



KCCI - Country Wrap: Finland (Mar'19)

Finland – a brief overview

The Republic of Finland is a Nordic country situated in the Fennoscandian region of Northern Europe. In terms of area, it is the 8th largest country in Europe and the most sparsely populated country in the EU. The key features of Finland's modern welfare state are high quality education, promotion of equality, and a national social welfare system - currently challenged by an aging population and the fluctuations of an export-driven economy. According to the latest report of the WHO, Finland stood first leaving behind 4,000 cities in 108 countries to have the cleanest air in the world.

Economy of Finland

Finland has a highly industrialized, largely free-market economy with per capita GDP almost as high as that of Austria and the Netherlands and slightly above that of Germany and Belgium. Trade is important, with exports accounting for over one-third of GDP in recent years. The nation's trade is dominated by high tech products, such as mobile phones. However, as is the case with the manufacturing economy, Finland imports high amounts of raw materials and components for its manufactured goods. Finland is historically competitive in manufacturing, particularly in the wood, metals, engineering, telecom and electronics industries.

It excels in export of technology as well as promotion of startups in the information and communications technology, gaming, cleantech, and biotechnology sectors. Finland had been one of the best performing economies within the EU before 2009 and its banks and financial markets avoided the worst of global financial crisis. Because of the cold climate, agricultural development is limited to maintaining self-sufficiency in basic products. Finland's main challenges in the near term will be reducing high labor costs and boosting demand for its exports.

Key Industries of Finland

Metals and metal products, electronics, machinery and scientific instruments, shipbuilding, pulp and paper, foodstuffs, chemicals, textiles and clothing.

Finland's major trading commodities and partners

The major trading commodities exported by Finland are electrical & optical equipment, machinery, transport equip., paper & pulp, chemicals, basic metals and timber. The major export partners of Finland are Germany (14.2%), Sweden (10.1%), US (7%), Netherlands (6.8%), China (5.7%), Russia (5.7%), UK (4.5%). Commodities imported by Finland include foodstuffs, petroleum & petroleum products, chemicals, transport equip., iron & steel, machinery, computers, electronic industry products, textile yarn, fabrics and grains. The important import partners of Finland are Germany (17.7%), Sweden (15.8%), Russia (13.1%), and Netherlands (8.7%).

Economic Relations between Pakistan and Finland

Pakistan operates a diplomatic mission from the Embassy of Pakistan in Stockholm, Sweden. On January 21, 2012, Finland officially closed its embassy in Islamabad as part of a larger embassy withdrawal worldwide due to financial problems and recalled its staff back to Finland. Finland maintains an Honorary Consulate General in Karachi and another honorary consulate in Lahore and Islamabad. Finland has a practice of appointing a "Roving Ambassador" for the South Asian region, who is based in Helsinki and visits each country in the region 3-6 times a year.

The Finland Pakistan Business Council (FPBC) was established back in 1985 at the premises of Central Chamber of Commerce in Helsinki, Finland. The 4th round of Pakistan-Finland Bilateral Political Consultations (BPC) was held in Islamabad on 26th Feb' 19. The two sides reviewed the entire spectrum of bilateral relations and identified opportunities and possibilities for further cooperation in political, economic, trade, investment, education and cultural fields. Both have signed an MoU on Bilateral Political Consultations between the two Foreign Ministries. Finland's world-renowned company Wartsila, a global leader in smart technologies and complete lifecycle solutions for energy markets has presence in in Pakistan and more are expected to come to Pakistan for business and investment. Finland is also a strong supporter of EU's GSP Plus status for Pakistan.

Bilateral Trade Relations between Pakistan and Finland

Bilateral trade relations between Pakistan and Finland are not significant. In 2018, Pakistan imported commodities of about \$ 86.19Mn as compared to \$ 70.05Mn in 2017 showing a growth of 23%. Exports to Finland in 2018 amounted to \$ 26.35Mn as compared to \$ 65.77 in 2017 showing a decline of 60%. The trade balance between the two countries in 2017 and 2018 stood at \$ -4.28Mn and \$ -59.84Mn, respectively.

Potential for enhancing bilateral trade relations between Finland and Pakistan

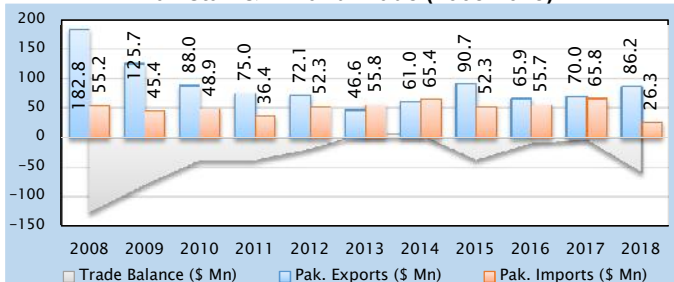
- Trade between Pakistan and Finland could be enhanced in the fields of textile yarn and fabric as Finland is an importer of these textile commodities. Yet, Pakistan needs to diversify its exports to the EU by incorporating items other than textiles.
- Finnish companies can invest in areas of energy, information and communication technology, oil and gas, water and waste management, agriculture, forestry, etc.
- Pakistan can partner with Finnish technological think tank for development of technological industry in Pakistan.
- Finland has been using forest resources for business and industry for the last over 500 years and Pakistan could learn a lot for improving its forest industry and promoting green environment.
- Finland has achieved great progress in energy efficiency and by developing close cooperation with Finland, Pakistan could make efficient use of energy in industrial and other sectors.
- Health is the fastest growing exports industry in Finland and Pakistan could get good benefits from Finland's advancement in this field.

Economic Indicators

Indicators	Unit	2016	2017	Change
GDP (PPP)	\$ Bn	238.2	244.9	2.81%
GDP per Capita	\$	43,400	44,500	2.53%
GDP growth	%	2.50	2.80	0.30%
Forex Reserves	\$ Bn	11.2	10.5	-6.16%
External Debt	\$ Bn	147.8	150.6	1.89%
Exports of Goods	\$ Bn	51.9	67.7	30.50%
Imports of Goods	\$ Bn	58.2	65.3	12.17%
Trade Balance	\$ Bn	-6.3	2.5	139.33%
Current Account	\$ Bn	-0.82	1.81	320.51%
FDI - at Home	\$ Bn	84.8	110.0	29.72%
FDI - at Abroad	\$ Bn	116.7	169.1	44.90%
CPI	%	0.40	0.80	0.40%
Prime Lending Rate	%	1.79	1.61	-0.18%
Population	Mn	0.00	5.52	N/A
Unemployment	%	8.8	8.5	-0.30%

Sources: KCCI Research, CIA Factbook

Pakistan & Finland Trade (2008-2018)



2018: Pak Exports: \$ 26.35Mn
Pak Imports: \$ 86.19Mn
Balance: \$ -59.84Mn

Source: KCCI Research, Trademap

Finland's Top 10 Trade Items With World (2018)

Import Items	(\$ Bn)	Export Items	(\$ Bn)
Mineral fuels & oils	12.44	Paper & paperboard	9.75
Machinery, boilers	10.60	Machinery & reactors	9.73
Elec. machinery & parts	7.86	Mineral fuels & oils	6.89
Vehicles & parts	7.81	Electrical mach. & equip.	6.37
Plastics & articles	2.81	Vehicles & parts	5.90
Iron & steel	2.78	Iron & steel	4.90
Optical, photo. Or surgical	2.36	Wood & articles	3.48
Pharmaceutical	2.35	Optical, photo. or surgical	3.40
Articles of iron or steel	2.23	Pulp of wood	3.18
Ores, slag & ash	2.08	Plastics & articles thereof	2.63

Sources: KCCI Research, Trademap

Pakistan - Finland Top 10 Trade Items (2018)

Pakistan's Export Items	(\$ Mn)	Pakistan's Import Items	(\$ Mn)
Apparel, knitted	5.75	Electrical mach. & equipment	20.02
Other made-up textiles	5.41	Iron & steel	19.02
Apparel, not knitted	4.94	Paper & paperboard	10.56
Articles of leather	4.89	Aluminium & articles	10.38
Cotton	1.06	Albuminoidal substances	6.77
Toys, game& sports	0.77	Mach., nuclear reactors	4.26
Edible fruit & nuts	0.52	Optical, photo. or surgical	3.34
Paper & paperboard	0.52	Pulp of wood	3.20
Furniture & bedding	0.47	Plastics & articles	1.90
Footwear	0.30	Vehicles & parts	1.89

Sources: KCCI Research, Trademap