionality of the markets in Iceland, Norway, Sweden, Germany and Russia. A more specific evaluation of the Russian areas important to Finnish companies – the City of Moscow and Moscow Oblast, the City of St Petersburg and Leningrad Oblast and other areas of North-West Russia - was included in the current survey report. Moscow Oblast is an administrative area around the City of Moscow, which does not comprise the City of Moscow. Correspondingly Leningrad Oblast is an administrative area around the City of St Petersburg, which does not comprise the City of St Petersburg. Finnish companies operating in these countries and areas were interviewed and asked to evaluate their experiences and views on the main trade barriers and developments of the business environment in each country and areas.

The Central Chamber of Commerce of Finland commissioned Taloustutkimus Ltd, the market research company, to conduct the interviews. The survey was targeted at Finnish companies whose contact information was obtained from the FINPRO's Directory of Finnish Exporters. Data was collected through computer-assisted telephone interviews between 31 August and 21 September 2007. The following number of telephone interviews was conducted: Iceland 50, Norway 70, Sweden 70, Germany 69 and Russia 95 (Moscow 33, St Petersburg 40 and other areas of North-West Russia 22). The total number of interviews was 354. The results were not weighted.

The findings have been compared with those of the 1998, 2001, 2002, 2005 and 2007 surveys<sup>4</sup>, where applicable.

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<sup>4</sup> "Finnish Business Perspective of the EU Eastern Expansion" (1998), "Estonia and Poland on the Road to EU Membership" (2001), "Finnish Corporate Experiences of Latvian and Lithuanian Markets" (2002), "The Finnish Business Perspective of the Baltic and Polish Markets" (2005) and "The Finnish Business Perspective of the Eastern European Markets– Bulgaria, Hungary, Romania, Turkey and Ukraine" (2007).

## Respondents

### Iceland, Norway, Sweden, Germany and Russia

Of the respondents, 69 percent represented manufacturing industry, 11 percent services and 17 percent trade. 3 percent of the enterprises represented other fields of business. The respondent companies' annual turnovers were as follows: 32 percent € 1 – 7 million, 31 percent € 7 – 40 million, 25 percent over € 40 million and 10 percent less than € 1 million. 3 percent of the respondent companies were unable to estimate their turnover.

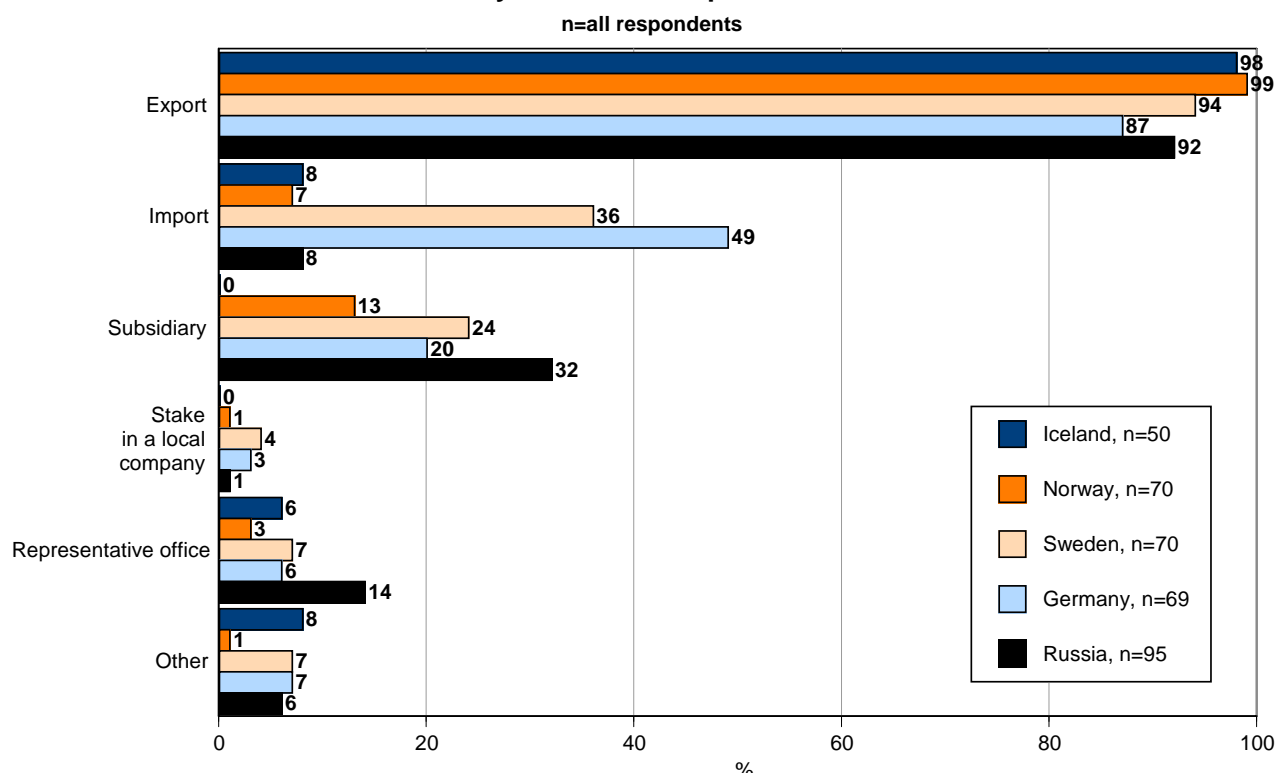
Most Finnish companies surveyed were engaged in export trade. Of the respondent companies, 99 percent were engaged in exports to Norway, 98 percent to Iceland, 94 percent to Sweden, 92 percent to Russia and 87 percent to Germany. Of the respondent companies, 49 percent were engaged in imports from Germany, 36 percent from Sweden and less than 10 percent from Iceland, Norway and Russia.

Of the respondent enterprises, 32 percent had a subsidiary in Russia, 24 percent in Sweden and 20 percent in Germany. In Norway, 13 percent of the interviewed companies had a subsidiary. Less than 5 percent of the respondent enterprises had a stake in a local company, apart from Iceland, where the interviewed companies had no stake in a local company.

14 percent of the respondent companies operated via a representative office in Russia, 7 percent in Sweden and 6 percent in Iceland and Germany. 3 percent of them had a representative office in Norway.

8 percent of enterprises were engaged in other business operations in Iceland, 7 percent in Sweden and Germany, 6 percent in Russia and one percent in Norway.

## Which kind of business activity does the enterprise have in the mentioned markets



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## The City of Moscow and Moscow Oblast, the City of St Petersburg and Leningrad Oblast and other areas of North-West Russia

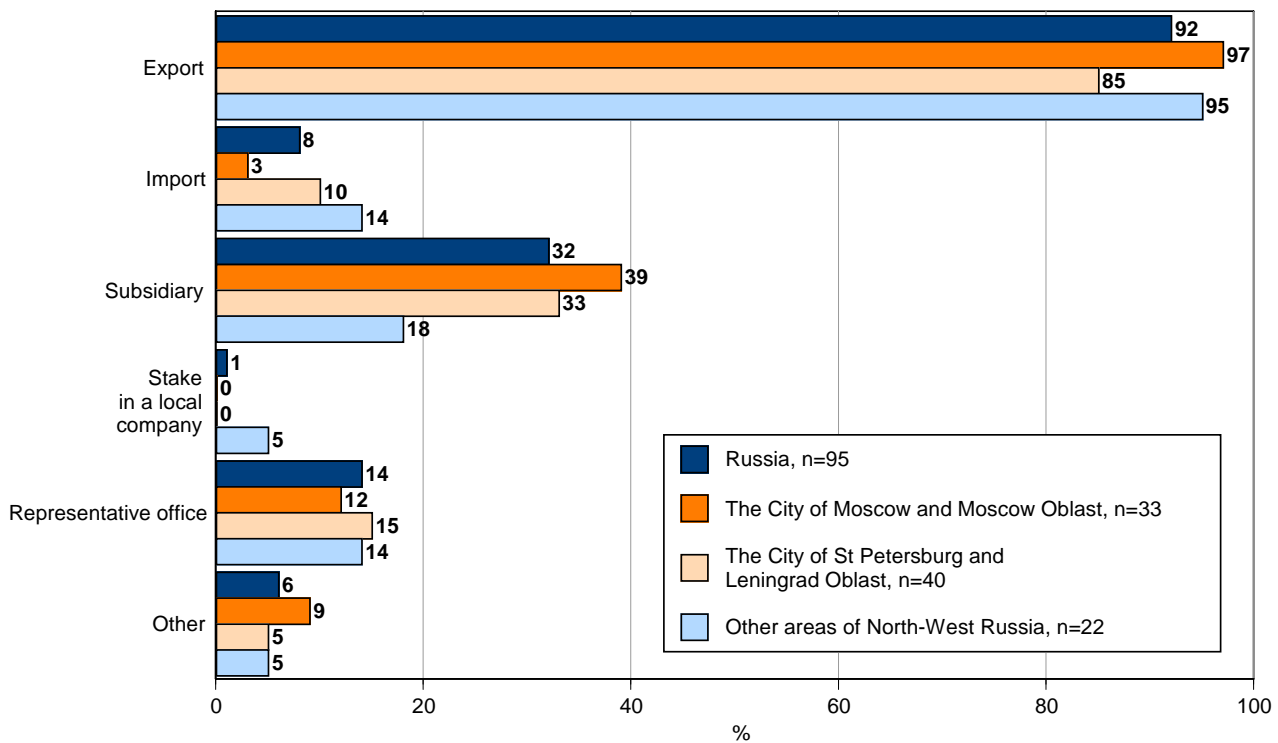
Of the Finnish enterprises operating in the **City of Moscow and Moscow Oblast** 64 percent represented manufacturing industry, 18 percent trade, 15 percent service and 3 percent other fields of business. The respondent companies' annual turnovers were as follows: 27 percent over € 40 million, 27 percent € 7 – 40 million, 27 percent € 1 – 7 million and 12 percent less than € 1 million. 6 percent of the respondent companies were unable to estimate their turnover. Of the respondent companies, 97 percent were engaged in exports and 3 percent in imports. 39 percent of the enterprises had a subsidiary and 12 percent operated via a representative office. 9 percent of the companies were engaged in other business operations and none of the enterprises had a stake in a local company.

Of the Finnish enterprises operating in the **City of St Petersburg and Leningrad Oblast** 53 percent represented manufacturing industry, 28 percent trade and 20 percent service. The respondent companies' turnovers were as follows: 30 percent € 7 – 40 million, 28 percent € 1 – 7 million, 18 percent less than € 1 million and 13 percent over € 40 million. 13 percent of the respondent companies were unable to estimate their turnover. Of the respondents companies, 85 percent were engaged in exports and 10 percent in imports. 15 percent of enterprises operated via a representative office and 33 percent had a subsidiary. No companies had a stake in a local enterprise. 5 percent of the companies were engaged in other business operations

Of the Finnish enterprises operating in the other area of North-West Russia 55 percent represented manufacturing industry, 27 percent trade, 14 percent service and 5 percent other fields of business. The respondent companies' turnovers were as follows: 41 percent € 7 – 40 million, 36 percent € 1 – 7 million, 14 percent over € 40 million and 9 percent less than € 1 million. 95 percent of the companies were engaged in exports and 14 percent imports. 18 percent of the enterprises had a subsidiary and 14 percent operated via a representative office. Of the respondent companies, 5 percent had a stake in a local companies and were engaged in other business operations.

**Which kind of business activity does the enterprise have in the mentioned markets**

n=all respondents



Source: The Central Chamber of Commerce of Finland / Taloustutkimus Ltd.

## SCHOOL-GRADE FOR BUSINESS ENVIRONMENT

Sweden	8,19 (2007)
Norway	8,13 (2007)
Germany	8,11 (2007)
Iceland	7,92 (2007)
=====	
Estonia	7,56 (2005)
Hungary	7, 21 (2007)
Estonia	7,15 (2001/2002)
Latvia	7,04 (2005)
Lithuania	7,04 (2005)
The City of Moscow, Moscow Oblast	6,94 (2007)
=====	
Poland	6,89 (2005)
Turkey	6,86 (2007)
Bulgaria	6,72 (2007)
Russia	6,59 (2007)
Poland	6,59 (2001/2002)
=====	
Latvia	6,50 (2001/2002)
Lithuania	6,48 (2001/2002)
Romania	6,49 (2007)
The City of St Petersburg, Leningrad Oblast	6,46 (2007)
Ukraine	6,34 (2007)
Other areas of North-West Russia	6,32 (2007)

## APPENDIX 3

### SECTORS SHOWING POSITIVE DEVELOPMENT

	1.	2.	3.	4.	5.	6.
Iceland 2007	Growing market	Economic situation	More international / Closer to European trade practices	Payments traffic / Monetary transactions / Financing / Creditworthiness	Educated professionally-skilled, enthusiastic personnel	Telecommunications
Norway 2007	Growing market	Economic situation	More international / Closer to European trade practices	Deregulation of trade/ Privatisation	Improved legislation/ political reforms	Payments traffic / Monetary transactions / Financing / Creditworthiness
Sweden 2007	Economic situation	Growing market	EU membership / EU membership negotiations	Improved legislation/political reforms	Telecommunications	Decrease in bureaucracy
Germany 2007	Growing market	Economic situation	More international / Closer to European trade practices	Payments traffic / Monetary transactions / Financing / Creditworthiness	EU membership / EU membership negotiations	Communications, infrastructure
Russia 2007	Growing market	Economic situation	More international / Closer to European trade practices	Improved legislation/political reforms	Payments traffic / Monetary transactions / Financing / Creditworthiness	Deregulation of trade/ Privatisation
The City of Moscow and Moscow Oblast 2007	Growing market	Economic situation	More international / Closer to European trade practices	Payments traffic / Monetary transactions / Financing / Creditworthiness	Deregulation of trade/ Privatisation	Improved legislation/ political reforms
The City of St Petersburg and Leningrad Oblast 2007	Growing market	Economic situation	More international / Closer to European trade practices	Improved legislation/political reforms	Language skills	Deregulation of trade/ Privatisation
Other areas of North-West Russia 2007	Growing market	Economic situation	Improved legislation/political reforms	Payments traffic / Monetary transactions / Financing / Creditworthiness	Educated professionally-skilled, enthusiastic personnel	More international / Closer to European trade practices
Hungary 2007	EU membership / EU membership negotiations	Economic situation	Growing market	More international / Closer to European trade practices	Deregulation of trade/ Privatisation	Decrease in bureaucracy
Bulgaria 2007	Growing market	More international / Closer to European trade practices	Deregulation of trade/ Privatisation	Payments traffic / Monetary transactions / Financing / Creditworthiness	Economic situation	EU membership / EU membership negotiations
Romania 2007	More international / Closer to European trade practices	EU membership / EU membership negotiations	Growing market	Payments traffic / Monetary transactions / Financing / Creditworthiness	Deregulation of trade/ Privatisation	Economic situation
Turkey 2007	Growing market	More international / Closer to European trade practices	Economic situation	Deregulation of trade/ Privatisation	EU membership / EU membership negotiations	Language skills

Ukraine 2007	Economic situation	Growing market	More international / Closer to European trade practices	Payments traffic / Monetary transactions / Financing / Creditworthiness	Deregulation of trade/ Privatisation	Customs practices
Estonia 2001	Economic situation / Economic growth	Market growth / More purchasing power	Commercial culture / Market accessibility	More international / Closer to European trade practices	Customs legislation / Customs regulations	Educated / Professional personnel
Estonia 2005	Commercial culture/ Corporate culture	Authorities' performances / Decrease in bureaucracy	Economic situation / Economic growth	EU membership / Joining the EU	Westernisation / Europeanisation	Customs legislation / Customs regulations Market growth / More purchasing power
Lithuania 2002	Economic situation / Economic growth	Commercial culture / Market accessibility	Increased purchasing power / Market growth	Westernisation / Europeanisation	Growth of construction industry	Customs legislation / Customs regulations
Lithuania 2005	EU membership / Joining the EU	More ease in transport / Logistics / Exports / imports	Economic situation / Economic growth	Authorities' performance / Reduced bureaucracy	Customs legislation / Customs regulations	Increased purchasing power/ Market growth
Latvia 2002	Commercial culture / Market accessibility	Transport / Infrastructure	Economic situation / Economic growth	Westernisation / Europeanisation	Authorities' performances/ Decrease in bureaucracy	Liquidity / Solvency Financial standing / Economic situation
Latvia 2005	EU membership / Joining the EU	Commercial culture/ Market accessibility	Increased purchasing power / Market growth	Transport / Logistics / More ease in export / import	Economic situation / Economic growth	Liquidity / Solvency Financial standing / Economic situation
Poland 2001	Commercial culture / Market accessibility	Westernisation / Europeanisation	Economic situation / Economic growth	Increased purchasing power / Market growth	Liquidity / Solvency / Financial standing / Economic situation	Communications / Telecommunications / Internet
Poland 2005	EU membership / Joining the EU	Authorities' performance / Decrease in bureaucracy	Commercial culture / Market accessibility	Westernisation / Europeanisation	Transports / Logistics / More ease in exports / imports	Economic situation / Economic growth / Increased purchasing power / Market growth

## APPENDIX 4

### MAIN PROBLEMS DETECTED IN TRADING AND MARKETS

	1.	2.	3.	4.	5.	6.
Iceland 2007	Transport / Logistics / Long distances	Market size	Price level / price competition	Stiff competition	Customs / problems related to customs clearance	Different currency
Norway 2007	Transport / Logistics / Long distances	Price level / price competition	Customs / problems related to customs clearance	Not an EU-Member country/a country outside the EU	Different currency	Business practices / Corporate culture
Sweden 2007	Different currency	Price level / price competition	Language skills	Stiff competition	Transport / Logistics / Long distances	Business practices / Corporate culture
Germany 2007	Price level / price competition	Business practices / Corporate culture /	Stiff competition	Language skills	Transport / Logistics / Long distances	Market size
Russia 2007	Customs / problems related to customs clearance	Inadequate legislation, changing legislation	Bureaucracy	Business practices / Corporate culture	Transport / Logistics / Long distances	Price level / price competition
The City of Moscow and Moscow Oblast 2007	Customs / problems related to customs clearance	Inadequate legislation, changing legislation	Price level / price competition	Business practices / Corporate culture	Bureaucracy	Transport / Logistics / Long distances
The City of St Petersburg and Leningrad Oblast 2007	Customs / problems related to customs clearance	Transport / Logistics / Long distances	Inadequate legislation, changing legislation	Bureaucracy	Business practices / Corporate culture	Language skills
Other areas of North-West Russia 2007	Customs / problems related to customs clearance	Inadequate legislation, changing legislation	Bureaucracy	Corruption / Bribery	Business practices / Corporate culture	Arranging finance
Hungary 2007	Poor price level / Price competition	Transport / Logistics / Long distances	Economic situation / Low standard of living	Market size	Stiff competition	Language skills
Bulgaria 2007	Arranging finance	Bureaucracy	Market size	Transport / Logistics / Long distances	Customs / Problems related to customs clearance	Business practices / Corporate culture / Stiff competition
Romania 2007	Bureaucracy	Economic situation / Low standard of living	Corruption / Bribery	Low price level / Price competition	Trade practices / Corporate culture / Language skills	Arranging finance
Turkey 2007	Bureaucracy	Low price level / Price competition	Cultural differences	Customs / Problems related to customs clearance	Arranging finance	Transport / Logistics / Long distances

Ukraine 2007	Customs / Problems related to customs clearance	Bureaucracy	Transport / Logistics / Long distances	Payments traffic / Monetary transactions	Corruption / Bribery / Economic situation / Low standard of living / Unstable political situation	Language skills Arranging finance
Estonia 2001	Competition /Stiff /Price competition	Modest purchasing power / Small market	Low price level	Financing / Creditworthiness	Market access / Making contacts	Customs / Problems related to customs clearance
Estonia 2005	Low price level	Modest purchasing power / Small market	Stiff competition	Transport / Logistics	Locating / Identifying partners	Financing /Solvency /A lack of funds
Lithuania 2002	Financing / Credit rating	Stiff competition / Price competition	Authorities' performance / Bureaucracy	Customs / Problems related to customs clearance	Transport / Infrastructure	Modest purchasing power / Small market
Lithuania 2005	Trade practices / Corporate culture	Stiff competition	Low price levels	Transport / Logistics	Financing / Solvency / Shortage of funds	Modest purchasing power / Small markets
Latvia 2002	Customs / Problems related to customs clearance	Arranging finance /Credit-worthiness	Commercial culture / Slow tempo	Authorities' performance / Bureaucracy	Stiff competition/ Price competition	Transport / infrastructure / Legislation / Permits
Latvia 2005	Language skills / Language barrier	Stiff competition	Financing /Solvency / A lack of funds	Low price levels	Bureaucracy	Trade practices / Corporate culture
Poland 2001	Customs duties / Clearance problems	Stiff competition /Price competition	Commercial culture / Slow tempo	Market access / Making contacts	Language problems	Authorities' performance / Bureaucracy
Poland 2005	Trade practices / Corporate culture	Low price level	Financing /Solvency / A lack of funds	Bureaucracy	Language skills/ Language barrier	Stiff competition

## APPENDIX 5

### CORRUPTION

Iceland	0	(2007)
Germany	1	(2007)
Sweden	1	(2007)
Norway	2	(2007)
Hungary	8	(2007)
Estonia	10	(2005)
Lithuania	15	(2001/2002)
Poland	17	(2005)
Lithuania	22	(2005)
Latvia	23	(2005)
Latvia	24	(2001/2002)
Estonia	26	(2001/2002)
Poland	27	(2001/2002)
Turkey	27	(2007)
Ukraine	36	(2007)
The City of St Petersburg and Leningrad Oblast	38	(2007)
Bulgaria	31	(2007)
Romania	44	(2007)
Russia	52	(2007)
Other areas of North-West Russia	59	(2007)
The City of Moscow and Moscow Oblast	64	(2007)

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