

The EU and Russia –challenges and possibilities

Ladies and Gentlemen, distinguished participants

It is a pleasure to be with you this morning. On behalf of the Government of Finland I would like to express my gratitude for the organizers of this seminar for bringing us together here in Helsinki. I look forward to the presentations today and to exchanging views on the significant topics on the table.

The development of the international political situation is very much reflected also on the issues in which today's seminar is focusing on. Since the beginning of the crisis in Ukraine the international situation has become increasingly tense. It is directly impacting the EU's relations with Russia, as well. Russia's actions in Ukraine and the illegal annexation of the Crimea are strongly condemned and have led to the sanctions imposed by the EU.

Finland stands behind these restrictive measures. For Finland it is clear that no violation of a country's sovereignty and territorial integrity is acceptable.

The sanctions support the efforts to reach a political solution to the crisis. Today, not enough is done to reach this goal. The situation in Eastern Ukraine remains unstable and the Minsk agreements are not fully implemented. Therefore the EU has recently decided to extend the economic sanctions for another six months, until the end of January next year.

The relations between the EU and Russia developed rapidly since the collapse of the Soviet Union in the early 90's. During the past two decades the cooperation expanded to cover a wide range of sectors from transport and environment to agriculture and business –all of which are of significant importance for us here in Finland. At times, the relationship has had its ups and downs. This time we may need more time and hands to open the knot. The way forward will be viewed in the light of the developments.

Ladies and Gentlemen,

The bilateral relations of Finland and Russia have a long tradition of good neighbourly relations. Russia is an important economic partner to Finland. I trust that this will be the case also in the future. At present, economic relations between Russia and Finland, however, are overshadowed by the overall economic situation and the Ukrainian crisis. The Finnish economy has been most of all affected by the overall slowdown of the Russian economy. Our total exports to Russia decreased by 14% and imports by 18% in 2014. There is no change during the first quarter of 2015, on the contrary.

Although now there are clouds above our economic relations, Russia is still an important export market for Finland. More than 600 Finnish enterprises operate in Russia and about 100 enterprises have made direct investments there. Total investments have risen to around 11 billion euros.

In terms of the agri-food sector, the major factor in current EU-Russia relations is the Russian ban on imports of certain food products. This ban has had a drastic effect on the Finnish food industry, as traditionally Russia has been the most important export destination for Finnish food products. In 2014 exports to Russia represented 20 % of total Finnish food exports. In the first half of 2015, this figure has dropped to only 6 %. It has been estimated that the overall cumulative negative impact of the Russian import ban on the Finnish GDP is around 0,1%. In Finland the largest direct impact has been on the dairy sector.

With the recent extension of the import ban, it is clear, that quick relief for the sector is not around the corner. Efforts have been made at both the EU and national level to find and open alternative markets for the products faced by the import ban. These efforts will continue. It takes time to open alternative markets but we need to use every tool to help the sector, also the long-term solutions to stabilize the market. The Russian import ban has highlighted the importance of consistent and coordinated export promotion and market access work. While these efforts continue, we also hope that the Russian market will reopen sooner rather than later.

Despite the Russian import ban on certain agricultural and food products, the Russian agricultural sector remains an important market for many agricultural production inputs, such as seeds, seedlings, animal feed, food additives, fertilizers, pesticides, machinery, and genetic material from hatching eggs to live animals.

The current import substitution policy in Russia aims at increasing domestic agricultural production quite substantially in a rather short period of time. EU based companies are able to offer a wide range of highly developed production technologies for both agricultural production and food processing, and we should use the opportunity to develop our business cooperation in this field (even in the current circumstances).

Ladies and Gentlemen,

Over the years, dialogue has been a core element in the cooperation between Finland and Russia and also between the EU and Russia. Today, it remains increasingly necessary. Open channels of communication are needed when seeking a way out of the current situation. Cooperation in areas, where it is possible, should be continued.

To conclude I would like to welcome this opportunity to hear your feedback and to share analysis on the challenges and possibilities ahead of us.

Thank You.