

Finland's FDI Vision: The Building Blocks for Finland's Economic Growth and Future Resilience

Executive Summary

'Finland is doing all the right things but to stay attractive to international investors and talent, it needs to do more, and faster.'

Foreign-owned companies make up only 1% of the companies in Finland, but they employ nearly 266,000 people (18% of private sector employment) and are significant taxpayers.

Attracting more foreign direct investments (FDI) to Finland will support the growth and resilience of the Finnish economy. And whilst Covid-19 has halted planned investments in the short-term, changes in the global investment environment and creative investment options have given rise to new opportunities. The competition to attract FDI will continue to be fierce, and Finland **needs to adjust its mindset and value proposition while thinking more long-term to address this intensified competition.**

We commissioned FDI specialist Douglas van den Berghe to lead a series of workshops with foreign investor members of Amcham Finland. They were tasked with developing **Finland's first business-led FDI vision.** Two guiding questions were 1) what would foreign investors need to expand their operations in Finland; and 2) what would enable Finland to stand out from other countries when their headquarters choose a location for future investments?

The answer was clear. Multinationals make strategic investment decisions 7-15 years ahead. Therefore, they need to have a clear understanding of what the business environment in Finland will look like in 10 years. They assess regulatory certainty, stability, transparency, and predictability as well as the presence of a level playing field.

In short, when considering FDI, investors examine the Finnish government's **long-term vision for FDI and talent development** and want to see that **continuous improvement of the Finnish investment environment is a priority.**

Amcham's recently published **Finland FDI Vision and Roadmap** captures the status and impact of FDI in Finland. It examines Finland's competitive position and presents the views of global investors on what the drivers of Finland's future competitiveness are, from digital economy to 4th industrial revolution and sustainability. It also discusses the vital link between attracting talent and investment and why Finland should become a preferred location for regional headquarters and centers of excellence.

Our report notes that **to create future prosperity and welfare in Finland, decision-makers need to foster an attractive and competitive environment for ALL companies, foreign and domestic.**

Now is the time for Finland to capitalize on future opportunities and reframe the country's attractiveness to foreign investors. This includes long-term strategic thinking and a shift in mindset that clearly demonstrates that Finland welcomes foreign investors and international talent to help drive growth in the country's economy into the next decades.



Alexandra Pasternak-Jackson
CEO
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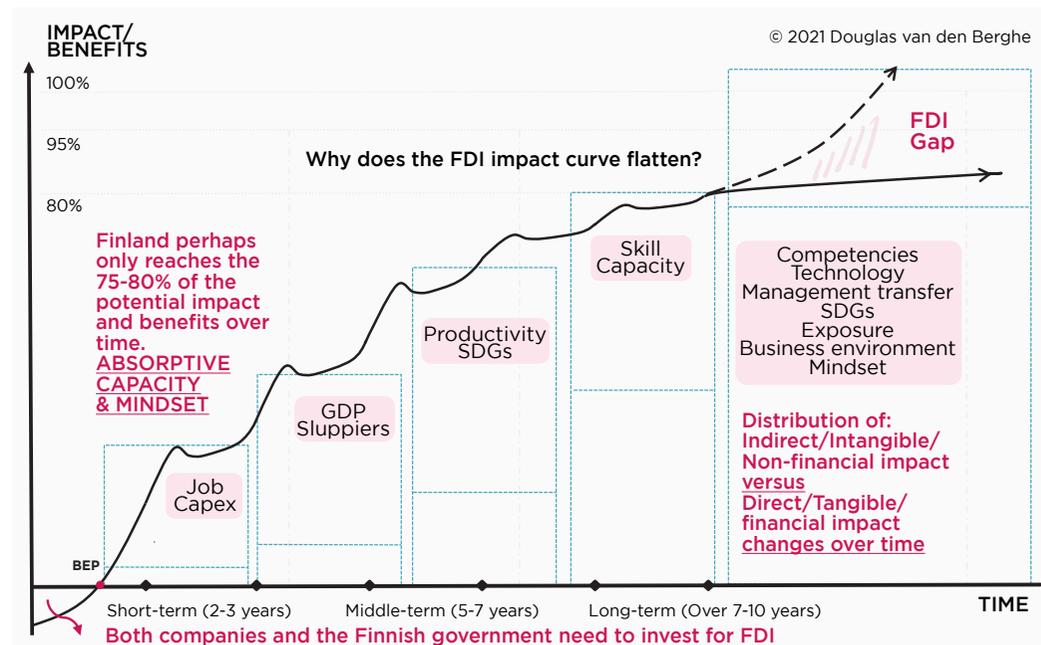


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Impact and Benefits of FDI to Finland

The challenge for Finland is to better understand why the FDI curve may flatten at 80% of the potential benefits/impact of FDI. The view in this report is that Finland needs to better support the growth of FDI or more specifically the foreign affiliates present in Finland over a longer time frame. To benefit from the long-term impact of FDI, the focus should be on facilitating re-investments or in general to create a stronger and more competitive business environment to facilitate further growth and embeddedness of foreign subsidiaries in the national economy.



The FDI - Competitiveness Cycle

Influential Forces:

- Competitiveness of Countries
- Global Economy
- Openness versus protectionism
- Firm and Industry Strategies

Improves Competitiveness:

- Economic
- Legal
- Political
- FDI is a Mindset
- Absorptive capacity



Indirect effects:

- Talent
- Technology and Knowledge Transfer
- Access to Global Supply Chains for Finnish Companies
- Gain International Experience
- Exposure and Visibility of Finland

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Contributes to:

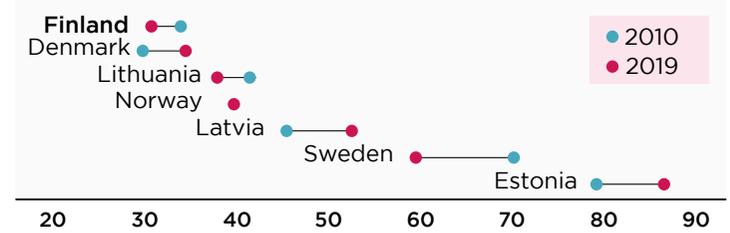
- Monetary: GDP, Capex, Tax Revenues, Exports
- Creating Highly Paid and Qualified Jobs
- Skills and Capacity
- Productivity Growth
- Linkages with Domestic Suppliers and Economy
- SDGs
- Depends on Absorptive Capacity, Transmission Mechanisms

Finland's FDI Status

Finland is often ranked well and competitive among international benchmarks, but as the recent OECD (2021) report highlights, Finland's gap with other Nordic-Baltic countries in attracting FDI is widening.

Inward FDI stocks as share of GDP

© OECD



Finland's Overall Competitiveness

Recent data from the main competitiveness indicators (The Global Competitiveness Index of the World Economic Forum (WEF), World Bank Doing Business Index (DBI) and IMD World Competitiveness Report) shows that Finland's overall position has improved over time, but it is not in the top 10 with the other Nordics. In the latest IMD report (June 2021), Finland's ranking fell for both for digital and talent competitiveness. In the Kearney FDI Confidence Index, which ranks the markets that are likely to attract the most investment in the next three years, Finland's ranking was 25 whilst other Nordics were in the top 10.

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|----|-------------|-----|
| 2 | Denmark | ▲ 6 |
| 3 | Switzerland | ▲ 1 |
| 6 | Sweden | ▲ 3 |
| 13 | Finland | ▲ 2 |
| 16 | Austria | ▲ 3 |

IMD World Competitiveness Report 2020

Drivers of Finland's Future Competitiveness and Opportunities for 2030

- Be the most attractive and competent environment for experimentation and innovation
- Play a leading role in attracting industries and activities in the second and third wave of IR 4.0 and moving beyond digitalization
- Operate as a hub and springboard for Asian MNCs (HQs) exploring the European, Baltic and Russian markets
- Attract more HQ activities and aim to combine these HQ coordinative activities with R&D activities creating Centers of Excellence rather than Centers of Coordination/Control; Finland as a breeding ground for new product and service development
- Attract more FDI in the field of sustainability and develop channels through which FDI can best support Finland in reaching the UN Sustainable Development Goals (SDGs) in 2035

The starting point for implementing the FDI vision is an open and welcoming environment for FDI, including related expats and staff

