

Finland – Russia Business cooperation 2014 - 2015

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Bachelor's Thesis

Field of Study Technology, Communication and Transport			
Degree Programme Degree Programme in Industrial Management			
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Title of Thesis Finland – Russia: Business cooperation 2014 - 2015			
Date	18.05.2015	Pages/Appendices	42
Supervisor(s) Päivi Korpivaara			
Client Organisation/Partners			
<p>Abstract</p> <p>During the years of 2014 and 2015 a lot of changes have happened in Russia's and Finland's foreign policy. It could really affect the business cooperation between those two countries, so in my thesis I want to take a look into this situation, since this is a really hot topic today.</p> <p>The purpose of this thesis was to analyze changes in cooperation between Finland and Russia during embargo on products and to find out how companies keep their positions on Russian market. Another purpose was to analyze changes in the company, which could relate to changes in the foreign policy of Russia and Finland. Market, advertising products, and search for raw materials for production, changes in company policy – all these aspects could be changed continuously.</p>			
Keywords: European Union, Finland, Russia, sanctions, risks.			

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1 Introduction

Russia's new foreign policy causes new risks not only for Finnish companies but for the companies in Europe and many other countries too. Because of that in the list of countries some work places are lost, which will increase the percentage of people that are unemployment.

A lot of Finnish companies have they business strongly connected with Russia. With cities, companies, even randomly taken people – they all are really important parts of that money chain that should work as smoothing as possible.

One of the foundations of the whole complex of bilateral relations is energy cooperation between Russia and Finland. Russia - a reliable energy supplier in Finland, 100% meets the needs of the country's natural gas, almost 70% - crude oil, the third in coal and 10% - in electricity. Finland is at the 8th place in terms of accumulated direct investment in Russia.

Business risks have increased today because of this new policy. Besides of that it almost crushes the rubble, so it reduces the possibility of Russian border residents tips to Finland to buy something new. This could be a pain for business especially in cities like Joensuu, Lappeenranta, and the ones that are used to having Russian customers as a lead purchaser for their products or services.

We should also keep in mind that Russia is one of the largest sales market in the world, and one of the most important for Finland.

The purpose of this thesis was to analyze changes in cooperation between Finland and Russia during embargo to products and to find out how companies keep their positions on Russian market. Another purpose was to analyze changes in the company, which could relate to changes in the foreign policy of Russia and Finland. Market, advertising products, and search for raw materials for production, changes in company policy – all these aspects were have changed.

The methodological basis of the work was the main provisions of the general economic theory, the theory of the global economy, international economic relations, international and regional integration.

Scientific methods and techniques are used: the dialectical method study of economic processes, methods, grouping and modeling of economic phenomena, methods of analysis and synthesis in addressing issues related to the development of the Finnish-Russian cooperation, as well as methods of comparative and theoretical analysis. In the study of the underlying factors and the state of cooperation between Finland and Russia have a systematic approach based on a combina-

tion of micro- and macro-economic analysis has followed. To achieve these goals comparative analysis has been widely used.

As a basic and statistical information sources, data and materials: government bodies of the Russian Federation (Russian Ministry of Economic Development, Ministry of Foreign Affairs of the Russian Federation, the Russian Trade Representation in Finland, the Russian Academy of Public Administration under the President of the Russian Federation); the state of the Republic of Finland (State Statistics Finland, the Finnish Customs Committee, the Central Bank of Finland, the Finnish Ministry of Foreign Affairs, Trade Mission of Finland to the Russian Federation); international organizations (UN, IMF, World Bank, World Economic Forum (WEF) - WEF, International Institute for Management Development (IMD), the International Finance Corporation - IFC, the Finnish-Russian Chamber of Commerce and others.); of Russian universities and centers (Association of European Studies (AES), the Institute of Europe, Russian Association of International Studies, the Center for Integration Studies and Programs (St. Petersburg), Karelian Branch AES (Petrozavodsk State University) on the Internet.

2 Business Risks

There are two main types of business risks. The first and more traditional type is hazard risk. It is found in fire, pollution or fraud. Companies used to protect themselves by buying insurance but, as we shall see, insurance is not the only one way to protect the company: there are many others.

The second type is entrepreneurial or opportunity risk. This happens when a company builds a new plant, launches a new product or buys a company. If the company gets its forecasts wrong, it loses money.

There are three key ways in which the results of hazard assessment are used:

- 1) to identify the vulnerabilities requiring the most immediate and extensive business continuity planning which acts as guide for prioritizing the order in which risks are addressed
- 2) to provide a basis for developing a mitigation program to eliminate potential disasters and lessen the impact of those that cannot be eliminated
- 3) to provide a foundation for the business continuity planning process. (Betty A. Kildow 2011, 69) [\[3\]](#)

The Business risk can be classified into 5 different types.

1. Strategic Risk: They are the risks associated with the operations of that particular industry. These kinds of risks arise from.
 - Business Environment: Buyers and sellers interacting to buy and sell goods and services, changes in supply and demand, competitive structures and introduction of new technologies.
 - Transaction: Assets relocation of mergers and acquisitions, spin-offs, alliances and joint ventures.
 - Investor Relations: Strategy for communicating with individuals who have invested in the business.
2. Financial Risk: These are the risks associated with the financial structure and transactions of the particular industry.
3. Operational Risk: These are the risks associated with the operational and administrative procedures of the particular industry.
4. Compliance Risk (Legal Risk): These are risks associated with the need to comply with the rules and regulations of the government.

5. Other risks: There would be different risks like natural disaster (floods) and others which depend upon the nature and scale of the industry.(Jolly Adam 2003, 6-7) [\[4\]](#)



Picture 1.1. Four basic types of business risk

Risk applies to any management decision that could have a good or bad outcome. Most risks are not catastrophic, but the major ones cause loss of life and great damage. Better risk management could have forestalled some of them.

The International Organization for Standardization (ISO) in the ISO Guide 73 defines risk as the “effect of uncertainty on objectives”. [\[59\]](#)

Let’s digest this definition a little more by considering its individual elements and how they are defined in the Oxford Dictionary. [\[60\]](#) First of all, risk is an effect, which the Oxford Dictionary defines as “a change, which is a result or consequence of an action or other cause.” So, a risk has to have a cause and it results in a change. If, for example, an individual smoke cigarettes, it increases the risk of lung cancer, which would certainly change his or her life if he or she were unfortunate enough to contract lung cancer.

Mr. Kit Sadgrove wrote in his book “The complete Guide to Business Risk Management” (2015, 2-4) that if you want to be in business in ten years time you have to ask three questions: what are the worst things that could happen to us? How likely are they to happen? Are we taking the right steps to prevent them? [\[1\]](#)

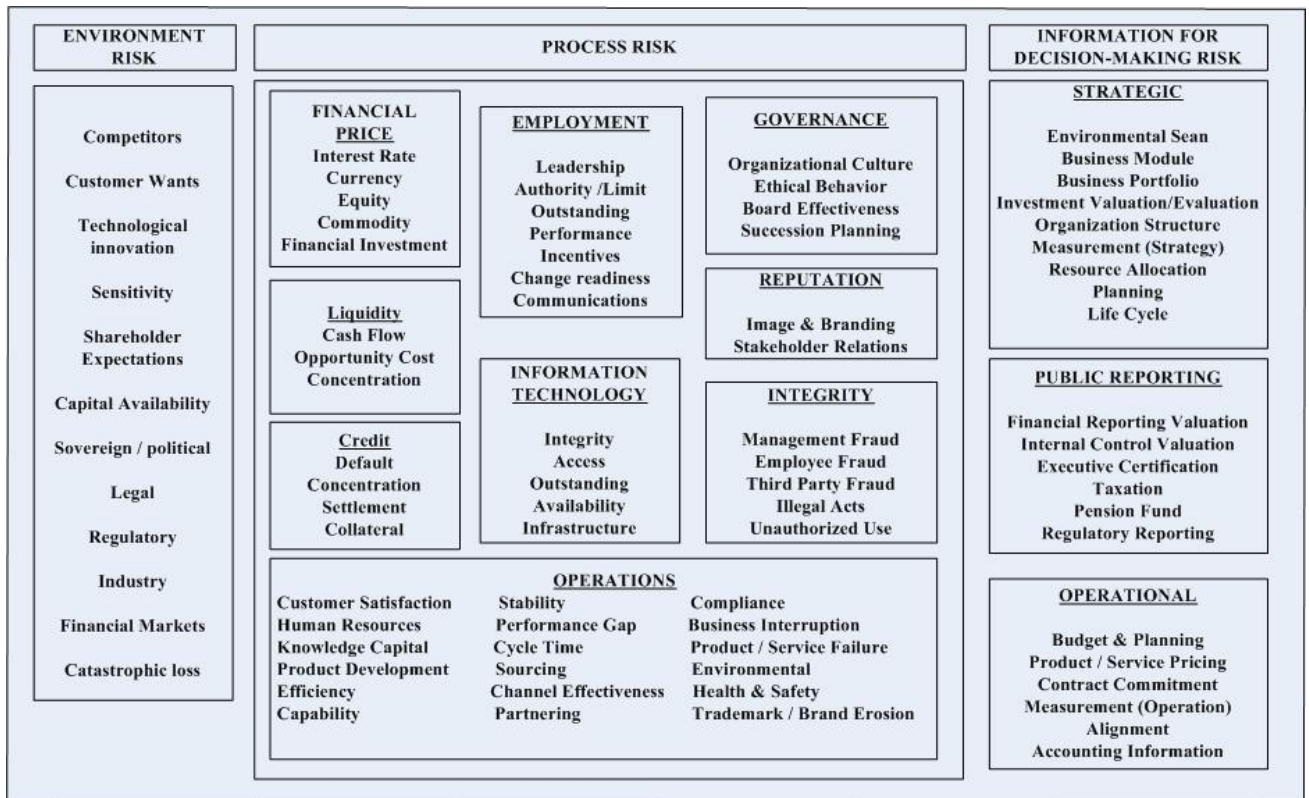
Many supply chain threats are not local to an organization. Globalization has led to lower production costs resulting from cheap labor and materials, along with added risks resulting from ex-

tended supply chains, decreased reliability, language barriers, suppliers' further outsourcing the work, and transparency issues. Mix terrorist threats, political unrest; shut downs at shipping facilities, and economic instability cannot be added. The end result is a recipe for potentially significant and long term supply chain interruptions that have the potential to cascade across the organization and result in the loss of business and customers, severe long term damage to reputation, and legal action.

Today, countless manufacturing companies actually produce very little. Rather, they purchase components and parts from multiple suppliers for assembly and distribution, creating a tremendous dependency on their supply networks. The ongoing push for a smaller physical footprint is often accomplished by streamlining the company's facilities by removing operations and locations seen as being redundant, inefficient, or unnecessary. This results in having more eggs in fewer baskets.

James Lam in his book "Enterprise Risk Management" gives us a few points, what risk management is about: balancing risk and reward; Balancing art and science; balancing processes and people. [2]

But on top of that we have a lot of different risks, which may happen.



Picture 1.2. Risk types organization

Despite some differences in wording, sanctions from the both sides of conflict are as follows: an assets freeze, travel ban on the ban on transactions with persons in sanctioned, the prohibition to carry out any transaction aimed at evading compliance with the sanctions ban collude to evade compliance with the sanctions, as well as a ban on the satisfaction of claims associated with transactions, the performance was affected by the sanctions, if they are submitted by a person from the list or on his behalf.

Thus, the basic and most probable risks include the following list:

Instability. It is very difficult to predict whether further sanctions will be introduced and to which they will affect. To situation, both political and market, is constantly changing, sometimes several time a day.

Freezing of assets. Asset, in both the US and the European Union, refers to a fairly wide range of objects of civil rights, such as: any property, including money, shares and interests, securities, as well as the right to claim the right to receive any property in the future, for example, to receive dividends, etc. It is important to remember that the person against whom sanctions were imposed, does not lose ownership of the frozen assets, but cannot dispose of them and cannot get their due on transactions or other grounds. Accordingly, the counterparties of such persons shall not be entitled to execute the transaction (transfer the goods, to perform the work, pay), and the banks have no right to transfer the benefit of the persons involved in the sanctions list.

The ban on the provision of economic resources. A ban on any transaction with persons included in the sanctions lists (since most of them are businessmen or persons owning a certain percentage of shares in different companies, it can be considered a ban on any transactions with a number of companies, not only Russian)

The ban on "circumvention" of sanctions. This provides freedom in its application by the courts as well as the supervisory authorities of countries that have imposed sanctions, that enforcers may include actions involving the assignment of rights under contracts, payments from a third party and other actions to change the structure of the contract to take action "to bypass the sanctions". [\[54\]](#)

None of the Russian companies, including those which do business in Russia and have no foreign assets and transactions cannot be completely free from the risks associated with sanctions. For this reason, each company should seriously approach the assessment of the possible risks and measures of protection against them. Never before have sanctions are been related to Russia and Russian business as they are now.

3 Relationships between Finland and Russia

3.1 Historical background

Russia is the leading trade partner of Finland, with a share of 13.9% of Finnish foreign trade. It should be noted that Finland has traditionally been among the leading economic partners of Russia. Finland's share in Russia's trade is 2.2%. It is the 15th highest rate. Businesses in both countries are actively involved in the implementation of bilateral economic ties. Despite the significant differences as to the extent and the structure of our economies, Finland is one of the most important partners of Russia in the Northern Europe and the European Union. In 2013 foreign trade turnover between Russia and Finland was \$21.1 billion according to the Customs of Finland Compared to the level of the previous year the turnover increased by \$168 million, or 0.8%. By the end of 2013, Russia had the surplus in foreign trade with Finland in the amount of \$6.9 billion, which is higher than the same period of 2012 by 9.6%.

Russian exports of commodity products in 2013 increased by 2.7%, reaching \$14.0 billion. The volume of Russian imports from Finland decreased by 2.8% compared to 2012, reaching \$7.1 billion [\[24\]](#). Absolute increase in Russian exports to Finland compared with the previous year amounted to \$370 million.

Russian imports from Finland declined as compared to last year's figure by \$202 million. Russia's main exports are fuel and energy products. In 2013, the share of fuel and energy resources in the structure of exports to Finland amounted to 83.1% (including 68.2% - oil and oil products, 10.8% - natural gas, 2.6% - coal and coke, 1.6% - electricity). The major items of Russian imports from Finland in 2013 were: machinery, equipment and vehicles - 31.9%, chemical products and goods - 19.7% (including medications - 5.6%), paper, cardboard and products - 10.1%, food products - 7.5%. The volume of Russian exports of services in Finland was \$1.098 billion, while imports of services from Finland amounted to \$2.749, according to the Bank of Finland, in 2013. According to the Bank of Finland, the total turnover of services between Finland and Russia for 2013 amounted to \$3.8 billion, accounting for 18.3% of turnover. [\[51\]](#)

Previously, Finland determined its own geographical notched (neighbour to Russia) economic policy, giving advantages in terms of the choice of cooperation with Russia. During inflation Finland cooperated closely with the Soviet Union and Russia-a vivid example is the construction of the processing plant in Kostomuksha. Then it helped to mitigate the impact of unemployment citizen of Finland, many jobs have been created. So from here we can see that relationships between Russia and Finland became stronger every year, not only in business.

With the access into the European Union, Finland has undergone a series of political and economic changes. In the context of globalization of international relations and global economic ties

and intensification of international competition, Finland made a turn from an economy growing at the expense of public investment and financial investments, to innovative economy, becoming the country's second tier with high living standards and social protection, as well as advanced technology. This base has been laid in previous decades.

According to quantitative indicators (share in the GWP, the share of world trade) place Finland in the global economy slightly stronger. In the production of certain branches of engineering, electrical and metal industry, especially high-tech, Finland occupies a prominent place in world production. Qualitative indicators (index of competitiveness, growth, and investment attractiveness) of Finland show that country is the undisputed leader on the modern stage among the countries with developed market economies.

The country is gradually moving away from the previous focus on raw materials, energy-intensive and capital-intensive industries. Also an important fact is that in Finland the basis of growth of exports of high technology products accounted for Finnish technology and the share of borrowed technology is negligible.

Finland was among the first 11 countries of the European Union to meet the criteria and join the European Monetary Union, the process of introducing the single European currency - the euro. This corresponds to the main objectives of economic policy in Finland - support economic growth by improving the main economic indicators and the stabilization of public finances. By joining the EMU, Finland has delegated decision-making at the macroeconomic level, as well as many important levers of economic influence in crisis situations. An analysis of the features of the Finnish found outside (EU membership, global economic conditions) and internal (successful structural reform of the economy, low inflation, volume public investment in R & D) factors determining this development.

3.2 Russia as a trade partner today

Russia in 2007 remained the largest trading partner of Finland. But in 2014, from January to September it was on these indicators ahead of Germany, which has now taken the place as the main trading partner of Russia.

At this point, according to the Finnish Customs, exports from Finland to Russia in monetary terms amounted to 3.5 billion Euros and imports to 6.8 billion.

Already then negative trends became apparent. For Finland, Russia is one of the largest export markets, second only to Sweden. By the end of 2013 the total volume of shipments was \$ 6.87 billion, which is 9.25% of the total exports of the country.

Finnish exports to Russia will be reduced in about next two years. This forecast was voiced on 2014 February 25 at the Research Institute of the Finnish Economy ETLA.

According to ETLA, in 2014, Finnish exports to Russia decreased by 15%, at the end of this year and in 2016 they are expected to decline by 10%. [\[8\]](#)

According of the experts of the Institute, in the short-term outlook for exports from Finland to Russia could be quite unfavorable, however, if we consider a longer time period, the Russian market will continue to be of great importance for the Finnish trade and investment. In ETLA, who believe that, the subject of the ruble depends on rising oil prices in two years, Finnish exports to Russia may begin to grow.

It is worth consideration that exports from Russia as well have changed. The most ambitious was decreased exports of chemical and timber industry, metallurgy, food, machinery and equipment. Delivery vehicles and electronics, on the contrary, have increased.

Thus, at the end of 2014 Russian-Finnish foreign trade turnover amounted to more than \$ 16 billion, a decrease of 13.4% compared to 2013. This is not catastrophic, but it is very sensitive. Russian orders to Finland helped save about 60,000 jobs, and Finnish - allows the Russian Federation to save about 100 thousand. Therefore, any reduction in turnover can cost thousands working places.

The volume of the Russian-Finnish foreign trade at the end of 2014, according to our estimates, could reach \$16.2 billion, decreased on 13.4% compared with the year 2013, while Russian exports to Finland will reduce by 12% and imports from Finland - by 16.7%. [\[24\]](#)

"Sanctions have not affected our business, - said the head of the business unit" Russia "Finnish construction company YIT Teemu Helppolainen. - However, the slowdown in GDP growth in Russia has a negative impact on consumer confidence and purchasing power, that is, the observed dynamics in recent years have not been positive. New problems caused by the sanctions, we have not noticed. But the influx of new foreign investment is still not expected."(November 18, 2014)

Concerning the spring of 2014 forecast that economic growth will slow down, and this factor had to be taken into account in new projects. For example, currently was reduced the projected average area of apartments in houses, and was started to build these homes by themselves on the basis of the current situation with the sales. The main concern imposes hope on the further migra-

tion of population from rural areas to big cities; by migrating the demand for housing is likely to remain at an acceptable level even in times of crisis, says Helppolainen. (November 18, 2014) [\[55\]](#)

3.3 What changes have happened in political situation?

Another round of political tension due to the situation in Ukraine has led to the fact that in March 2014 the United States, the European Union and a number of countries acceded to impose sanctions against Russian citizens and organizations.

3.3.1 EU sanctions

Another round of political tension due to the situation in Ukraine has led to the fact that in March 2014 the United States, the European Union and a number of countries acceded to impose sanctions against Russian citizens and organizations.

Tool sanctions against individuals or even whole states are not new. And the government, and business, especially international, has learned to live and work in the political, legal and economic infrastructure, assuming the presence of the sanctions regime and the responsibility for their violation. However, never before sanctions have concerned Russia and Russian business as they are now.

Let's try, using political rhetoric's, to understand what can be intimidating sanctions for Russian business, and that they represent the legal, particularly civil legal point of view.

While sanctions against Russian nationals outside the United States and the European Union were supported by Canada, Australia, New Zealand, Switzerland, Iceland, Norway, Japan, Albania, Moldova. The list of countries is constantly updated as the accession of EU sanctions in other countries. However, the role of the driver in the introduction of sanctions belongs to the United States and in the second place to the European Union.

The US sanctions were imposed by the executive orders of the President of the United States (Executive orders) № 13660 of 06.03.14, № 13661 from 16.03.14, № 13662 on 20/03/14. The developments of these orders were issued regulations of the Department of the Treasury (Department of Treasury). It is a division of the Department - OFAC (Office of Foreign Assets Control) - and maintains a list of persons sanctioned (Specially Designated Nationals and Blocked Persons List, hereinafter - SDN List). The list includes both physical and legal persons.

It is important to understand that in the United States the SDN List is automatically deemed to be included and the companies to which persons referred to in the straight SDN List, owned directly

or indirectly more than 50 percent of the shares (stakes) in the authorized capital. At the same time in relation to those companies, whose share of the persons were included in the SDN List, less than 50 percent, OFAC recommends to be "careful» (cautious).

In the European Union sanctions are imposed it's Council Regulations (Council Regulations). With respect to Russian citizens sanctions imposed regulations number 208/2014 of 05.03.14, № 269/2014 of 17.03.14, № 284/2014 of 21.03.14, № 381/2014 on 04/14/14, and the so-called by implementing regulations (Council Implementing Regulations) № 433/2014 of 28.04.24 and 12.05.14 № 477/2014 from. The European Union lists are approved as adjuncts to Council Regulation (Annexes). In this list there are only individuals, with the exception of two companies operating in the Crimea.

Just as in the US, the European sanctions list is automatically deemed to be included, and those companies that are controlled by persons are directly included in the sanctions list. However, unlike the US regulations, European standards do not provide precise quantitative criteria for determining the existence of control. It can be not only the percentage of shares or shares in the authorized capital of the company, but also the possibility of appointing more than half of the board members or the ability to determine the terms of reference of activities under the contract.

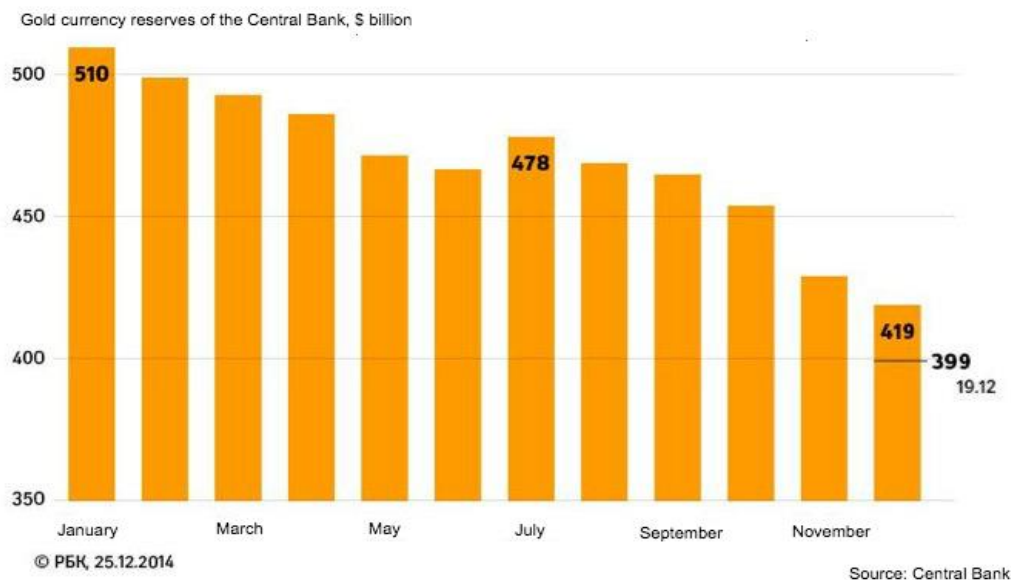
Until the 30th of July 2014, sanctions affected almost all of the top officials in Russia, except for Putin, Medvedev, Lavrov, Shoigu and Churkin, to preserve diplomatic channels. They also touched several key oligarchs and top managersthe state companies. Sanctions are extremely useful and positive, both for officials and for Russia. Because they represent the interests of the country, it is not correct to keep money in Europe or the US, and Russian banks and companies by buying shares, to develop their own resorts and create conditions for growth and progress of Russian business, not foreign.

Embargo on arms supplies was applied to Russia, the ban on exports to Russia dual-use goods are intended for the military sector, as well as restricting access to Russian oil and gas industry technologies. How strong is its impact on the Russian economy? If there were no taxes on oil and gas and export duties, then marginality of the company could reach 70-80%. In second place on the margins is the IT industry and pharmaceuticals. In this case, if the business gives the profit margin lot under 80% (excluding taxes on the industry), why we should develop, for example, heavy industry with an average rate of 5-7% margins? But the US and the EU are actually very helpful in Russia, with the adoption of sanctions to speed up the process of import substitution. No one wants to take big risks in business just to start working. But when the channels are cut off, then circumstances force to act. After all, if there was an opportunity to avoid these risks, the heavy industry still could develop, serving oil and gas companies, but no more.

The arms embargo and components will not cause critical failure, because since the days of the Soviet Union and the Cold War defense industry has been providing so-called closed-loop, where almost everything was produced in the USSR. With the exception of electronic components, everything else in the next year or two can be deployed in Russia. With regard to technology in the oil industry, if we talk about technology for deep-water drilling, shale oil, and the development of the Arctic shelf, you should have more in-depth understanding of the current and potential needs of the oil and gas industry. About 25% of components and equipment are foreign. However, given the scale of the business and the resources it will not be difficult to circumvent the restrictions. Oil and gas - it's not what you vulnerable and defenceless small business. This is the whole empire by the power of comparable countries. So I'm sure that a way will be found. Will it be the production of the necessary technologies in the Russian Federation, or ordering them from the concerned mills - time and changes in the situation will show.

Sanctions hurt the Russian economy. The ruble began to fall, incomes have decreased, a lot of companies have cut wages at their employees. Accordingly, decreasing purchasing power of the population. Everyone who had the "extra" money and tried to exchange it into foreign currency, respectively led to a new round of the fall of the ruble. The peak occurred in December 2014, when sales reached about 120 rubbles per euro. [\[25\]](#)

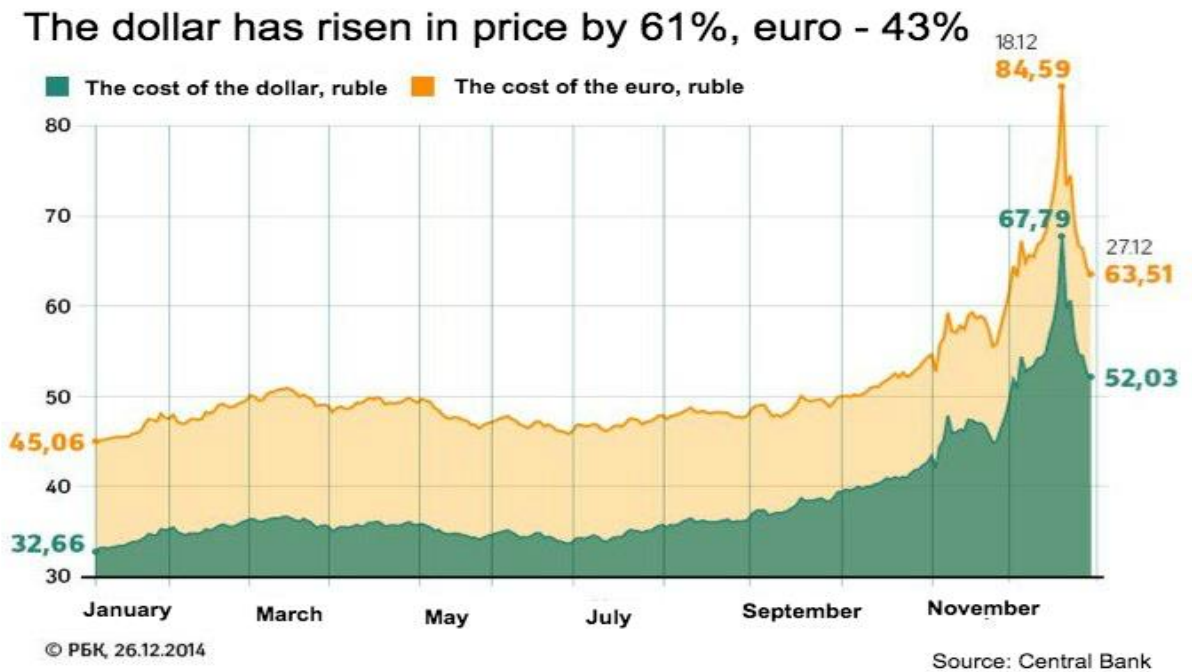
Gold currency reserves declined by \$ 111 billion



Picture 2.1. Graph of present gold and currency reserves of the Russian Federation in 2014

As can be seen from the graph (Picture 2.1) shown above, in connection with the sanctions, Russia's international reserves lost about \$ 111 billion (as of December 19, 2014). Keep in mind

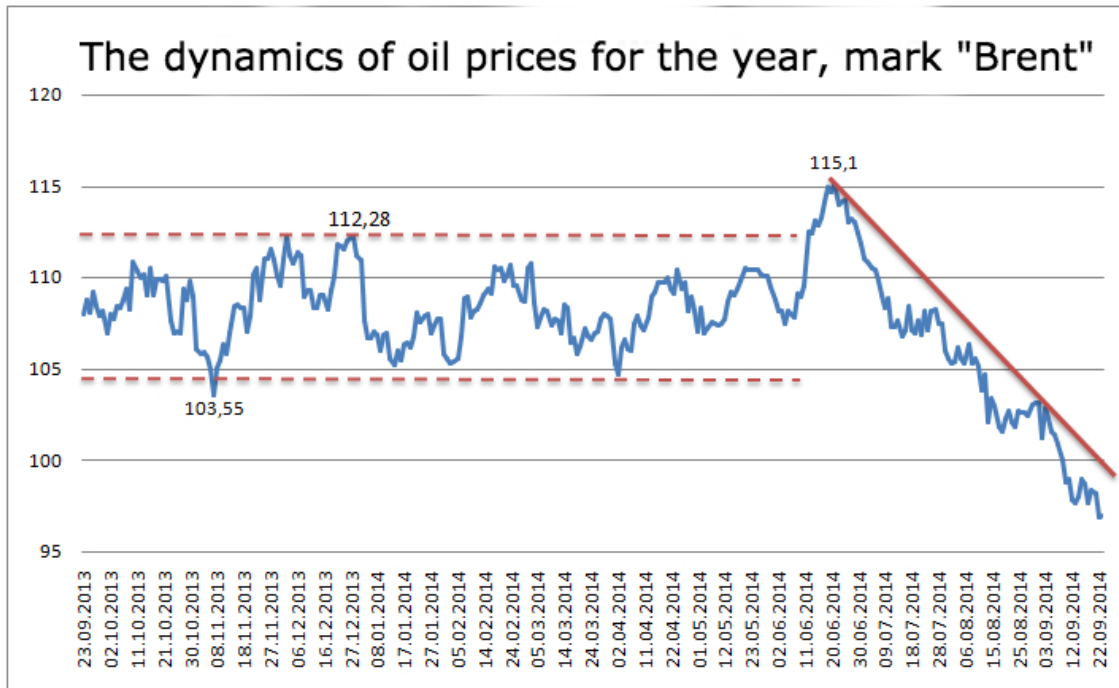
that this data is influenced not only by financial sanctions, but in one way or another, just its influence exchange trading.



Picture 2.2. Price chart, the euro (yellow colour) and the dollar (green colour) in 2014

It is also worth noting that, in connection with such policies not only hurt the ruble, and the euro. At the same time, the dollar has definitely won in this situation. Below there is a graph (Picture 2.2) dollar and the euro cost against the ruble (as of December 27, 2014), the peak price fell on 18th of December.

Large redemption on Eurobonds in 2015 is coming to banks that cannot refinance the debt on the international market because of sanctions. In March VTB Bank needs to pay off Eurobonds for \$ 1.25 billion, the Savings Bank in the second half of the year - Eurobonds for \$ 1.5 billion and 410 million Swiss francs, Gazprombank - paper at \$ 1.5 billion and 500 million Swiss francs. Among the non-financial sector borrowers from the largest payments coming to "Gazprom" - four issues in 2015, the gas monopoly has to pay 1.85 billion Euros and \$ 1.7 billion. [\[47\]](#)



Picture 2.3. Graph of prices for Brent, September 2013 – September 2014

To all this was added the fact that oil became cheaper (Picture 2.3). It seemed that Russia could hardly full fill its obligations under the loans and the country will collapse. All this caused an increase in anxiety, uncertainty about the future. The situation has exacerbated the instability of the political situation in Ukraine, to which sanctions were attached.

The general economic downturn and the devaluation of the ruble these are clear trends that greatly hinder business. It is because of stagnation and the devaluation of the ruble that about half of Finnish companies working with Russia, have recorded for the first half of 2014 a decline in export and a reduction in its business in the Russian Federation. This was reported by the Finnish-Russian Chamber of Commerce, with reference to a survey conducted in autumn 2014 among 300 Finnish companies. (24 November 2014)

Financial sanctions. Ban on funding with a maturity of more than 90 days for Russian banks and companies. Ban on placement of shares and bonds of Russian banks and companies in the EU and the US.

Cons (Lows) - in fact, they are themselves prohibitions. Until now, this feature is used quite often, because it is comfortable and familiar. However, the business must be able to adapt, or not?

Pros (Goodies) - in Russian banks and companies more than \$ 600 billion foreign debt + more 200 billion were recorded on offshore, but under the control of the company. It is obvious that as the expiry of the loan, refinancing will occur in other currencies. Reducing external debt almost automatically raises domestic debt, thus the Russian financial system will win. This will cause a shortage of liquidity in the Russian banking system, increasing the demand for rubles (exchange rate will rise), the Central Bank may change its monetary policy to meet excess demand for ruble-denominated loans at the time of refinancing currency.

Result: These limits stimulate development of the Russian financial system. Not immediately and not so simply. But in the long-term there is going to be a positive change.

The main obstacle for the development of Russia's Finnish businessmen was named in the growing political risks and challenges to the financing of customers. However, many foreign companies began to leave the Russian market, as they see this market as a strategic market of the future

Some foreign companies consider the possibility of revising the production and investment plans in Russia. At the same time, they note the deterioration of the current business performance. The reasons are the sluggish economic growth, the reduction in consumer demand, the devaluation of the ruble and the problems with logistics and cargo transportation. At the same time with great concern foreign businesses is following the oil price, which rises on the Russian budget, and hence on the prospects of state. Also, the business is traditionally a concern bureaucracy.

The current situation indicates that while Russia is coping with the problems. This is indicated by the following facts.

European sanctions have forced Russia to seek a partnership with a number of other countries, particularly with China. "With the collapse of the ruble Moscow was able to regain most of its assets, which were in the hands of foreign owners, and in addition to earn \$ 20 billion in just a few days," - journalists wrote the European media (1 January 2015).

Russia and the non-Western world are going to disconnect from the dollar. Russia is preparing to abandon the American rating agencies, which is a speculative game in the interests of Washington. Storchak's statement was thrown in information space, not by chance. In the near future Russia will refuse any Moody's and vultures as one of the tools of the dollar system. An alternative would be the Chinese rating agency, Dagong most important of which is already out in the leading roles, and contrary to US offices gives high ratings to Russian companies and the economy. In fact, this will be another moment to launch an alternative international economic system without the dollar. Kremlin has gradually begin to abandon the dollar, secretly and deliberately buying gold for 8 months.

"Purchase of precious metal cannot but cause problems, because now Russia has spent a significant portion of its foreign currency reserves (nearly \$ 100 billion) to support the ruble and the salvation of a number of companies," - experts fear. He recalls that "as the official reason for buying gold Russia calls the Western sanctions." However, experts suspect that buying gold is a grand plan and geopolitical strategy of the Kremlin, which wants to become more independent from the dollar and leave itself room to maneuver in the event of financial tightening Western sanctions, "- said the Economist (7 March 2015).

By the way, gold is considered to be really accepted currency in the world and is an alternative to the dominant dollar. "Thus, the increase in gold reserves is something like a declaration of independence from the United States," - stated the journalist of Economist.

In recent months, Russia has launched several such processes of rapture from the dollar system. Was produced an internal analogue SWIFT - by mid-February 91 Russian banks have already joined the system of domestic interbank transfers. By May Russia is going to complete this process, and actually to neutralize mechanism once the dollar system to control the Russian economy. In parallel, created and put into effect the national payment system, which cancels the monopoly of American systems in domestic credit card transactions. In this case, "Mastercard" and "Visa" are not expelled from Russia, as they agreed to work within the framework of the Russian system. January 30, the first five Russian banks began to process domestic transactions of the MasterCard cards through the processing center NBTS with the settlement of such transactions through the Bank of Russia. By March 31 all Russian banks must go to the national payment system. These steps are considering closing lending in the West for Russian banks and stripping dozens of toxic banks, which will lead to the creation of a sovereign system of Russian banking.

In parallel, there is an active de-dollarization of the global economy - the engines of this process are Russia and China. It is reported that direct foreign exchange transactions between Russia and China, excluding the dollar from circulation, but from July to October of 2014 year increased by 2400%. In late December 2014, China launched a swap trade in the format "Yuan-ruble" with Russia on TLN 1.24 rubles. In parallel, China launched swaps with the Malaysian and New Zealand currencies. In addition, to abandon the dollar in mutual calculations joined Iran - oil and grain actually replaces green wrappers. Egypt under the breakthrough agreements with Russia promised to withdraw from the dollar Russian segment of its tourism, allowing the ruble to the direct payment of services in its territory. Mutual settlements in national currencies as are Brazil, Uruguay, and India. This process is not specifically advertised, and therefore it is possible that many join him secretly acting facedown - and at one point you find that out-of-dollar fin system will substitute for the dollar.

The more so because the formal establishment of the New Development Bank, the first meeting of the Board of Directors took place July 7, 2015 in Ufa, in fact, is a public launch of a global

international financial system, independent of the West. There will be a full transition to this system in five years in 2020, as planned, or earlier, depending on how the West could be in adequate against the non-West. Each new attempt in Washington to unleash a world war only accelerates this process.

Besides disconnecting from dollar, Russia started to strengthen the ruble. Nabiullina (13 March 2015) introduced a new forecast of macroeconomic development of Russia, the TASS. In this scenario, the Central Bank lays the maintaining price for Urals oil at \$ 50-55 per barrel, as well as the condition of conservation of sanctions until 2017. According to the forecast, the foreign exchange reserves in 2015 will be reduced by \$ 50 billion, and capital outflows of \$ 100-110 billion. The central bank also expects the decline in payments on foreign debts in 2015 doubled - up to \$ 65 billion. According to the forecasts of the Central Bank, Russia's GDP 2016 will decrease by 1-1.6%. In general, the risk of cooling of the Russian economy, according to Nabiullina, will be saved to the 1st quarter of 2016. "Data for January and leading indicators for February, primarily business sentiment index, suggest that the economic situation continues to deteriorate and this trend may continue to I quarter 2016," - she said. The head of the Central Bank added that inflation in 2015 would be in the region of 12-14%, while the annual inflation may rise until mid-year. Elvira believes that the impact of devaluation of the ruble will decay effect on inflation in Russia. She added that the ruble is undervalued now at around 10%.

So why does ruble become stronger? This is one of the biggest questions nowadays. There were a lot of sanctions that should cause the ruble's fall. There were some good attacks on it. And in December 2014 they made their job. But why today does become ruble stronger and stronger? There are a few reasons.

Oil. The recovery in the price for oil, Russia's biggest foreign-currency earner, has been the backbone of the currency's rallying.

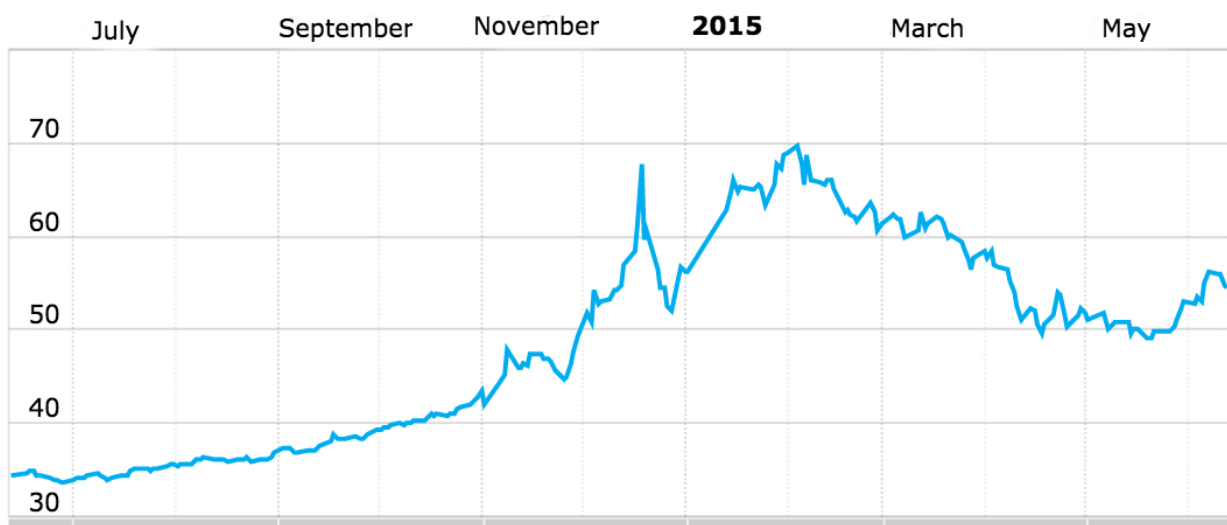
Russians are selling foreign currency. For the first extended period since 2012, Russian retail clients are now selling more foreign currency than they are buying, according to state-owned Sberbank. In the first week of April, retail clients sold 60% more foreign currency than they bought. As the currency began to decline in 2014, many Russians stocked up on foreign currency in the expectation that the ruble would continue to fall.

Foreign debt payments. The currency is also supported by waning demand for dollars and Euros that have been needed to pay foreign debt. According to central bank data, Russian companies

have to repay about \$ 110 billion in foreign debt in 2015. But many of the largest repayments were stacked in the first quarter, peaking at \$ 17 billion in March and declining from there.

Stop-loss orders. In recent days there has been also an increase in stop-loss orders among investors who had bet that the ruble would collapse further. This much of the currency's strengthening was driven by international accounts that were closing long dollar positions.

Ukraine. The ruble's rise has also been helped by the recent quiet in eastern Ukraine where government troops and Russia-backed separatists are largely observing a cease-fire. Casualties have dropped significantly since the Feb. 12 cease-fire agreement, which also seems to have headed off further Western sanctions against Russia. [\[46\]](#)



Picture 2.4. Euro prices in Russia from June 2014 till June 2015

International rating agency Standard & Poor's downgraded the long-term and short-term ratings of Russia on foreign currency debt to "BB + / B" from "BBB- / A-3." According to a press release from the agency, the rating outlook - "negative". In addition, long-term and short-term ratings on liabilities in national currency have been reduced to "BBB- / A-3" from "BBB / A-2". [\[42\]](#)

S & P experts expect that the annual economic growth will be about 0.5% in 2015-2018, respectively, which is 2.4% lower than over the past four years. They note that the limited growth - a result, including structural economic slowdown that began even before the Ukrainian crisis. However, it reflects a lack of external funding due to the imposition of economic sanctions and a sharp decline in oil prices. Downgrade S & P may lead to a sharp increase in debt that will need to be put out in 2015 by Russian companies and banks. While the other two ratings in Russia while at the investment level, the downgrade S & P may be a trigger for sales from foundations, guided only by investing or indexes investing.

Finance Minister Anton Siluanov (26 January 2015) called solution S & P the demonstration of "excessive pessimism" of the agency. At the same time, he said, to prove wrong S & P can only achieving obvious prerequisites out of the recession and the trend towards economic recovery. Meanwhile, neither analysts nor even the official prerequisites for such trends can see them yet.

According to Siluanova, agency's decision does not take into account a number of factors that characterize the strengths of the Russian economy: accumulated large international reserves, including sovereign wealth funds, whose volume in ruble terms increased significantly, the current account surplus and a very low level of public debt. Just separate projections S & P represented by the Minister "unduly negative" as compared to the official Russian forecasts and estimates from international organizations.

Russia can only prove with its actions that the assessment is overly pessimistic. To do this, it must continue to hold the responsible macroeconomic policies, demonstrate the ability to adapt quickly to low oil prices, budgetary reserves to maintain and achieve a balanced budget in the medium term ", and the business should be able to take advantage arising from the weakening of the ruble cost advantages.

Everybody wrote that great political risks, big risks are associated with the judicial system and so on. But all of these risks are offset by an increase in international reserves, improvement of exchange balance, rising oil prices and production volumes. Now all the negative factors were the same, but the positive taper off.

What sanctions can be detrimental to Russia?

- 1) Breaking correspondent banking, clearing and settlement and cash operations, which could cause a crisis of liquidity and lock up exporters and companies tied to external financing, block trade financing.
- 2) Trade protectionism. Restrictions or a ban on imports of Russian oil, gas and other raw materials.
- 3) Forced expropriation or freezing assets of the companies or the state. [\[58\]](#)

Risks for Russia are limited to short-term period upon reorientation of business and government on a new paradigm of relations with madcap from the US and the EU. In the long term trend is very positive. The irony is that the more - the more damage is caused to the wild and it'll be more useful for Russia.

3.3.2 Russian sanctions

The Ministry of Foreign Affairs of the Russian Federation, the United States called the entered sanctions against Russia, "a reflection of the pathological reluctance to recognize the reality and the desire to impose all its unilateral unbalanced and totally ignore the reality approaches". (17 March 2014)

In response to the sanctions measures against a number of Russian officials and deputies of the Federal Assembly of the Russian Foreign Ministry on March 20, 2014 was published a list of sanctions against officials and members of the US Congress, which includes nine people who are denied entry to the territory of the Russian Federation.

In response to the approval of Canada Ministry of Foreign Affairs of the Russian Federation published a list of 13 Canadian citizens - government officials, parliamentarians and public figures -, which prohibits the entry into the Russian Federation. (24 March 2014)

The Russian Foreign Ministry announced that the sanctions lists against the citizens of the EU, the US and Canada were expanded on the "mirror" principle, given the increased penalties on their part, but the open list will no longer be published; according to an unnamed senior source RIA News, "helpers" stop list "know that they are in the Russian" black list "when they cross the Russian border." (28 March 2014)

After payment systems Visa and MasterCard froze at the request of the US Treasury Department the operations on plastic cards of several domestic banks in Russia have intensified efforts to create its own national payment system. The State Duma demanded compensation from Visa and Mastercard.

Russia included in the sanctions lists more than 200 foreigners. Among the most famous people on the list were the Deputy Assistant US President for National Security, Caroline Atkinson, Assistant US President Benjamin Pfeiffer and Daniel Rode, the leader of the majority in the US Congress, Harry Reid, Speaker of the US House of Representatives, John Beyner, chairman of the Senate Committee on Foreign Affairs, Robert Menendez, Senators Mary Landrieu, John McCain, Daniel Coats. (19 March 2015)

Russia has banned the entry into its territory of 89 politicians from the European Union. (28 May 2015)

Decree of the President of Russia "On the application of certain special economic measures in order to ensure the security of the Russian Federation" of certain types of agricultural products, raw materials and foodstuffs, were banned into the territory of the Russian Federation the country of origin of which is the state, decided to impose economic sanctions against Russian law and (or)

individuals or acceded to such a decision. Under the embargo were EU countries, USA, Australia, Canada, and Norway. The Russian government has identified a specific list of goods in respect of which restrictions are imposed. The list includes meat and dairy products, fish, vegetables, fruits and nuts. The total annual volume of imports fell under the sanctions, it is estimated at \$ 9 billion. (6 August 2014)

Also have been limited by government purchases of goods of light industry from foreign suppliers. In the list of goods were fabric, outerwear, clothing, underwear, and clothing made of leather and fur. These measures apply to all states, except for members of the Customs Union. The decision came into force on 1 September 2014. (11 August 2014)

The Russian Government has excluded from the sanctions list lactose-free milk, salmon and trout fry, seed potatoes, onion, hybrid sweet corn and onions, dietary supplements. (20 August 2014)

How does it affect business? Food exports from Finland to Russia fell by 63% in August compared to July 2014. Moreover, 88% of the drop shaped reduction in the supply of dairy products after the introduction of Russian prod embargo. The largest Finnish supplier of dairy products in the Russian Federation was the concern Valio. Company's exports in Russia in 2013 exceeded 242 million Euros, representing more than 85% of Finland's exports, which fell under the "food" of sanctions Russia.

TASS reported (8 August 2014) that because of the decision of the Russian government stopped Valio Finnish lines that produce goods for export to the Russian Federation. In this regard, in August, the Finnish company has decided not to renew the 126 temporary contracts and send about 800 people on unpaid leave. [\[34\]](#)

For this reason, in early October 2014 Valio announced its intention to reduce from 140 to 210 employees in Finland and was forced to localize the production of milk and cream in Russia. However, the company noted that the full range of Russian Finnish substitute is impossible.

Currently, most of the major high-tech companies from Finland work in Russia. Fortum (the most significant foreign investor in Russia in the energy sector), Wärtsilä (engineering); Nokian Renkaat (production of tires); Outotec (industrial technologies in metallurgy and mining); Nokia Networks (ICT), Orion (pharmaceuticals), as well as many others - in the fields of industrial and civil construction, construction materials and food industries. Finnish companies are well aware of the capabilities and needs of the Russian market, its regional features and, importantly, are going to continue to work with local partners and strengthen cooperation even in the face of the deteriorating international situation and the complex processes in the state's economy.

Indeed, the mutual trade turnover from January 2014 to August 2014 decreased by 9.0% compared to the same period last year and amounted to \$11.3 billion (according to the customs of Russia). The tendency is to reduce the volume of bilateral trade in goods and services between Russia and Finland due to a variety of complex reasons. In the first half of this year due to negative trends were largely macroeconomic factors against background of a difficult economic situation for both countries.

The weakening of the ruble and the slowdown in economic growth in Russia, reduced investment activity largely which led to a reduction in the effective demand for Finnish products with high added value and a negative impact on the activities of the Finnish retail chains.

The situation is even more complicated due to the events in Ukraine, which imposes a significant imprint on the economic relations between Russia and EU countries, including Finland. Until July-August of the year 2014, the negative impact was reflected mainly in the growth of market uncertainty, leading to uncertainty in the business decision-making stage of the development of economic cooperation. The introduction of the EU sectarian sanctions and forced Russia's response will undoubtedly affect trade volumes this year.

It may be noted that Russia will continue to attract Finnish companies as a huge market for goods and services, and Finland in the foreseeable future is seen as a major technology partner in a number of sectors.

If we talk about sectarian focus, the common interest areas are such as biotechnology and the production of pharmaceuticals, photonics, shipbuilding, joint research in the Arctic region, clean technology, energy, including research on new possibilities of using local energy development, including multi-stored wooden house building.

4 Business cases

There are some possible problems of Russian companies and their contractors.

Given the restrictions imposed on Russian citizens and legal entities, we can assume the following consequences for them and their counterparts: the inability to transfer the payment in foreign currency in foreign trade contracts, inability to obtain payment from the companies that have come under the sanctions, the risks of default contracts signed with companies trapped in the sanctions list (which implies the need for early termination of such contracts) and so on.

Measures that should be taken in any of the Russian companies and foreign companies operating in Russia.

Given the seriousness of the possible consequences of each company it is important to estimate the probability of the existence of the risks associated with the introduction of sanctions, particularly with her, and to analyze the possible measures to minimize these risks.

Especially to analyze commercial contracts, loan agreements related to projects in which there are contractual structure of the company, which is already included in sanction lists or may be included therein, as well as insurance policies and security documents. Also it is thinking about possible tax consequences of early termination of contracts and the assumed changes in contracts, and the consequences in terms of legislation on currency regulation. In addition, it makes sense to review internal procedures and regulations pertaining to the selection of contractors, contracting and judicial procedures.

You also need to think about the possible tax consequences of early termination of contracts and anticipated changes in the contracts, and the consequences in terms of legislation on currency regulation.

Some companies are looking for labor and Russia: early work was too expensive given its productivity. Falling wages made the development of the business are not so hopeless. It is very important to work exclusively in the ruble zone, and not to export too many components in dollars and Euros - then all is well, and maybe even to export.

How much does this affect the policy of Finnish companies represented in Russia? First we must consider that some of the embargo has not had a strong impact on Russia - at least no more than could be accounted for in the standard risks.

For example, Tulikivi – one of the largest companies in Finland in stone processing and the world's largest manufacturer of heat-retaining fireplaces. Company is one of the world leaders in the production of fireplaces, stoves and other products from natural soapstone (stone «tulikivi»). [\[56\]](#)

The company manufactures fireplace stoves, also with ceramic lining, and other products made of natural stone, such as tile, mosaic, stone countertops, flooring, landscape. It is worth noting that in addition to all of the above, since 2003, there is a center of minerals and stone in Finland Kivikeskus Nunnanlahti, which also brings a certain income to the company not only with various exhibitions and sales of souvenirs, jewelry, and other fakes. However, the main income of the company is to bring sales of fireplaces and stoves for saunas and baths, not only in Finland, but also in Russia. LLC "Tulikivi" (ООО «Туликиви») - a subsidiary in Russia, founded in 2005.

And here are some problems. In connection with the crisis in Russia began to build their own home is much less, and basically, set stoves and fireplaces less. Worth watching openly - in Russia only rarely found an apartment in an apartment building where there is a private sauna can be found, and it is precisely there recently Russians prefer private homes. Well, basically, all changes that Tulikivi made in its production policy is that they add fireplaces, produced from another natural stone - soapstone mined in Russia to attract new customers.

Tulikivi has not expected a lot of changes because Embargo was on foods, but they have losses because of unstable currency rate. Right now they are trying to attract customers by advertising their stones, museum and Ice Church.

But of course, companies, the main product sales of which are food are facing much larger problem. Let's look at an example of Valio, which has dairy products to sell in Russia.

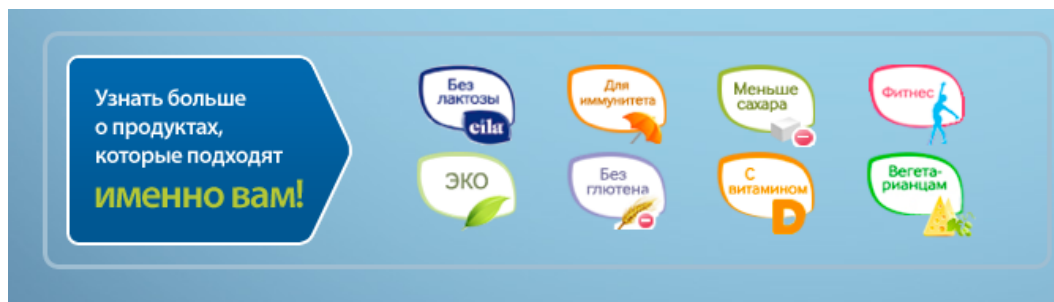
4.1 Valio

LLC "Valio" (ООО «Валио») - the Russian division of the Finnish company Valio, a leading manufacturer of dairy products in Finland. Valio division in Russia was founded in 1994 in St. Petersburg, the main activity of the company - is import and promotion of products on the Russian market Valio. Today in 2014 and 2015, Russia is one of the priority markets for the Group at the global level, 49% of exports of Finnish dairy Valio go to the Russian Federation, the official Russian site Valio. Indeed, on the shelves in Russia there are many products of this company. [\[43\]](#)



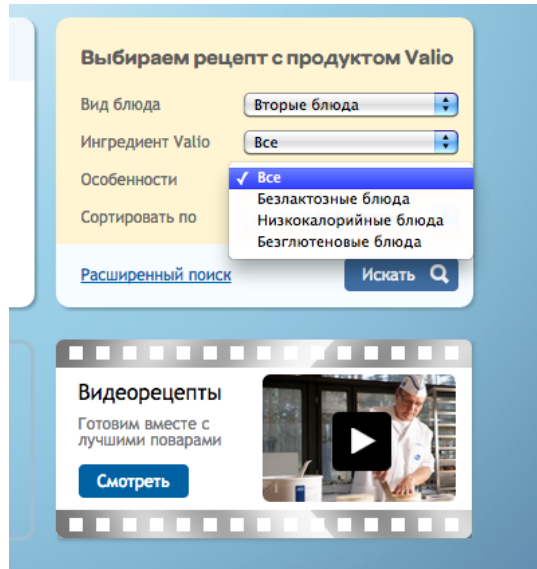
Picture 3.1. Factory Valio, has been built in 2006 Ershovo Odintsovo district, Moscow region

The best-known brands in Russia are Valio cheese Viola, Oltermanni cheese and butter Valio, which are leaders in their respective categories in Russia as a whole and in the markets of the two capitals. A separate activity, which Valio has been actively developing, including in Russia, is the development and promotion of modern concepts of a healthy lifestyle, and food for a balanced diet. The Russian market offers a wide range of natural dairy products with low fat products and products to maintain immunity. Since 2008, Valio is the first in Russia range of lactose free dairy products, and in 2013 Valio specifically launched for the Russian market a wide range of yoghurts Valio Clean Label in the concept of "clean label", which for the year were included in the list of leaders of the category "thick" yoghurt market in Moscow and St. Petersburg. Valio is the only significant player in the market of organic dairy products in Russia, supplying oil Valio Organic, created by European standards and requirements for organic products.



Picture 3.2. Screenshot from Valio Russian Official Webpage

On its website, Valio takes into account the convenience and interest of the buyer. Here are not only the different types of dairy products, but they are divided into categories, and even recipes are presented.



Picture 3.3. Screenshots from Valio Russian Official Webpage

90% of Valio products are made in Finland, however, the Group develops its Russian production. Valio has its own factory in Russia - branch "Ershovo" in the Moscow region (logistics and distribution center and production line for processed cheese Viola «triangles" and sliced cheese), which meets all the quality standards of the group. In confirmation of this in 2013 a quality management system was certified according to ISO 9001.

Valio built a factory in 2006 Ershovo Odintsovo district, Moscow region, the only its own production project in Russia. The complex covers an area of 13 thousand m². Factory includes a line for the production and packaging of processed cheese, slicing and packaging of cheese, high-tech temperature-controlled warehouse with a total area of 6 thousand m² area of acquisition and shipment of orders and number of employees currently stands at more than 200 people. The total investment in the project amounted to more than 60 million Euros. [\[43\]](#)

The plant in Ershovo specializes in the manufacture of certain SKUs processed cheese Viola - Viola «triangles» (Viola creamy, Viola with mushrooms, Viola with boiled pork, Viola «Russian favorites», Viola «Finnish favorites», Viola «Italian favorites», Viola «Sweet Assorted "», as well as sliced yellow cheese (" Cheese Collection Valio », Oltermanni, and FIN).

Valio Company is considering the possibility of contract manufacturing in Russia, ie production under its own brand and standards Valio, but the factories are not owned by the company. The first project of this kind was the cooperation with the factory "Galaxy" in the Leningrad region, currently there is the contract manufacturing at the plant "Galaxy" from the best milk farms.

Leningrad region is made products drinkable yogurt and kefir Valio organic products ValioGefilus. In October 2014 Valio began production of drinking milk Valio withUHT fat content of

1.5%, 2.5% and 3.2% cream and Valio 10% fat. The appearance of a range of new products manufactured on a contract basis, almost 3-fold increase in the volume of production at the plant Valio "Galaxy".

According to newspaper "Karjalainen" Valio will do a third staff reduction. Now it will be in factory in Joensuu. In August 2014 Valio decided not to renew the 126 temporary contracts and send nearly 800 people on unpaid leave. In November 2014, the company announced the reduction of another 170 jobs. [\[18\]](#)

From other point of view, Valio will treble production in the Leningrad region. It has agreed with the St. Petersburg's company "Galaxy" the expansion of its production at facilities in Leningrad region. Earlier, the "Galaxy" only made yoghurt and kefir bioproduct Valio. Milk and cream should partially fill the gap in the range of the Finnish brand, formed after the introduction of the product of the embargo. According to the Finnish company's total sales in Russia, Valio is share currently no more than 10% of the volume of products sold prior to the embargo.

The company is now considering various options of contract manufacturing in factories partner. Currently on a contract basis at the facilities of "Galaxy" two products of Valio are released: ruler drinking yoghurts Valio Clean Label, as well as organic products Kefir GEFILUS, enriched lactobacillus LGGR, reported the press service of Valio. For this purpose Russian raw milk from two farms of the Leningrad Region: "Ladoga" and "Farming equipment" is used, which have been accredited by Valio.

Because of the inability to bring milk from Finland, the company is forced to use raw milk produced in Russia, which cannot but affect the quality of products and the possible reduction of the line of dairy products on the Russian market. For example, cheeses and most of the yoghurt have disappeared.

SWOT Analysis of VALIO

SWOT-analysis - a method of strategic planning is to identify factors of the internal and external environment of the organization and dividing them into four categories: Strengths (Strengths), Weaknesses (weak points), Opportunities (possibilities) and Threats (threats) [\[57\]](#)

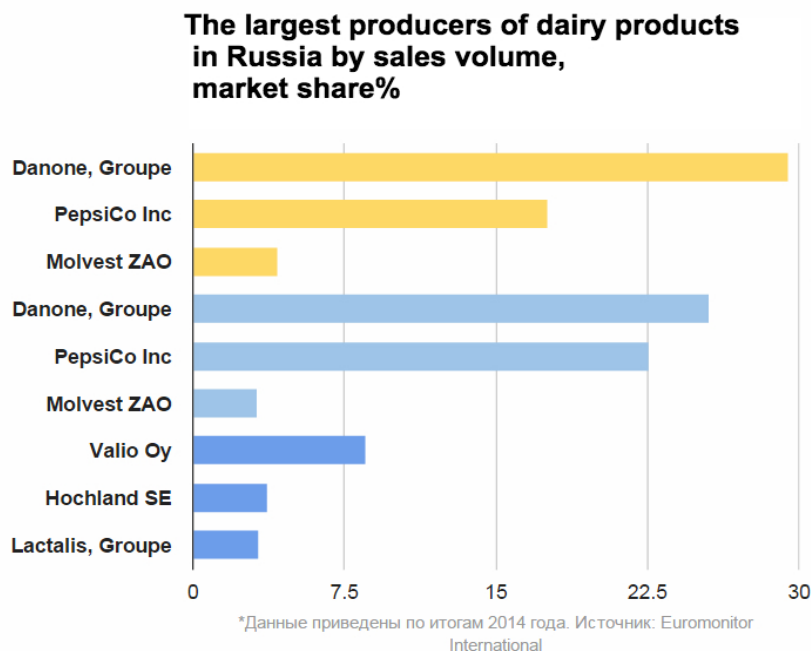
I am going to use it, trying to analyze how all of these four points affect the effectiveness of the company's actions, aimed at preserving the position in the Russian market during the time of Russian Food Embargo in 2014 and 2015.

Unfortunately, company officials refused to give any comments, so that the analysis is based solely on the apparent policy of the company.

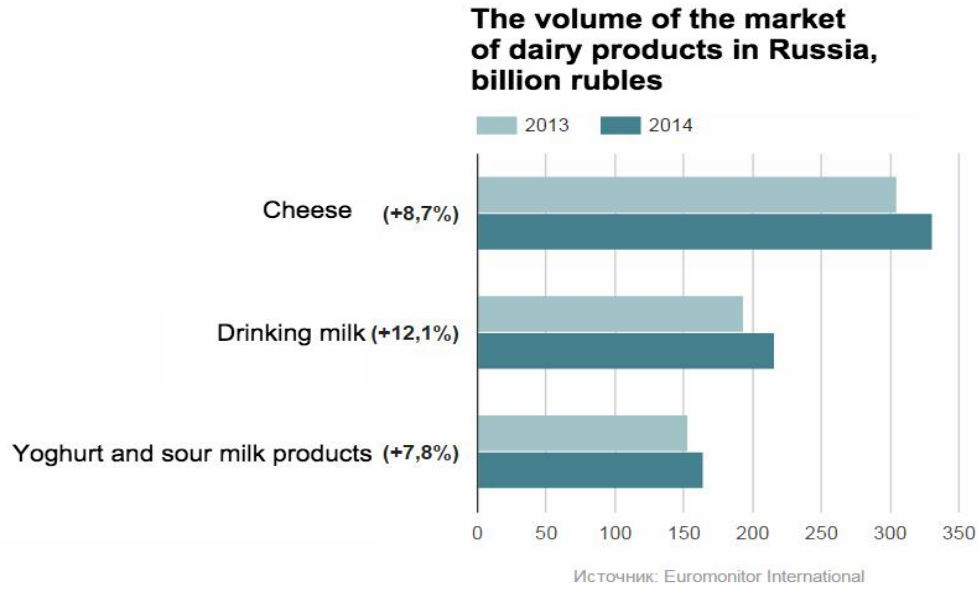


Picture 4.1. SWOT analyze for Valio

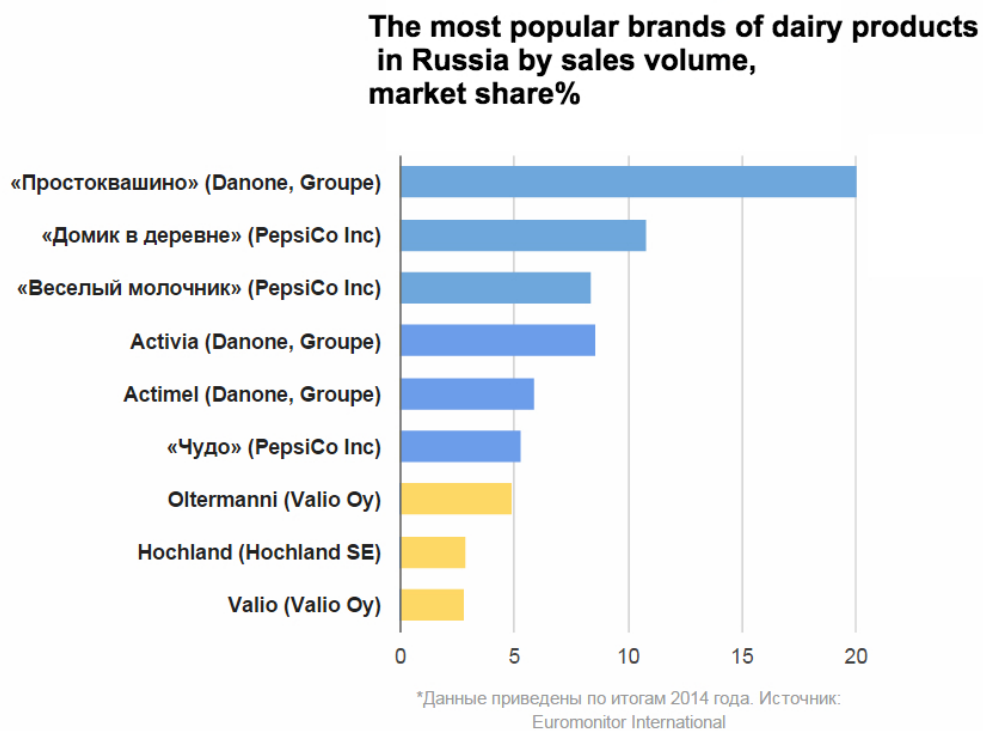
To see how well the policy of the company is going I want to bring some graphs of the distribution of dairy products in the Russian Federation. Valio is not on top of them, but even to be in these ratings shows a very good position of company in Russian market during Russian Food Embargo in 2014 and 2015.



Picture 4.2. Graph of the dairy products distribution in the Russian Federation



Picture 4.3. Graph of the dairy products distribution in the Russian Federation



Picture 4.3. Graph of the dairy products distribution in the Russian Federation

5 Conclusion

Published losses from the imposition of sanctions against Russia in the EU is 21 billion Euros. This is mainly loss from the sale of government-subsidized agricultural products. But the real loss is much more, as German analysts say.

The European Union publishes about sixty billion Euros a month. Now the euro fell against the dollar by 25%. This is usually accompanied by a decline of the euro increased exports, and usually these exports are largely directed to Eastern Europe and Russia. Export growth usually leads to higher incomes and, consequently, to an increase in living standards. It always happens, but not this time. Because of the sanctions against Russia export growth has not occurred. That is, every EU citizen has become poorer by twenty-five percent. Due to the devaluation of the euro less is used as a reserve currency. Other countries have transferred part of their reserves in Swiss francs (this explains its growth), and then because of the limited capacity of the flow of the franc currency reserves went to China, Japan and others. Hence this is in an indirect way, the total of one trillion Euros.

Valio today is doing quite well mostly because of their factory in Russia, Brand Name and specific products like lactose-free milk. But how did the sanctions and the embargo affect the farmers? I made a few questions to one of them and found out that Finland and EU are well-supported agriculture on its territory. I was told that they produce raw materials (in his case, dairy), and monetary support from the state is not based on its volume, but on the number of cows and acres of fields. Moreover, now he is going to take more cows and has already agreed to lease several more fields. However no one knows how long it will be possible for EU to continue to support all farms.

“Finnish companies have become more optimistic with the look at the situation with the Russian economy: 3% more respondents expect growth, but the number of those forecasting a reduction decreased by 6%. Moreover, most respondents do not expect changes in regard to export or business in Russia.

The orders are still coming in, in large numbers, more than 10% of the respondents; fifth of respondents, especially in the service sector said, there were absolutely no orders.” (22 April 2015)

As a result, the losses shared by all sides of the political conflict, both Russia and the EU. One can only hope for an early peaceful resolution to it. Most respondents did not experience immediate direct effect of the Russian sanctions, while indirect effect was more than 80%.

But it seems that political situation between Russia and Finland will become better. Sauli Niinistö, the President of Finland, said that Helsinki and Moscow have to maintain good relations, because they are neighbours. Niinistö said that he received the tacit support in the international arena

on the issue of maintaining ties with Russia, despite the fact that since last year the possibility of development of bilateral relations is limited because of the crisis in Ukraine and the Crimea to Russia. Sauli Niinistö, the President of Finland, at the invitation of the Russian President Vladimir Putin on Tuesday, June 16 was on a visit to Moscow to discuss the cooperation in trade and investment. In November 2014 called on the leaders of Nordic and Baltic countries do not speculate or intensify the confrontation with Russia, the EU and noted that Finland will not succumb to pressure from other countries in their relations with Russia. Meanwhile, in January 2015 it became clear that shared about 43% of the population of Finland the opinion that the Finnish president should "more closely communicate" with Vladimir Putin. [\[46\]](#)

Since the sanctions attached to the situation in Ukraine it cannot be firmly said when they will be cancelled. Since the situation in the region remains tense.

In these circumstances, given the difficult situation between the EU and Russia and the possibility of all new risks, in my view, maintaining the position in the Russian market, without incurring large losses, is the main task of all foreign firms. And if it turns a profit, it speaks about a very good strategy in the management of the company.

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7 Appendices

- Decision of the Council of the European Union on March 17, imposed sanctions against 21 Russian and Crimean politicians and officials (individuals), in particular: ban them entry into the territory of the European Union or transit, as well as freezing "all funds and economic resources which belong to, are owned or controlled by these persons. "

- March 20 to cancel the EU-Russia summit, scheduled for June of the same year.

- March 21 "because of the gravity of the situation" included in the list of persons against whom sanctions are imposed, twelve statesmen and military leaders of Russia and the Crimea, as well as the head of the agency "Russia Today" Dmitry Kiselev.

- March 25 forbade their embassies in the Russian inhabitants of the Crimea issue all kinds of visas.

- April 17 The European Parliament adopted a resolution advisory nature, in which he called to abandon the construction of the gas pipeline "South Stream".

- April 28 decided to expand the list of persons against whom sanctions are imposed on 15 people whose names were published on April 29 of the same year.

- May 12 expanded the list of persons against whom sanctions are imposed on 13 people and imposed sanctions against companies "Chernomorneftegaz" and "Theodosia". Also announced sanctions against the Crimean companies confiscated from Ukraine and urged all UN member states to adopt economic, commercial and financial measures against Russia because of the Crimea and Sevastopol to Russia.

- May 14 refused to participate in the conference "Energy Dialogue Russia-EU: Gas Aspect" held in Brussels.

- July 12 extended the sanctions list for 11 people.

- July 18 the European Investment Bank, on the recommendation of the European Council, has stopped funding new projects in Russia.

- July 26 extended the sanctions list for 15 people and 18 organizations, including 9 - entities accused of undermining the territorial integrity, sovereignty and independence of Ukraine "Lugansk People's Republic", "Donetsk People's Republic", "federal state New Russia", International Union Public Association "Great Don Army", the radical paramilitary organization "Sable", "Lugansk Guard", "Army South-East", "People's Militia of Donbass" battalion "East"; 9 - Crimean company, the change of ownership after the unilateral declaration of independence of Crimea: State Shipping

Company "Kerch Sea Ferry" state enterprise "Sevastopol Sea Commercial Port" State Enterprise "Kerch Sea Commercial Port", the state enterprise "Universal-Avia" sanatorium "Oreanda" republican enterprise "Azov distillery," national production and agricultural association "Massandra", the state enterprise "Agricultural" Magarach ", National Institute of Vine and Wine "Magarach", the state enterprise "Winery" New Light ".

- July 30 imposed sanctions against 8 people, as well as against the Russian National Commercial Bank, Concern PVO "Almaz-Antey" and the airline "Dobrolet." Also imposed sanctions trade and investment against the Crimea and Sevastopol:

- a prohibition on investment in infrastructure, transport, telecommunications and energy sectors, as well as oil, gas and minerals. Prohibited the delivery of equipment for these sectors, as well as providing for their financial and insurance services.

- There is a ban on the purchase of more than 250 SKUs, including minerals minerals and hydrocarbons.

- European financial institutions is forbidden to lend or acquire shares in projects that affected sectoral sanctions.

July 31 imposed sanctions against "Sberbank of Russia," VTB Bank "Gazprombank", "Vnesheconombank", "Agricultural Bank". Also introduced an embargo on the import and export of weapons and the like in Russia; a ban on the export of dual-use goods and technologies for military use in Russia or Russian military end-users. Ordered exporters to obtain prior authorization from the competent authorities of the Member States on the export of certain types of power equipment and technology in Russia, and imposed a ban on shipments to Russian high-tech equipment for oil in the Arctic, the deep offshore and shale oil.

September 12 introduced a number of sanctions:

- Prohibit the organization of debt financing of three energy companies of Russia: "Rosneft", "Transneft", "Gazprom Neft". Banned trade in bonds of companies with a maturity of more than 30 days and participated in arranging such securities.

- tighten restrictions on lending and investment services to five Russian banks: "Sberbank of Russia," VTB "Gazprombank", "Vnesheconombank", "Agricultural Bank". Prohibits the extradition of their loans for more than 30 days, the purchase and sale of new bonds, shares and similar financial instrumentami a maturity of more than 30 days.

- Prohibit the organization of debt financing for the three largest defense concerns Russia: "Uralvagonzavod", "Oboronprom", "United Aircraft Corporation".

- Turn on the sanctions list of nine Russian defence concerns: Concern "Sirius", "Stankoinstrument", "Himkompozit" concern "Kalashnikov", Tula Arms Plant, "Mechanical Engineering", NGO "Precision complexes" Concern PVO "Almaz-Antey" and NGOs "Basalt".

- Turn on the sanctions list twenty-four.

November 29 has been submitted to the sanctions list thirteen people and organization "Donetsk Republic", "World Luhansk", "Free Donbass", "People's Union" and "Lugansk economic union."

December 4 to clarify the wording of the sanctions on oil production, entered against Russia. According Listed Edit restrictions apply not only to the equipment of the Russian territory, but also for its exclusive economic zone and the continental platform. At the same time, it was clarified that the ban covered only supply equipment "for the exploration and production of oil at a depth of over 150 meters offshore the Arctic Circle" and "projects that could potentially be used for exploration and production of shale oil by fracturing ", and that this restriction does not apply to projects for the exploration and production of oil," occurs in conventional reservoirs, through the shale layer. " In addition, the amendment was allowed in the delivery of Russian equipment for oil production, which was under the sanctions ban, in the case of the need to eliminate man-made disaster, "which may be serious or substantial risk to the environment and human health" (in this case deliveries are made without kakogo- or authorization if European supplier inform them supervisory authorities within five working days).

December 20 banned investment in the Crimea and Sevastopol:

- For European and based in the European Union bans companies to purchase real estate and businesses in the Crimea, Crimean finance companies and the provision relating to these services, the provision of tourist services in Crimea (except for the entry of tourist ships are only emergencies);

- It is also imposed a ban on the supply to the Crimea about 200 items of goods, in particular technology relating to the transport, telecommunications and energy sectors, as well as exploration and production of gas, oil and mineral resources, and precious metals - gold, silver and platinum, as well as semi-finished products;

- In addition, prohibited the provision of technical assistance and construction and engineering services related to infrastructure Peninsula.

The impact of sanctions on business ties with Russia

- Industry:

- Germany's Rheinmetall stopped supplying equipment to Russia.

- The German multinational Siemens has announced that it will strictly adhere to all the sanctions against Russia.

- The French company Renault Trucks Defence, owned by the Swedish concern Volvo, halted development of a joint project with the Russian infantry fighting vehicle "Atom".

- The Italian company "Fincantieri" suspended joint with CDB ME "Rubin" project to develop small non-nuclear submarine S-1000.

- The French company «EDF Trading» abandoned Russian thermal coal company "Nina."

- Italian oil refiner Saras has postponed plans for a joint venture with OAO "Rosneft" Sales of oil and oil products.

- Swiss oil trader Vitol Dutch-suspended negotiations on attracting European banks and US \$ 2 billion for the prepayment of Rosneft in exchange for future oil supplies.

- American corporation Applied Materials refused to supply equipment for the plant to produce MRAM-chip memory in Moscow.

- By September 2014 the US oil company ExxonMobil, the largest private oil company in the world, stopped work on nine out of ten projects in Russia.

- Dutch-British oil company Royal Dutch Shell has stopped cooperation with the Russian oil company "Gazprom Neft" in a joint venture "Khanty-Mansiysk Oil Union".

- IT-business:

- April 30 American IT-companies, including Microsoft, Oracle, Symantec and Hewlett-Packard, ceased cooperation with Russian banks and companies in respect of which the US government imposed sanctions.

- Financial and economic sphere:

- March 21, 2014 the international payment systems Visa and MasterCard stopped servicing cards issued by Russian banks, affiliated with persons from the list of US sanctions. Among the first victims - clients of banks Bank "Russia", "Sobinbank", "InvestCapitalBank" SMP Bank "Fin service" et al. (Seven Russian banks).

- April 16 Bank of Cyprus has stopped working all of its branches in the Crimea "in connection with the recent events in the Crimean peninsula."

- To participate in the St. Petersburg International Economic Forum leaders refused to more than 30 companies, including CEOs: Goldman Sachs, Morgan Stanley, ConocoPhillips, Airbus Group, Visa Inc., Alcoa, Siemens, Citigroup, International Paper Company, Pepsi, Eni, Bain & Company, Enel, E.ON, Boeing, Deutsche Bank.

- December 26, 2014 payment systems VISA and MasterCard stopped servicing their cards in the Crimea.

Tourism:

- Cruise companies have cancelled their visits liners in the Crimean ports. In particular, such a decision officially announced Costa Crociere, Azamara, Oceania Cruises, Regent Seven Seas Cruises, Windstar Cruises, MSC Cruises, Ruta.

Cinema:

- 747 of the 1144 film starring a show at the 36th Moscow International Film Festival.