



**Russia Action Plan**  
**Government Resolution**  
**Government of Finland**  
**16 April 2009**



MINISTRY FOR FOREIGN  
AFFAIRS OF FINLAND

# **Russia Action Plan**

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Ministry for Foreign Affairs  
Unit for Russia  
Postal address: P.O.Box 427  
FI-00023 Government, Finland  
Tel: +358-9-16005  
E-mail: ita-10@formin.fi

Layout: Väriskirkus Oy

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# THE GOVERNMENT'S RUSSIA ACTION PLAN

## 1. Foreword

The Government Programme of Prime Minister Matti Vanhanen's second Cabinet set the following objective:

*"Finland promotes active and broad-based bilateral relations with Russia at various levels and works actively to develop the EU's policy towards Russia. The Government will enhance the coordination of Finland's policy towards Russia, address the matter of adequate knowledge of Russia in Finland and promote cooperation at the civil society level. Finland supports the integration of Russia into the international treaty system."*

Based on the Government Programme, the Russia Action Plan establishes substantive guidelines for the Government's management of the relations with Russia in various sectors and presents a set of concrete measures for action. The Action Plan focuses on the following main areas: 1) Finland's policy towards Russia; 2) expertise in Russian affairs; and 3) coordination of Finland's policy towards Russia.

The management of Finland's relations with Russia is based on Finland's national interests. In its policy towards Russia, Finland has endeavoured to respond to the transition in Russia by supporting such positive developments as growth of foreign trade, investment and services, and by combating

such negative phenomena as environmental and health hazards. Changes in Russia in the 1990s and in the 21<sup>st</sup> century together with our membership of the European Union and developments in our neighbouring areas have opened up opportunities for closer and expanding relations with Russia. Finland's policy towards Russia is built on well-functioning bilateral relations and membership of the EU. The Union's policy towards Russia does not substitute for Finland's bilateral Russia policy; the two are complementary.

Being neighbours is not only a geographical fact. Regardless of varying business cycles, Russia remains a regular partner to Finland with significant potential for expansion of cooperation, provided that solutions are found to practical problems. Finland and Russia share a number of common interests.

Russia's domestic and foreign policies influence the development of the policy towards it pursued by Finland and the EU. It is important for Finland that our neighbour be an open democracy, with a thriving, modernising economy and stable social conditions, and that it be increasingly committed to cooperation with the EU. Russia is currently undergoing a change, partly due to the global economic crisis, which reflects on both the economy and on domestic and foreign policy. Change also always involves new opportunities.

## 2. MAIN ELEMENTS OF DEVELOPMENT IN RUSSIA

### **Changing role**

Russia's position in international politics is partly based on its Soviet heritage, especially on its permanent membership of the UN Security Council and its nuclear arms. Russia's self-image also includes an idea of its greatness. The impact of these factors is significant in assessing Russia's conduct and political weight. In recent years, Russia has become stronger especially thanks to its strategic position as an energy supplier and economic growth that is based mainly on its energy resources.

Russia's recent transformation is essentially characterised by not only economic growth but also concentration of power and expanding foreign political activities. These phenomena have an undeniable impact on international politics. Russia's elevated national self-esteem shows in an aspiration to restore its great-power status and to make readjustments to the solutions of the 1990s that it considers unfavourable.

### **Medvedev's theses**

The Foreign Policy Concept of the Russian Federation (the Concept) was published in July 2008. The Concept is based on Russia's new international role and the post-Cold War challenges. Russia states that it pursues an open, predictable and pragmatic foreign policy without ideological confrontation. According to the Constitution of the Russian Federation, the President shall determine the guidelines of the foreign policies of the State. In August 2008, President Dmitri Medvedev outlined the main points of Russia's future foreign policy as follows: 1) respect for international law; 2) supremacy of the multi-polar world (as compared to



a uni-polar world); 3) avoidance of confrontation with all countries; 4) protection of Russian citizens wherever they are; and 5) development of ties with regions and countries where Russia has privileged interests.

Nevertheless, Russia's foreign policy is confronted with challenges. The war between Russia and Georgia in August 2008 had an adverse effect on the relations between Russia and the Western countries. Russia did not observe the key principles upheld by the international community, which inevitably led to repercussions in the international foreign and security political thinking and climate. The conflict gave rise to justified concern about the significance of the principles presented by Medvedev. The thesis concerning protection of Russian expatriates and the idea of privileged interests in certain regions have aroused critical debate especially in the neighbouring regions. In this conflict, Russia proved that it is prepared to resort to the use of power in order to promote its own interests outside its external borders.

## **Priorities**

In accordance with its revived great-power identity, Russia regards the USA as its most important reference in foreign policy and expects equal treatment. Russia has said that it wants to create a strategic partnership with the United States. However, relations have been troubled by profound differences of opinion concerning such issues as the location of elements of the US anti-missile system on Polish and Czech territory, the Treaty on Conventional Armed Forces in Europe (CFE), and NATO's possible enlargement to include Ukraine and Georgia. In addition to bilateral relations, Russia and the US meet each other in international forums. For reasons of prestige in particular, cooperation with the G8 is an important channel

of influence for Russia. As far as security policy is concerned, the principal common forum is the NATO-Russia Council, which was suspended as a consequence of the war in Georgia but which is now resuming functions.

Russia holds major expectations of the newly elected US President Barack Obama. Relations between the countries have recently developed and are now characterised by increasing dialogue and readiness for cooperation. The parties have talked about restoring their relations based on a new foundation. Their agenda includes a number of critical issues, such as the stabilisation of Afghanistan and Iran's nuclear programme. The question of the future of the Strategic Arms Reduction Treaty (START) is also topical because the current START-1 expires at the end of this year. Improved US-Russia relations will also pave the way for increasing cooperation between Russia, the US and the EU.

As a European state, Russia regards Europe as the central direction of its foreign policy. Russia has criticized the development of the present European security architecture and supports the preparation of a new deal for post-cold war security architecture. Talks on this matter have only just begun. The dialogue has struck a positive chord, but the EU and NATO have laid emphasis on adherence to the current commitments and the importance of a more broad-based agenda of discussion.

Russia has declared that its geographical priority is the Commonwealth of Independent States (CIS), where it has special interests. A large number of Russians live in the CIS and economic cooperation with it is extensive. On the other hand, the countries share common threat scenarios, such

as terrorism, drug trafficking and irregular migration. Exercise of greater influence in the CIS region is a key objective for Russia. In the recent past, the exacerbation of relations between Russia and Ukraine has been high on the public agenda. The future development of relations will impact the situation in Eastern Europe.

Russia is a key actor not only in the CIS but also in other regional cooperative organisations. The Shanghai Cooperation Organisation (SCO) has broadened its remit and plays a specific role especially because, as a member, China participates in the cooperation between Central Asian countries and Russia. The Collective Security Treaty Organisation (CSTO), which was created in the framework of the CIS, focuses on collective security and develops defence-related cooperation between Central Asian countries, Russia, Belarus and Armenia.

As regards Asian countries, relations with China are important and evolving. The countries define their relations as a strategic partnership, but an element of competition is also involved. Energy cooperation between Russia and China is a topical theme but, at least in the short term, it does not seem to open up but limited concrete prospects. Russia considers India as a strategic partner, too. The countries share similar views of several international issues. Sectors of practical cooperation include defence, energy issues and, most recently, space research.

**Centrally planned  
democracy**

One of the key issues affecting Russia's internal development is management of questions related to democracy and human rights in the future. The foundations of democracy were established in Russia in the 1990s. It is unclear, though, to what

extent Russia wants to become a democracy that resembles those in the western world. Its declared goal is development of democracy and democratic institutions, but progress has been uneven. Russia believes that its history and geography provide it with a different foundation and a particular model for future development.

Under the Russian Constitution, the president enjoys a strong position. In recent years, this concentration of power has become even more accentuated. After the last election, however, the role of the prime minister and the government seem to have become more pronounced. The biggest party, United Russia, led by Vladimir Putin, holds a two-thirds qualified majority in the lower chamber of Parliament, the State Duma. The opposition is fragmented and quite invisible. Concentration of power also applies to the regions' relation to the central government. The political leadership has sought to establish stability in relation to the situation in the 1990s. However, stability that is based on centralised power can be considered to be narrow. The current economic crisis and the ensuing difficulties encountered by the people will probably lead to a situation that differs from past years. State leadership and its policy line will be subjected to mounting expectations and demands.

## **Human rights**

Russia has acceded to almost all the principal international human rights structures and agreements. However, there are still major shortcomings in the materialisation of human rights and civil liberties. The creation of civil society has mainly been a top-down process, with the value of grass-roots activism remaining relatively minimal. Freedom of the media has been further curtailed in the past years. The central government makes active use of the media to advocate its own objectives. The electronic media, which is the Russians' principal

source of news, is nearly totally under State control. Critical viewpoints are expressed mainly in the press, but circulation of newspapers is limited. The Internet is the most important independent source of information. In the North Caucasus, human rights violations are still common. Reconstruction has proceeded in Chechnya, but the situation is still very unstable in, for example, Ingushetia.

### **The goal is the rule of law**

President Medvedev has stated that his main goals are developing the rule of law and rooting out corruption. The setting is difficult to start with, because corruption has become a customary course of conduct in society. Viewed from a historical perspective, Russia does not have institutionalised elements of a genuine constitutional system, and the independence of courts of law has often been subject to question. It is good that the development of a law-based state is now a key objective. The matter is significant from the point of view of the development of Russia as a whole.

### **Economic growth**

The favourable trend in Russia's economy and markets in the past few years has made the country an increasingly powerful actor in the international economy. Still, Russia's share of the world economy is only about 3 per cent (the EU's share is over 30 per cent). Furthermore, Russia's economy continues to rely on raw material industries. Economic growth is highly dependent on the development of energy prices on the world market. The pace of market economy reforms has slowed down since the first years of the 21<sup>st</sup> century, while the Government has assumed a stronger role as an economic actor. State corporatism has taken on new forms. Even though Russia is a large, attractive market area, shortcomings related to the administrative and legal systems make the business

environment difficult to predict. In spite of pursuit of goals to the contrary, corruption is gnawing at the economy. In Transparency International's annual Corruption Perceptions Index (CPI) last year, Russia was ranked 147th of 180 countries surveyed.<sup>1</sup>

### **Threat of an economic crisis**

The international economic crisis and lower world oil prices have placed the Russian economy in a new situation. Exchange reserves have fallen markedly. Even though the Russian Government is in practice debt-free, companies' foreign debt has grown rapidly in the past few years. The crisis has already considerably dimmed the prospects of Russia's economic development. Russia's solid fiscal situation helps it to withstand the impacts of the crisis, but the national economy's heavy dependency on fluctuating oil prices is a structural problem without immediate solutions. Two thirds of Russia's export revenue and nearly half of public-sector income come from energy. Falling prices of oil and other principal export products lead to substantially declining export revenue in Russia. Oil price trends also reflect pressure on the value of the rouble. Russia has long pursued an economic policy aimed at promoting processing industries and economic diversification. In order to reach this goal, Russia must integrate into the international rules-based trade system and Russian companies need to improve their competitiveness. Considering the size of the Russian economy, the number of internationally active companies in the country is rather low.

The economic crisis complicates Russia's opportunities to fix its enormous structural problems. Russia's degenerated infrastructure, such as buildings, municipal engineering, transport routes and

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<sup>1</sup> Transparency International: Corruption Perceptions Index 2008

industrial plants are in need of thorough renovation. One positive element in the social development is the expansion of the middle class in the past few years. However they are particularly impacted by the economic crisis. The middle class is estimated to comprise about one fifth of the population; however, the number of poor is still sizeable. According to the Federal State Statistics Service, about 15 per cent of the population is below the nationally determined minimum subsistence level (about 4600 roubles or about 100 euros per month). In addition, regional differences of income are considerable, especially between the biggest cities and the countryside.

The economic crisis may also have negative repercussions on an already problematic demographic trend. As a result of the low life expectancy (62 for men and 72 for women; by way of comparison, 75 for men and 82 for women in Finland) as well as the low birth rate, the number of Russians is rapidly decreasing, which makes it hard to find a large enough labour force. More foreign labour has been accepted especially from the neighbouring countries in the south. Irregular migration and illicit stays are also common in Russia. Simultaneously, proponents of nationalistic views have become more vocal, which has increased racism and xenophobia. The acute economic crisis dampens willingness to accept foreign workers, too, and their number has been recently limited.

### 3. FINLAND'S POLICY TOWARDS RUSSIA

#### 3.1. Relations between the EU and Russia

##### **Untapped potential**

Relations between the EU and Russia are often dealt with from a problem-oriented perspective. There are numerous practical problems, including issues of principle, but cooperation is extensive and can be considered relatively effective. Nevertheless, the evolution of relations is far from optimal. Russia has often held the EU responsible for any problems in mutual relations. According to Russia, problems have been caused by the fact that the EU is fragmented and individual Member States' own relations with Russia are reflected in the EU-Russia agenda. Furthermore, Russia has asked the EU to adopt a more equal approach to the cooperation. Russia has found it difficult to perceive the EU as a coherent entity and a loyal community of shared values. Russia also seeks to make conscious use of the internal differences of opinion within the EU. This has become evident in Russia's efforts to place greater emphasis on bilateral relations with the biggest EU countries. The Treaty of Lisbon would clarify the EU's external image and strengthen its external action.

##### **Strategic partnership and interdependency**

Russia and the EU have defined their relationship as "a strategic partnership", which indicates that they are neighbours, interdependent and influential global actors. In principle, the preconditions for extensive cooperation are good. In security policy issues, such as crisis management, cooperation is developing but progress has been slow.



Economic and financial relations are broad and varied. The EU is Russia's biggest trading partner. Russia for its part is the third biggest trading partner for the EU. In 2008, the volume of trade was nearly 280 billion euros. The majority (about 80%) of the foreign investment to Russia originated in the EU Member States. Well over half of Russia's export in 2008 was directed to the EU Member States.

In the energy and raw material sectors, in particular, the question is about interdependency. Approximately a fourth of the energy consumed in the EU originates in Russia, and the EU's share of Russian oil and gas export is about 60 per cent, which shows that Russia is largely dependent on the EU markets. The gas dispute between Russia and Ukraine in January 2009 brings to mind the uncertainties of EU energy supplies. The EU's energy security has to be diversified. There is uncertainty about Russia's capacity to respond to the EU demand of energy in the future. According to some estimates, energy consumption in Russia may increase in the long term, which may impair its capacity to export energy. In any case, even though Russia will remain an important energy supplier for the EU, complementary suppliers of energy have to be actively explored.

Relations are developed in the framework of the strategic partnership. Russia is not seeking membership of the EU. The vision of partnership is nevertheless ambitious. The cooperation aims, among other things, to free trade and exemption from the visa requirement.

## **New basic agreement**

The contractual basis of relations between the EU and the Russian Federation is laid down in the Partnership and Cooperation Agreement (PCA),

which entered into force in 1997. Negotiations on a new agreement that would replace the PCA were launched in July 2008. The objective is to reach a comprehensive, judicially binding framework agreement, which covers all the so-called Common Spaces. The agreement must also include an effective dispute settlement mechanism. It is important, for example, that the principles of the Energy Charter Treaty, which provides for international energy trade and investments, be incorporated in the new agreement. The present PCA remains in force until the new one is finalised.

### **Common Spaces**

Since 2005, relations have been developed through the so-called Common Spaces. They are (1) Common Economic Space, (2) Common Space of Freedom, Security and Justice, (3) Common Space of Cooperation in the Field of External Security, and (4) Common Space on Research, Education and Culture. These take the form of extensive cooperation between government authorities and experts. For example, in the field of the economy, this involves improving preconditions for trade and investment through cooperation on regulatory convergence of industrial products, financial services, protection of intellectual property rights, investment, and public procurement. Progress in the Common Spaces is also monitored in meetings at the ministerial level (Partnership Councils). The EU-Russia Summit convenes twice a year. The promotion of cooperation in the Common Spaces also continues in the context of the negotiations concerning the new basic agreement.

### **Northern Dimension**

The Northern Dimension policy (ND) refers to the regional implementation of cooperation between the EU and Russia.<sup>2</sup> As an EU member, Finland has contributed considerably to the development

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<sup>2</sup> ND is common policy among the EU, Russia, Norway and Iceland.

of the ND. It provides an effective instrument for the promotion of jointly agreed priorities. For example, in the framework of the ND Environmental Partnership (NDEP) and the ND Partnership in Public Health and Social Wellbeing (NDPHS), projects have been launched which have concrete significance for the people of the ND region. The total value of projects conducted in the framework of the NDEP amounts to nearly 3.5 billion euros, to which Russia contributes a substantial share. The idea is that the ND Transport and Logistics Partnership, which is currently under preparation, will become a powerful regional cooperation forum, where participants will handle issues relating to transport bottlenecks and endeavour to outline regional projects and contribute to their financing in collaboration with international financial institutions involved in the partnership. Work will soon start at the expert level on the establishment of an ND partnership in culture. After the reform of the ND policy, which took place during Finland's Presidency of the EU in 2006, Russia has committed to the ND more energetically, and the ND has been one of the successful elements of EU-Russia relations.

Russia also welcomes the development of the Cross-Border Cooperation between the EU and Russia. Finland has actively contributed to the reform of the financial instruments that support the EU's cross-border cooperation. The cross-border component of the new financial instrument, the European Neighbourhood and Partnership Instrument (ENPI), which is called ENPI Cross-Border Cooperation (ENPI CBC), replaces the former Tacis-CBC programme. The ENPI CBC - like the ND policy - comprises sectors relating to both regional development and comprehensive security.

It involves substantial improvements that are critical from the point of view of the implementation of cross-border projects. Russia has announced that it will allocate 122 million euros to the ENPI CBC programmes. Finland participates in four programmes.

### **Baltic Sea Region**

The EU Strategy for the Baltic Sea Region, which will be ready in June 2009, is above all an internal EU strategy. However, based on the policies of the European Council, it also includes an external dimension. The objective of the Baltic Sea Strategy is to enhance effective EU action in the region and to call the Union's attention to its opportunities and challenges. The Baltic Sea Strategy and the Northern Dimension are complementary, mutually reinforcing processes. In the preparatory phase, Finland has emphasised such key areas of cooperation as protection of the environment, safety of maritime transport, and economic development.

The current cooperative structures in the Baltic Sea region, in which Russia takes part, are important. The Council of the Baltic Sea States (CBSS) and cooperative arrangements between public authorities under its authority play a significant role, for instance, in combating organised crime and human trafficking. The Barents Euro-Arctic Council and the Arctic Council also provide frameworks for practical cooperation with Russia. For the Nordic Council of Ministers, Russia is an important partner. The Helsinki Commission (HELCOM) is the principal forum where all the riparian countries of the Baltic Sea seek to protect the common marine environment. Russia holds the Chairmanship of HELCOM until 2010. The implementation of the EU Strategy for the Baltic Sea Region mainly takes place via the region's own cooperation structures.

**Arctic regions**

The Arctic is an increasingly topical theme on the international agenda because of the importance of adapting to climate change and the economic opportunities of the region. The EU and Russia may find their interests on a collision course in the early 2010s, when maritime traffic across the northern Arctic Sea is expected to grow markedly. The EU emphasises free sea traffic, while Russia has, to date, underscored its sovereignty requirements as regards its northern sea regions. The EU strives to step up its contribution to multilateral cooperation in the Arctic in the framework of international agreements, acknowledging the role of the Arctic States and the ND policy. Finland considers it important that issues related to the Arctic regions be discussed in forums where all the countries of the Arctic have equal opportunities to exert influence.

**Russia's participation**

It is in the interest of the EU to conduct policies that aim at integrating Russia into the pan-European development and world economy. Success in these efforts depends on both parties' will and capacity to cooperate. The policies must be based on mutual benefit. In the uncertain conditions caused by the economic crisis, it is even more critical than otherwise that Russia participate in this cooperation.

**Open dialogue**

Partnership between the EU and Russia must be based on genuinely open dialogue. Strategic partners must also be capable of critical exchanges of views and able to enter into constructive dialogue on differing views, too.

**A coherent EU is powerful**

The effectiveness of the EU's policy towards Russia depends on the EU's capacity for concerted action. Acting with one voice also makes the EU a more coherent partner. Member States' bilateral policy towards Russia cannot be in conflict with the EU's

Russia policy. The Union must constantly examine its policy towards Russia and the effectiveness of the approach. The goal must be a dynamic and future-oriented policy towards Russia.

### **3.2. Relations between Finland and Russia**

#### **Neighbourly relations**

Finland and Russia are neighbours with a long tradition of cooperation. Finland seeks to maintain and develop active and efficient relations with Russia on political issues, the economy, inter-authority cooperation, and open interaction between civil societies. Cooperation between public authorities covers all administrative branches and contacts in the various sectors are close. The sustained nature and extent of relations is also evident in the great number of bilateral treaties.

#### **Political dialogue**

Communication between the top leaders is active, open and regular. Political dialogue embraces the whole spectrum of questions pertaining to relations between the countries as well as wider international issues. Exchanges of visits at the political level are frequent. The Presidents, Prime Ministers and Foreign Ministers meet regularly twice a year. The ministers chairing the Finnish-Russian Economic Commission meet, as a rule, twice a year. Other ministers are also engaged in continuing communication with their counterparts.

#### **Expanded economic interaction**

Russia's economic importance to Finland is considerable and will continue to be significant. In 2008, Russia was our most important trading partner. There has been a rapid expansion in the volume of trade in the past years, but as a result of the economic crisis that began in autumn 2008, Finland's exports to Russia will somewhat decline.

Russia is Finland's principal supplier of energy, providing more than 70% of the energy imported by Finland (oil, gas and electricity). All natural gas used in Finland is imported from Russia. As for Finland's entire energy consumption, 35% is imported from Russia.

Finnish investment in Russia is estimated to be five billion euros while Russian companies' investments in Finland have been modest so far. A challenge for Finland is to foster its expertise and services in order to create products that interest Russia.

The number of Russian property owners in Finland has increased. Russians have expressed particular interest in real estate for leisure use in eastern Finland. Finnish legislation does not limit the sale of property to foreigners. Finnish companies and private persons would also like to purchase land in Russia, especially in Finland's neighbouring areas, but Russia limits procurement of land by foreigners. Thus the principle of reciprocity does not work in the real estate business between Finland and Russia.

The prospects of future innovation cooperation between Finland and Russia are good. Russia invests in the development of its innovation system, especially financing product development.

Tourism from Russia to Finland has increased markedly. The number of Russian tourists is now close to two million per year, and over a fourth of Finland's tourism revenue comes from Russia. There is still enormous potential for growth in Russian tourism to Finland. Finland is the Russians' principal destination when they travel abroad.

The key objectives of economic cooperation with Russia are to promote Finnish companies' and industries' operating conditions and cooperative contacts in Russia and to support Finnish companies' competitive position in the vast, partly still-unexplored markets of Russia. This will also enhance public knowledge of Finland in Russia and encourage Russian business contacts and partnerships in Finland. A network engaged in the promotion of export and internationalisation, financed by the Ministry of Employment and the Economy, serves as a key supplier of support services to Finnish companies.

In trade relations, there are also persistent problems. The most difficult and serious relates to export duties on timber imposed by Russia. Russia's decision of December 2008 to postpone enforcement of higher tariffs gives some latitude to solve the problem as a part of the negotiations on Russia's WTO membership. Due to the current economic crisis, international companies are also encountering more protectionism than before.

### **Economic Commission**

The Finnish-Russian Intergovernmental Commission for Economic Cooperation (Economic Commission) is the most important economic forum of cooperation, handling matters related to all the principal lines of business. The Commission is not involved in commercial negotiations, but fosters a positive business climate, removes barriers to trade and investment, and creates links between companies. As necessary, problems concerning companies are dealt with in the Commission at the political level. Under the administration of the Commission, there are 12 sectoral working groups, chaired by the responsible ministries. In addition, nine separate working groups chaired by the Ministry of Employment and the Economy and set up



in cooperation with regions of the Russian Federation promote Finnish companies' market access in the country. The Finnish-Russian Economic Commission has developed into a flexible, practical channel of cooperation and information exchange. In Finland, the Ministry for Foreign Affairs is responsible for coordinating matters handled by the Commission.

Forestry is an example of the sectors of cooperation dealt with in the Economic Commission where public authorities have managed to introduce the principles of Finnish sustainable forestry. It is hoped that the transfer of Finnish expertise in forests will have an impact on the development of Russian forest policy and forest management and, subsequently, to the improvement of the preconditions of investment in the forest sector.

## **Challenges of transport**

Active trade and transport call for reciprocal action in order to ensure smooth flow of goods and people across the border. Moreover, the development of transport connections across the whole border between Finland and Russia is important for business and tourism in particular. In 2008, about a million trucks crossed the Vaalimaa, Nuijamaa and Imatra border-crossing points, most of which were in transit. The traffic infrastructure should also be improved to reduce the contingency of risks caused by the growing number of trucks on the roads. It is worth noting that Russia is investing in upgrading its own ports, which is expected to reduce transit traffic in future on Finnish roads. The global economic crisis also affects traffic between Finland and Russia, with the number of automobile transports on the decline. The impact on other freight traffic has been less marked.

Finland has assumed an active role in the development of the customs cooperation between the EU and Russia. Experimental introduction of electronic transmission of customs declarations between Russia and the EU started at the beginning of 2009. If the trial period proves successful and is expanded, customs clearance formalities and border-crossing will become faster. In addition, electronic exchange of information helps combat customs offences, including double invoicing<sup>3</sup>. Positive prospects in the transport sector include a high-speed rail link between Helsinki and St Petersburg, which is scheduled to start at the end of 2010. It will shorten the time of travel to three and a half hours and further improve tourism opportunities.

**Flexible visa service** Interaction between citizens has become more active. In 2008, about eight million persons crossed the border. Russians are the biggest group of tourists in Finland. In 2008, the Finnish missions in Russia granted over 700,000 visas, of which the majority were multiple-entry visas. In Russia, Finland processes by far more visa applications than any other Schengen country. The increasing number of applications has placed great demands on the missions' resources. Finland's aim is effective and flexible handling of visa applications. Finland sees it as important that visa procedures are equally efficient on both sides of the border.

**The environment** In the environmental sector, the most important objectives in bilateral cooperation are preventing and reducing environmental damage and hazards and improving the state of the Baltic Sea, especially the Gulf of Finland. There is no doubt about the fruitfulness of this action; water-related coopera-

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<sup>3</sup> Double invoicing refers to fraud in connection with customs procedures in Russia, which explains a major part of the big differences in the foreign trade statistics of Finland and Russia (Finnish export to Russia vs. Russian import from Finland).

tion in St Petersburg continues to be an important priority. Russia's self-financing has increased in projects linked with St Petersburg. In the environmental sector, the growth of oil and chemicals transports across the Gulf of Finland is a mounting risk, which is addressed by means of control and cooperation to prevent and counter accidents. Protection of natural diversity is one of the jointly agreed goals.

Russia plays an important role in the on-going climate talks and the post-Kyoto climate policy solutions. The treatment of carbon balance of forests and especially accounting of carbon sequestered by boreal coniferous forests are of common interest for Finland and Russia.

### **Justice and home affairs**

The justice and home affairs sector is gaining importance as a result of internationalisation, evidenced by an increase in the number of cross-border legal cases concerning companies and private citizens. It is important for Finns that legal protection materialises in Russia as well and that Russia accedes to the international agreements in the field of justice that it has not yet joined. Because of internationalisation and in order to fight the threat of cross-border crime, practical cooperation should also be increased in the law, police, border security, rescue, customs and immigration sectors.

### **Culture**

Cultural contacts and exchanges between Finland and Russia are active. The countries aim to expand the activities of the Finnish-Russian Cultural Forum in northwest Russia and branch out into other regions in Russia, encouraging closer cooperation between cultural and business actors. This would lay a concrete foundation for the ND partnership in culture.

**Kindred Nation Programme**

It is important to cultivate the culture and language of the Finno-Ugric peoples living in Russia. The Kindred Nation Programme, which was launched 15 years ago, supports the languages and cultures of kindred nations living in Russia. Special attention is paid to young people. Projects concerning Finno-Ugric peoples in Russia have been supported out of Finland's neighbouring area cooperation resources.

**Social and health affairs**

In cooperation in the social and health sector, particular attention is paid to the prevention of communicable diseases and the promotion of healthy ways of life and welfare by means of, for example, neighbouring area cooperation projects and the ND Partnership in Public Health and Social Well-being. Another objective is to reduce health differences between regions in Finland and regions of Russia near the border.

**Neighbouring area cooperation**

Since the early 1990s, Finland and Russia have conducted neighbouring area cooperation, in which a large number of local and regional actors and representatives of ministries and government agencies have been engaged in both countries. In Finland, the Ministry for Foreign Affairs is responsible for the coordination of the cooperation. Projects conducted in various sectors of society have helped establish active cross-border contacts. Several projects in the EU, such as Interreg and Tacis (now ENPI CBC), have been modelled upon experiences gained in neighbouring area cooperation.

Neighbouring area cooperation has been reformed recently. The priorities have been reviewed by taking into account changes in the operating environment. More attention is paid to comprehensive economic cooperation, for example between

the public and private sectors. The most important sectors of cooperation include the environment, nuclear safety, social welfare and health care. For Finland, neighbouring area cooperation is an important instrument of policy towards Russia and the ND policies.

**St Petersburg -  
neighbouring  
metropolis**

The city of St Petersburg and the Leningrad region around it have a special role in relations between Finland and Russia. This dynamic mega-city in Finland's neighbourhood offers plenty of opportunities especially in trade, culture and other direct interaction. For Finns, St Petersburg often serves as a gateway to Russia. Contacts with the leaders of the city are active and frequent. The construction of a high-speed rail link between Helsinki and St Petersburg and the opening of a Finland House in the city are among the principal joint projects between Finland and St Petersburg.

## 4. EXPERTISE IN RUSSIAN AFFAIRS

It is in Finland's national interest to know Russia as well as possible. According to studies,<sup>4</sup> there is a solid basis of expertise in Russian affairs in Finland, but investment in its promotion remains relatively modest considering our geographical location and Russia's economic and international political role. Moreover, expertise in Russian affairs is still considered to be a speciality, although it would be an advantage in a variety of fields. Insufficient flow of information among the central government, universities and the business community has sometimes been a problem.

### Russian

The number of persons with a proficient knowledge of the Russian language is still negligible in Finland and does not seem to be increasing. Lack of competence in the language limits the development of economic and cultural relations between our countries.

### Research

It is in Finland's interest that research related to Russia be diversified and deepened. Research should concentrate not only on analysis but also on forecasting developments in Russia. In addition to research in the field of social sciences, studies should focus on such fledgling sectors in Russia as innovation, energy (especially energy markets and their development) and logistics.

The outlook for cooperation among researchers from the EU and Russia is much improved. Russia is about to substantially increase its financing of research, product development and innovations,

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<sup>4</sup> Professor Arto Mustajoki's report "*Yliopistojen Venäjä-yhteistyön ja Venäjä-osaamisen kehittäminen, Opetusministeriön työryhmämuistioita ja selvityksiä 2007:11*" (Development of universities' cooperation with Russia and expertise in Russian affairs, submitted to Minister of Education Kalliomäki in February 2007).

and to coordinate its financial programmes with the EU financial instruments. Russia has proposed the start of negotiations on its participation in the EU's Framework Programmes for Research. In 2003, Russia joined the Bologna Process, which aims to create a European Higher Education Area.

### **Financing of research**

In the past years, financing of Finnish research on Russia has been partly project-based. To ensure continuity, it is important to ascertain that the pre-conditions and financing for long-term research are guaranteed in the future as well.

## 5. GOALS AND IMPLEMENTATION

### **European neighbourly relations**

Finland has strong ties with Russia at all levels, and it is in Finland's interest to continue to foster this cooperation. This involves close and open dialogue and interaction bilaterally and between the EU and Russia. The goal must be natural, uncomplicated European neighbourly relations, which will benefit Finland as an EU Member State, the EU as a whole, and Russia.

### **Envisaging**

Fruitful cooperation calls for knowledge of Russia. This facilitates outlining possible future developments and foreseeing potential problems of cooperation. Envisaging requires considerable expertise in Russian affairs and appropriate allocation of resources. Special attention will be paid to knowledge of Russia, follow-up and foresight.

### **Coordination**

The Government assesses the Russia Action Plan and its materialisation on a regular basis, and the Action Plan will be updated as required. The Government regularly discusses matters related to cooperation with Russia. An effective Russia policy calls for coherent and consistent action in the central government.

A Russia Forum, led by the Prime Minister, will be set up to support the implementation of the Action Plan; preparative work will be done in the Ministry for Foreign Affairs. The forum will bring together different stakeholders representing, among others, the central government, the business community, research and training, regions, and NGOs, to discuss issues according to their area of expertise.

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## **Global challenges**

*- It is essential that Russia shoulder its share of the burden arising from global challenges such as climate change, poverty, and promotion of sustainable development. It is important that Russia commit to the greenhouse gas cuts required to mitigate climate change and to the development policy dialogue and goals related to the reduction of poverty. Finland tries, for its part, to engage in dialogue with Russia in order to advance attainment of these goals.*

## **EU-Russia**

*- Based on its profound knowledge of Russia and experience gained through the broad relations with it, Finland has strong prerequisites for productive participation in shaping EU policy towards Russia. Influencing the EU's Russia policy requires a thorough knowledge of Russian affairs and close interaction with the EU institutions and other Member States. The vital importance of exerting influence is more evident in the run-up to significant meetings and conferences.*

*- Finland actively monitors the negotiations on a new agreement between the EU and Russia on the basis of the agreed targets, expressing its views on issues that come up in the negotiations.*

*- The partnership between the EU and Russia must be built in a coherent and intensive manner. The Permanent Partnership Councils (PPCs) should meet more often and in more diverse formats. These meetings at the political level intensify cooperation in various sectors.*

*- Russia is a significant actor in a number of international policy issues (for example the Middle East, North Korea and Iran). It is important to foster the partnership between the Union and Russia in the handling of these questions. As regards the resolution of so-called frozen conflicts, Russia is expected to adopt a constructive approach.*

- Crisis management is a promising sector of cooperation, where the EU and Russia recently launched cooperation at the practical level. Examples of this have included the EU's military crisis management operation in Chad and the anti-piracy mission in Somalia. Russia has taken part in the EU's exercises while cooperation has been developed in such sectors as information exchange mechanisms and training. Efforts should be taken to expand crisis management cooperation so that it becomes an integral part of cooperation between the EU and Russia in the so-called third Common Space. The International Security Assistance Force (ISAF) operation in Afghanistan opens up opportunities for developing cooperation with Russia in the field of crisis management.

- Exemption from the visa requirement between the EU and Russia is an important goal, which will markedly increase and facilitate interaction between citizens in due course. Finland favours rapid progress towards the introduction of a visa-free travel regime based on jointly agreed reciprocally binding terms.

- Finland seeks to influence the other Schengen countries and Russia to apply the EU-Russia Visa Facilitation and Readmission Agreements and make use of the provisions for flexibility. Of the visas granted to Russia by Finland, as many as 80 per cent are multiple-entry visas. Finland calls on the Schengen countries and Russia to grant more multiple-entry visas.

- Finland will continue to impress upon Russia the necessity of less complicated registration formalities for foreigners and urges it to facilitate the acquisition of work permits.

- Finland pursues the electronic transmission of customs declarations between the EU and Russia and other objectives - such as simplification of Russian border for-

*malities - which are included in the EU-Russia strategy to reduce congestion at borders.*

*- Finland promotes the development of border security cooperation between the EU and Russia.*

*- Finland pursues intensified Russia-related cooperation in the framework of the EU's research, product development and innovation programmes.*

## **Human rights**

*- Finland monitors developments in the human rights situation in Russia and encourages dialogue on human rights with Russia. The Council of Europe is a key forum for the promotion of the rule of law in European states. It is essential to impress upon Russia the importance of ratification of the Protocols to the European Convention on Human Rights concerning the death penalty and reform of the European Court of Human Rights.*

## **Towards free trade**

*- In the cooperation between the EU and Russia, Finland emphasises the importance of strategic goals such as free trade. The new agreement and Russia's future membership of the WTO would pave the way for a free trade agreement. This in turn would open more opportunities for trade and investment, thus benefiting both parties. Free trade would highlight Russia's role as an actor in the European economy, gradually diversify the structures of the Russian economy and export, and promote companies' internationalisation. Also membership of the OECD would integrate Russia into international cooperation.*

*- As regards the export duties on wood imposed by Russia, Finland's goal is a permanent solution, enabling continued import of the types of timber that are central for Finland in a cost-effective manner. The matter is on the agenda of the talks concerning Russia's WTO membership.*

## **The Baltic Sea**

*- Finland encourages Russia to participate actively in the protection of the Baltic Sea on the basis of the HELCOM Baltic Sea Action Plan and supports projects carried out*

*in northeast Russia via, for example, the Northern Dimension Environmental Partnership and by fostering collaboration between the public and private sectors.*

*- Finland encourages Russia to ratify the so-called Espoo EIA Convention (Convention on Environmental Impact Assessment in a Transboundary Context, 1991). Compliance with the provisions of the EIA Convention by all the countries of the region would have a positive impact on the working environment when major energy, port and transport route projects are carried out.*

*- Maritime safety in the Baltic Sea is improved by upgrading routing and surveillance of vessels. Efforts to this end are made by establishing close bilateral contacts between the public authorities in the framework of the Sea Surveillance Cooperation Baltic Sea (SUCBAS) and by paying special attention to the development and extension of the Gulf of Finland Reporting System (GOF-REP), a mandatory ship reporting arrangement.*

*- In the Baltic Sea region, exercises aiming at more effective cooperation between the public authorities can focus on protection of the environment, illegal immigration, and professional crime.*

## **Economic interaction**

*- Finland tries to improve Finnish companies' opportunities for operation in Russia. Finland endeavours to help solve problems encountered by companies whenever possible by means of public authorities' intervention.*

*- Finland will make use of the opportunities of cooperation opening up in connection with the diversification of the Russian economy and the development of its competitiveness through innovations so that the countries' experiences, competences and resources can complement each other.*

*- The work of the Economic Commission will be developed by linking its activities more effectively with meet-*

*ings at the prime ministerial level. Representatives of the business community will be offered better opportunities for participation by arranging events for them in connection with the meetings of the Economic Commission.*

*- The Ministry for Foreign Affairs will intensify its export promotion and internationalisation (EPI) activities with regions in Russia that are of interest to Finland.*

*- Finnish companies' participation in large strategic projects in Russia will be promoted. The Finnish diplomatic and consular missions and the network engaged in the promotion of export and internationalisation, financed by the Ministry of Employment and the Economy, play a key role in monitoring the projects and in providing information to and assisting Finnish companies. Finnish know-how will be marketed particularly as expertise that could contribute to the oil and gas projects in the Barents Sea, Yamal-Nenets, Caspian Sea and Sakhalin regions as well as to construction projects linked with the Olympic Games in Sochi in 2014.*

*- Tripartite cooperation with Russia and Norway will be developed in northwest Russia especially in connection with the construction of oil and gas fields and infrastructure projects.*

*- The preconditions for operation of the Murmansk office of the Consulate General of Finland in St Petersburg will be strengthened so that it is capable of responding to requirements arising from the growing economic and political weight of the Arctic regions and the need to promote Finnish businesses' participation in large projects to be carried out in the Barents region. The Finpro Finland Trade Center in Murmansk was opened in February 2009 to promote Finnish companies' export and business activities in the Barents regions.*

*- Finnish companies' demand and needs are addressed by reinforcing the services aiming at enhanced export and internationalisation in Russia, financed by the Ministry of Employment and the Economy. Cooperation between organisations active in Russia, such as Finpro, Finnvera, VTT, FinNode/Tekes, Fintra and the Finnish-Russian Chamber of Commerce, will be intensified.*

*- Cooperation in training, research and innovation between the countries will be fostered via the FinNode Innovation Centre Russia in St Petersburg and through actors in the service of the Ministry of Employment and the Economy engaged in export and internationalisation in Russia, networks maintained by universities and the Foreign Service, as well as the innovation team of the Economic Commission.*

*- Cooperation related to cost-effective use of energy and renewable energy sources will be developed, especially in the framework of the Kyoto mechanisms.*

**Effective border management**

*- Infrastructure projects that are prerequisites for a smooth flow of passengers and goods across the border will be carried out.*

*- To simplify border crossing procedures in future, Finland seeks to influence Russia to renounce its unilateral restrictions concerning customs clearance posts.*

*- In order to ensure smooth traffic and transport, efforts are made to establish a common market for transport services in the adjacent regions between Finland and northwest Russia.*

*- Cooperation related to combating customs fraud will be continued and developed.*

*- Finnish and Russian immigration authorities foster operational contacts in order to prevent irregular migration to Finland and the EU from third countries.*

### **Cooperation related to legal matters**

*- Cooperation between judicial authorities is developed with a view to an effective materialisation of judicial and legal protection especially as concerns cross-border and neighbouring area cases.*

*- To fight cross-border crime, efforts are devoted to operative cooperation and compliance with agreements especially with law enforcement officials in northwest Russia.*

*- Finland's goal is for Russia to facilitate foreign buyers' access to real estate in Russia and to ensure Finns and Russians equal rights to ownership of property on both sides of the border.*

### **Culture**

*- Direct cooperation and projects in the culture sector will be promoted by means of cultural forum activities.*

*- The Finnish Centre for Russian and Eastern European Studies promotes the development of cooperation in culture with Russia and the cultural partnership in the context of the Northern Dimension, utilising neighbouring area cooperation instruments.*

*- Peoples of Finnish origin are supported in their aspirations to maintain and develop their own languages and cultural heritage, especially in the framework of the Finnish Kindred Nation Programme and the World Congress of the Finno-Ugric Peoples.*

*- Finland's goal is that the operation of the Finland House in St Petersburg would start in autumn 2009.*

### **The environment**

*- Projects will be launched to reduce the environmental burden on the Gulf of Finland (waste water and discharges from agriculture).*

**Neighbouring area cooperation**

*- Finland promotes the safe use of old units of Russian nuclear plants in Finland's immediate neighbourhood until their decommissioning and participates in cooperation related to radiation and non-proliferation control and nuclear waste management.*

*- Finland supports the promotion of healthy life styles and the prevention and control of contagious diseases (TB, HIV/AIDS) in the adjacent areas.*

*- In addition to the earlier priorities of Finland's neighbouring area cooperation - environment, nuclear safety, and social welfare and health care - increasing attention will be paid to economic cooperation.*

**Finland portal in Russian**

*- Provision of information about Finland to the Russian civil society will be increased. As a contribution to this, a new Internet domain on Finland in Russian has been opened to serve as a channel of interesting, accurate and topical information about Finland to Russian-speaking visitors on the Internet all over the world. In 2009, a Finnish Public Diplomacy Programme will be published to promote the image of Finland in Russia.*

**Expertise in Russian affairs**

*- Improved visibility and presence of Finnish science and education in Russia is supported. The possibility that providers of funds would open their financing process to Finnish and Russian applicants as well as opportunities of joint research projects and joint training of researchers will be explored. Furthermore, efforts will be made to recruit more qualified Russian researchers to Finnish universities.*

*- The possibilities of allocating more resources to applied research, which focus on the future developments in Russia, will be investigated.*

*- The possible establishment of Finnish research institutions in Russia will be explored.*



*- Finns and Russians are encouraged to make use of the study and research exchange possibilities in Russia and Finland.*

*- The Cross-Border University will be developed into a well-known and attractive concept.*

*- The preconditions for studies of Russian language and culture will be improved. Schools could be given more freedom in the arrangement of their courses.*

*- Efforts are made to ensure that persons of Russian origin and other Russian-speaking people are provided good opportunities to participate and to offer their expertise, including areas that call for competence also in Russian affairs. Russian-speaking people are part of Finnish society and their integration into Finland must be supported as required. Russian programmes in the Finnish media play a critical role in this process. News in Russian is of particular importance. The Finnish Centre for Russian and Eastern European Studies promotes the integration of the Russian-speaking minority into Finnish society.*

*- Transfer of information and expertise between the central governments, business and industries, and research institutions is supported via, for example, Russia networks.*

*- The need for a module of Russian studies for Finnish decision-makers, representatives of the business community, the media, and Finns serving in EU institutions will be looked into.*

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