

# **Economy, Ethnicity and International Migration. The Comparison of Finland, Hungary and Russia<sup>1</sup>**

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## **Abstract**

*The focus of this paper is to compare present migration situation, history, economy and migration regulation in an European Union country (Finland), and, an EU accessing country (Hungary) and a major non - EU country (Russia). Our material and methods base on literature survey, policy analysis and analysis of the existing statistics and legislation. The results show that even in the era of globalisation that is often claimed to erode states' regulatory power over the flows of capital and people, some regulatory power still exists. Instead of developing their policies in accordance with the largely self-regulating migration process, according to our data, the countries sought to regain political control through reproducing economic, ethnic and national hierarchies.*

Keywords: Hungary, Russia, Finland, international migration, social structure, the economy, embeddedness, migration policy

## **Introduction**

The focus of this paper is to compare present migration situation, history, economy and migration regulation in an European Union country (Finland), and, at the time of analysis, an EU accessing country (Hungary) and a major non - EU country (Russia).

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The main focus of this study is the social and historical development of international migration - in particular labor migration – and economy. We understand this development as a part of globalization, which affects even the more peripheral areas of the world economy in the form of increasing mobility of people and capital. Our aim is to reveal how closely embedded migration is with the economy: mechanisms of international migration cannot be understood in a vacuum, but the social and economic context of the particular country has to be taken into consideration.

Our material and methods base on literature survey, policy analysis and analysis of the existing statistics and legislation.

The chosen countries are of different sizes and social and economic backgrounds, and how they have been affected differently due to their history and varying position within the hierarchy of the world economy. However, the interaction between migratory processes and the economic globalization within these three countries make them interesting subjects for the study of embeddedness of the social and economic processes.

These similarities and differences are analyzed by looking at the history of globalization in terms of creating spaces for foreign investment and international migration. In all the three countries ethnicity and ethnic belonging play an important role in their history and self-understanding, and is therefore reflected also in their immigration policies and consistence of their immigration population. The second part we analyze how the legal and administrative mechanisms have been implemented to regulate and channel immigration, and how economic and social developments, as well as ethnic belonging are reflected in migration regulation in the respective countries. In the third part we define further to the role of ethnicity being one of the crucial cultural and social factors in facilitating migration and selecting migrants in all three countries. The major role of ethnicity and policies of favoring immigration of co-ethnics show how legal and administrative processes regulating immigration are far from being neutral, but are embedded to specific social, historical, cultural and economic context of a respective country.

## **Embedded mobility of people and capital**

### **The interrelation of migration and economy: conceptual background**

The basic neoclassical migration theory claims that economic disparity drives international migration, and when a country reaches an advanced stage of economic development, the rate of migration slows down. This thesis is criticized in the modern literature on international migration issues. For instance, Richmond argues that:

*“Contrary to the view that economic growth will itself remove the need for migration, it must be recognized that the emerging global economic and social system is one in which population movements will continue to increase rather than declaim”.* (Richmond 1994, 217; see also Borjas 1994; Hiebert 1997; Portes 1995.)

Economic globalization determines the movement of capital, money, technologies and labor through national borders. This trend serves as a basis for *world system theory* first introduced by Immanuel Wallerstein (1974) and globalization theory, which seem to explain the general regularities of world migration (Sassen 1991; 1995; 1998; Castles 2000; Staring 2000). For instance, the Finnish case shows that investment in growth and intensification of the economy are bound to migration growth (Forsander et al. 2004). The majority of European countries with rapidly growing economies are challenged by the process of globalization and faced with the necessity to change their immigration policies in order to attract highly skilled labor (Forsander et al. 2004; Geddes 2003; compare with examples from Silicon valley: Saxenian 1999). Indeed, Iredale (2001, 16) believes that “industry-led” migration has become the most significant motivation, and applies to situations where transnational corporations (TNC’s) are the major force behind selection and migration of high skilled workers.

Despite the fact that the process of capital globalization does not always coincide with the process of intense migration in a historical perspective, these two aspects serve as the principal features of the open economy and its ability to compete in the world market. However, currently the Russian economy cannot be characterized as a highly open economic system. In the current economic situation, a mechanical understanding of interrelations between investment and foreign labor migration processes is slowing down the effectiveness of the Russian immigration policy. The process of growing foreign investments has its own stages linked to the existing economic structure and the current stage of economic development of the country. Both Hungary and Finland can provide historical illustrations for such processes.

The labor market regulates relationships between investments and immigration. At initial stages in the development of industrially developed countries, investment growth is stimulated by conquering new sales markets and by the development of business. For example:

*“Increased inward FDI<sup>2</sup> in Finland during the 1990’s is characterized by take-overs in many relatively low-tech industries and the services sector, such as construction and manufacturing of construction products, manufacturing of food and beverages, transport and forwarding, and security services. Most of older and more recently*

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<sup>2</sup> Foreign Direct Investment.

*established foreign affiliates in the wholesale and retail trade sectors also fit into this category. In these sectors, foreign companies rely on their own company's specific knowledge to compete in the host market, and FDI is motivated by the prospect of increasing market share.*" (van Beers 2003, 40).

Economic development based on such investments does not need highly skilled labor. Economic growth caused a bifurcation of labor markets. Whereas jobs in the primary sector provide high pay and relatively steady work, those in the secondary sector supply low pay and little stability. Jobs in the secondary sector repel natives and produce structural demand for immigrant workers. The bifurcation of the labor market is a specific feature of global cities (e.g. Moscow in Russia), where the concentration of wealth leads to increasing demand for low-wage services (Sassen 1991; 1995; 1998). Unable to attract native workers, employers start recruiting immigrants, thus often initiating immigration flows.

At the next, post-industrial stage of economic development, domestic research and development systems funded by TNC capital attract high-skill labor forces.

*"Second, relatively intensive knowledge and technology investments since 1989 have made Finnish firms attractive targets for asset-seeking MNEs<sup>3</sup>, which have acquired many promising technology-based Finnish firms e.g. in electrical engineering. In the ICT<sup>4</sup> sector, foreign companies have acquired innovative firms that have advanced knowledge in some technology or business area. Strategic asset seeking appears to be the dominant motive."* (van Beers *ibid.*)

At this stage of economic development, the country is faced with the necessity to correlate regulations of immigration policy with the development of inward investments. The main conclusion is that investments define the labor market segments which are attractive for immigrants. This perspective has been the basis for our additional research on the regional characteristics of foreign labor migration and foreign direct investment.

## **Data and methods**

The study uses both quantitative and qualitative data. Statistical data describes developments in migration trends and related aspects in the economy, while qualitative data focuses on developments in the policy context, such as legislation and the implementing level of both policy and of legislation. This connection binds together with the theory both the data and the method. The use of different types of data provides a firm empirical base for analysis.

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<sup>3</sup> Multi-National Enterprises.

<sup>4</sup> Information and Communication Technology.

Using the same formula in data collection and analysis in the three countries made possible to perform the comparative analysis that delivers basic results of the study. The results are applicable to the macro level, but are based on precise empirical comparative analysis on the micro level. In other words, despite the results may be put in a wider theoretical context, the data and the method that is used in analyzing it, make this more like a case study.

### **Economic, social and political transitions: historical parallels**

Hungary, Russia and Finland had different social, political and economic histories in the 20<sup>th</sup> century, but in terms of economy and immigration it is possible to observe parallels. Four historical periods can be outlined which help to give an overview of the historical development of the movements and policies of investment and migration:

- 1) 1950-1970: The state over capital
- 2) 1970-1990: Gradual change and emigration
- 3) 1991-2000: Transition and restructuring
- 4) From 2000 : capital over the state

The results of the comparative analysis are presented in table form in more detail in appendix 1. The basic content of the table is presented below as well.

### **Periods between 1950-2000: swings in policies and processes in Finland, Hungary and Russia**

#### **1950-1970: the state over capital**

In Finland and Hungary the extremist nationalism of the 1930's and the Second World War had little effect on the restrictive migration policies. This was because after the war all countries experienced new waves of ethnic migration, not very different compared to the processes that were seen in 1990's in the Balkans. The interests of the (socialist or capitalist) state were seen as the guidelines for controlling the borders and citizenship. In this era foreigners and ethnic minorities were considered as a threat.

Interests of the state were still primary, and the international movement of capital and people was very restricted. Hungary was occupied by Soviet forces and between 1948 and 1956 it was almost completely sealed off from the surrounding world. In 1956 it experienced an exodus of younger and educated people. After the political changes in the mid 1950's emigration restrictions to capitalist countries were in force in both Hungary and Russia, whereas Finland experienced a large wave of emigration in the 1960's lasting until the beginning of 1970's. For a short period of time Hungary also experienced a large exodus of people during and shortly after the 1956 revolution. Till the 1960's, both

the Russian and the Hungarian state were mainly concerned about having a large enough labor force to supply the needs of centralized industrialization and thus controlling emigration. In Finland and Hungary, some foreign investments began to emerge in the 1960's. Finland had begun the long process of building up a strong Nordic social democratic welfare state as early as the 1930's, and this process continued into the 1990's.

### **1970-1990: gradual change and emigration**

The 1970's were marked by a gradual shift towards greater tolerance with regard to foreign investment and migration. In the Russian case industrial development needed labor, labor migration emerged within the socialist community and the socialist republics, and there was an influx of labor from Vietnam, Bulgaria and Cuba. Finland and Hungary were still countries of emigration – some 200 000 Finns emigrating to Sweden, and a couple of thousand people illegally emigrating to West from Hungary. There was also some bilateral labor migration taking place mainly between Hungary and East Germany, Poland, the Soviet Union and other socialist countries.

Russia saw the onset of yet another ethnic emigration process, as emigration from Russia to Israel started, with some 360 000 people leaving Russia for Israel during these two decades. Even a very brief review of the history of migration exchange between Russia and other countries gives reason for concluding that the migration processes were shaped by political reasons.

Hungary became severely internationally indebted after the oil crisis of 1973-4, which gave a push for the economic policy to include more and more “Western” market elements (trade, investment, increase of private ownership). This means that Hungary had started to demolish the state socialist economy as early as the period following the oil crisis and became more and more interested in Western investment. The oil crisis had its impact on Finland as well, but the whole Finnish economy was sustained by the Soviet markets to such an extent that when the Soviet economy collapsed in 1991, this had a massive impact on the Finnish economy as well.

### **1991-2000: transition and restructuring**

The 1990's were marked by a sudden switch from state-centered economic policy to a more open economy in all the analyzed countries. Both capital and people began to move more actively, but the primary reason was the fact that state control was loosened. Therefore, the correlation of these two processes is probably affected by an external or third factor. Some examples may be needed to illustrate this point.

Even though Finland did not have a socialist system, till the 1990's it relied on the Soviet market demand, and as this demand more or less ended in 1991, the Finnish economy faced its deepest depression since the Second World War. At the same time,



immigration began to increase, mostly for reasons unrelated to labor. New immigration and integration acts were passed, and the welfare state sought to integrate the newcomers into the society. Finland implemented an ethnic immigration scheme for the Ingrian Finns living in the former Soviet area, which resulted in the migration of approximately 25 000 people.

Just like Finland, Hungary also got into a very severe economic and financial crisis in the early 1990's and the level of GDP went down to the level of the mid 1970's. The same kind of ethnic immigration took place in Hungary as well, and in addition the country received massive amounts of war refugees from the Balkans, and some 40 000 foreign workers during the 1990's. Hungary became engaged in bilateral labor migration agreements with several Western European countries and at the same time continued to receive labor migration from surrounding countries. (Poplar 2003).

Russia sought to keep the most vital parts of its industries in the ownership of the state, and kept some restrictions on foreign investment. Foreign direct investment (FDI) flows remained small, and GDP dropped dramatically.<sup>5</sup> After the collapse of the Soviet Union, interrepublic administrative boundaries assumed the status of international borders and the situation changed sharply. Over the period of 1992-2001 about 6.4 million persons arrived to Russia from ex-Soviet states. 70 per cent of these immigrants were ethnic Russians. Failure in managing the migration processes in this period was related to an inconsistent attitude towards forced migrants - mainly Russians who wanted to reside in Russia, as well as to other forms of population influx, mainly of labor migration.

Hungarian and Finnish States sold much of the state-owned enterprises, which also enabled foreign capital to enter the countries. The Hungarian economy rapidly became dependent on FDI, whereas Finnish companies mostly hooked up with foreign companies, forming many Nordic alliances in financing, media and the wood/paper industries.<sup>6</sup>

Finland joined the European Union in 1995. This meant integration into the economic policy of the European Union, whereas the development of common migration policies within the EU has been very slow due to the weaknesses of the EU policy methods (e.g. Niessen 2001; Geddes 2003; Harris 2002). At this time Hungary was already taking into account EU legislation and the Schengen agreement in its legislative reforms. Hungary entered the EU in 2004.

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<sup>5</sup> In the Russian case it seems, that the economic power of Soviet states was transmitted to domestic oligarchies and not to global capital.

<sup>6</sup> The ICT company Nokia has been taking over the former role of e.g. oil trade with Soviet Union as a locomotive of the Finnish economy. As about 80 percent of Nokia is owned by foreign investors, it can be claimed that the Finnish economy is today largely dependent on global capital, just as the Hungarian economy.

### **After 2000: capital over the state**

Currently it seems that the global flow of capital is an imperative in the policies that states adopt and local elites are becoming increasingly involved in this process (Sassen 1998; Mittelman 2000). Economic, financial and migration policies are designed to meet the challenges that follow from the increased transnational nature of capital, which shows an increasing international movement not only of capital itself, but also of jobs and labor. This is reflected in immigration policies (see the section on institutional arrangements, economic policies and taxation) which again have an impact on domestic social policies.

However, economic globalization has not been a one-way process. FDI from these countries has increased rapidly, too. The intra-EU patterns in the movement of capital and labor seem to be growing very important for both Finland and Hungary. However, since most industrialized countries are facing severe demographic problems, countries outside of the EU are expected to become important suppliers of labor, both for skilled and unskilled positions.

## **Governmental policies in channelling and regulating immigration**

Policies applied to immigration and immigrants are not an independent phenomenon, but are embedded to the social and economic development of a respective country as a part of an international community. In relation to foreigners – defined as those who are not citizens – state produces and reproduces hierarchy of rights and privileges, and on the other hand hierarchy of discrimination and marginalization. Legislation defining the rights and obligations of foreigners and interpretations of legislation in administrative practices are a manifestation of hierarchy of different immigrant groups. Therefore state upholds *juridical* attitudes towards foreigners. The expression of these attitudes differs depending on nationality and presumed reasons for immigration (Silverman 1991).

Attitudes of the state towards foreigners also reflect self-portrait of a nation state, nature of its national identity and positioning in the global society. Nature of each country's nationalism takes its form in relation to *the others*: who are included, and who are excluded from the national entity? Those excluded are controlled, because their existence is considered to present a threat to the national cohesion (Brubaker 1992; Janoski 1998).



### Legal hierarchy of different immigrant groups

All three countries maintain some kind of privilege for certain ‘related’ ethnic groups, showing that globalization and such preferences come together very easily. In the solutions and in the strength of these privileges, however, we do find substantial differences.<sup>7</sup>

The countries differ in the extent to which the official, legislation-based grounds of these policies are made public. This issue was not a core question in the study, and thus we did not perform a systematic analysis on the matter. However, it seemed that the migration and ethnic minority policy histories in the countries were reflected in their current policies.

According to our glimpse on the matter, Finland had the most transparent system; Hungary had a very confused system in which migration was also embedded into a general ‘minority policy’ toward Hungarians living outside the country, while Russia is the most ‘egalitarian’ in terms of ethnicity in the case of people coming from the former Soviet Union. In Finland there are three different categories in all permits, for Nordic Citizens, for EU/EEA citizens (so-called *second country* nationals) and those from other countries (*third country nationals*) which categories could be found also in the Hungarian regulation. For Hungary these categories are the following: foreigners with Hungarian descent from the neighboring countries (Status law on Hungarians living in neighboring countries<sup>8</sup>), the citizens of the European Economic Space (EES), and those from other countries (third country nationals) (Hegyési-Melegy 2003).

Thinking in the framework of the nation state both Finland and Hungary ensure favorable position for the persons of Finnish or Hungarian descent. For example Finland has special rulings on Ingrian Finns, and Hungary has an act on Hungarians living in neighboring countries, which guarantees Hungarians with a Hungarian Identity Certificate an exception to some rules on entering the country and working there. In Russia there is no ‘ethnic preference’, only migrants coming from CIS countries<sup>9</sup> enjoy certain privileges as compared to citizens of so called ‘other countries’. These privileges are related to the historical process. Representatives of various nationalities lived in the Soviet Union and live now in the Russian Federation. Certain nationalities formed their ethnic states within the historical territory of Russia (e.g., the Tatars). Nonetheless the process of gaining legal status in Russia itself contains some advantages for those migrants who have family members and relatives already living in Russia and thus it might include some ethnic imbalances.

<sup>7</sup> Act on Aliens XXXIX/2001, Hungary: Alien’s Act, Finland. Act ‘On the Legal Status of Foreign Citizens in Russian Federation’ (2002); Change of the Act ‘On the Citizenship of Russian Federation’ (November 2003)

<sup>8</sup> Act LXII in 2001 in Hungary.

<sup>9</sup> Independent Commonwealth Countries, consisting of twelve out of fifteen former USSR states. The CIS was formed in 1991 after the collapse of the Soviet Union.

### **The conditions of entering the territory of the country – residence permits typology**

Formally the analyzed countries follow rather uniform policy measures in terms of visa and residence categories. The conditions of entering these countries are very similar from a legislative point of view. The variety of permissions and their periods of validity are more or less the same. There are visas to permit short-term residence, and permits for long-term residence in the country. As a general rule, the longest stay based on visa may not exceed three months in a six month period in all countries. However, there is an exception in Hungary where a visa for residence in the country allows single and multiple entries and provides for the person staying within the country from three months to one year with a determinate aim. The category of seasonal workers is affected by this type of visa which is issued for use in seasonal work, and allows for a six month period of residence within one year. On the detailed Finnish scale of visas there are six kinds of visas for the cases of special reside.<sup>10</sup> In Finland there is a four-step scale (Group A-F) in residence statuses<sup>11</sup> depending on whether residence is permanent or fixed-term or the applicants are refugees or asylum seekers, and there is another category for the short-term residence which includes all visas. Hungary has a similar terminology for residence statuses, but there are six kinds of permission for entering the country<sup>12</sup> in which the status of refugees and asylum seekers are treated by the Refugee Act and they aren't considered as immigrants, but they are counted as refugees and asylum seekers.

Nonetheless, looking at the policies more closely, sharp differences can be found which have emerged due to social, political and historical reasons. In the process of globalization Finland has developed an integrated policy which tries to cover all incoming foreign citizens, including refugees within a unified system. In this system aims, time periods, migrant categories and ethnic preferences are all linked to each other, which shows that the Finnish state tries to 'imagine itself' as a well-regulated entity which is capable of controlling its relationship toward the 'outside' world. Nevertheless it is to be noted that the so called Nordic countries do represent a special region with which Finland has developed a special relationship in terms of the movement of people.

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<sup>10</sup> (For example there are tourist visa (F1), visa for persons representing business life, culture, science or arts (F2), participants of international conferences (F3), persons taking part in entrance exams of educational institutes (F4), visa for people who are exempted from work permit obligation (F5), and visas for others who are entering the country for a maximum time of 3 months (F6)).

<sup>11</sup> Group A covers all permanent residents; Group B includes foreign nationals, whose residence permit has been applied for fixed-term or reside; Group D includes foreign nationals, who temporarily cannot be returned to their home countries and Group F refers to different kinds of visas. Statuses C and E do not exist.

<sup>12</sup> Visa, residence permit, settlement permit, certificate for temporary residence and there are also the status of refugees and, in an other category, of asylum seekers.

The Hungarian state has developed a much more diverse policy in which we cannot find an integrated policy with regard to migrants. On the one hand from a legislative point of view policy criteria in case of refugees (Act on Refugees) differ from the policy criteria targeted for Hungarian minorities in neighboring countries (so called ‘Status Law’ and even recently there have been failed attempts to build up pressure for the provision of double citizenship for Hungarians living in neighboring countries). To this respective group Hungarian legislation provides extra privileges and also handles separately the policing of ‘aliens’ and their admission into the country (Act on Entering Hungary). This, and especially the Status Law, indicates that Hungary does not ‘imagine’ itself as a completely separate entity. There is a lack of coherence in legislation and especially the state maintains ‘organic’ links toward ethnic Hungarians living in neighboring countries. This post-imperial attitude links Hungary to Russia as being the inheritor of the Soviet Empire. The great difference is that Hungary is ‘interested’ in ethnic Hungarian citizens of other countries, while Russia is egalitarian with regard to CIS countries in terms of ethnicity. Russia imagines itself as a closed entity with regard to countries outside the CIS, including some of the former Soviet republics (the choice seems to be geopolitical) and all the other countries of the world.

### **Favored groups in terms of eligibility to work permit – work permit typology**

Similarly to the general conditions for entering the country, in case of labor permits we can also observe great uniformity between Hungary and Russia. These countries have two kinds of work permit. There are *individual* and *collective permits* while Finland issues only *individual permits*. The aim of the collective permit in Hungary is to help employers who need a greater number of foreign employees. This allows the employer to get a frame-permit which includes the nationality, activity, qualification and the number of the employable foreign citizens. On the basis of this collective permit the employer may claim individual permits for the foreign employees. The aim of this policy is to simplify administrative procedure. The validity of the work permit is mainly one year in all three countries. We can also note the deliberate attempts to establish a special category for seasonal workers: in Finland the new Immigration Act freed seasonal workers with a work relationship up to three months from the obligation of obtaining a work permit.

In spite of the overall uniformity of the general immigration policies, there are some interesting differences which show the different positioning of these countries within the globalization processes. Finland and Hungary have developed special regulations to attract certain groups of highly skilled, representatives of foreign investors and some other groups involved in education, the arts and sports. The categories of favored groups, i.e. people who are exempted from the work permit obligation, or can receive

one without difficulty, are very similar in Hungary and Finland<sup>13</sup>. Nonetheless in the frame of Finnish policies more foreigners are allowed to work in the country without formal permission than in Hungary. For example, while Finland doesn't require a permit from persons who work for a foreign employer in Finland, who temporarily visit Finland as e.g. lecturers, teachers, athletes or performing artists, or persons working on missions related to the bilateral or multilateral cooperation of states. Hungary obligates such persons to apply for a work permit, although applying a simplified procedure. There are several favored groups in Hungary<sup>14</sup> and in Finland<sup>15</sup> whose work permit procedure is simplified by not demanding the monitoring of the labor market.

In addition, relationship between labor permit and residence permits also varies. In Hungary a labor permit seems to be a basis for gaining a residence permit in the sense that it secures the required financial background - if the conditions for granting a work permit are fulfilled, a residence permit follows easily. A work permit is not enough to reside in the country, it is available only with a residence permit, and a residence permit can also be applied independently from a work permit. In Russia, however, we can observe a reverse relationship between a labor permit and a residence permit. If somebody gains permission for long-term residence, then that foreign citizen also has the right to work. Similar policies are applied in Finland for those groups immigrating on grounds of refugee status, and family, or ethnic ties. For those immigrating for the basis of the need of their labor force, a so-called laborer's residence permit can be granted<sup>16</sup>.

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<sup>13</sup> In Finland work permit is not required for the following persons: self-employed persons, persons who carry out agriculture in a farm that legally belongs to themselves, persons in jobs for which the Ministry of Foreign Affairs has granted a residence permit, persons who are working in Finnish vessels that mainly do not visit Finnish harbors, persons who work for a foreign employer in Finland, persons who temporarily visits Finland as lecturer, teacher, athlete or performing artist (etc.), persons who are working in tasks that are connected to bilateral or multilateral cooperation of states, persons who take part in international trainee-ship/other programs, and persons who have been in Finland three months as asylum seekers.

In Hungary work permit is not required for the following persons: a.) On the basis of international treaties b.) presidents or managers of companies owned by foreigners c.) Diplomatic representation of foreign countries d.) workers who perform commissioning e.) employees employed by international organizations f.) the students of foreign universities

<sup>14</sup> a.) on the basis of international treaties b.) key personnel c.) employees employed by foreign owned companies d.) professional sportsmen/sportswomen, senior researchers, teachers, artists e.) relatives of foreigners employed in Hungary f.) workers who perform commissioning g.) with the contribution of the Office of Immigration and Nationality Ministry of Interior for the sake of alien policing and humanitarian reasons h.) the holders of Hungarian certificate (Status law on Hungarians living in neighboring countries

<sup>15</sup> E.g. family members of work-related permit holders and special categories of highly skilled professionals

<sup>16</sup> This procedure was introduced in the renewed aliens act introduced 2004.

### **Work permit application policies**

All three countries try to keep their domestic labor market balanced and attempt to forecast imbalances by monitoring the labor market needs and supply of the domestic or EU-based workforce. For instance, Hungary set a limit to the employment of foreigners by defining the maximum number of foreigners allowed working in Hungary. The work permit policy is based on the general evaluation of the domestic labor supply. Russia has set up regional quotas on the basis of the demand for foreign labor in every region. EU nationals may stay in Finland and in Hungary without residence permit for three months, and even beyond this if the person seeks work and has reasonable odds for finding a job.

In terms of application procedure Finland differs from Russia and Hungary. In the latter two countries the employer applies for the permit for its future foreign employees. In Finland it is the employee to whom the residence permit is granted on grounds of the need of labor-force permission. However, the initiative comes from the employers' side. We can suspect that it is the socialist past of the previous two countries - the inclusion of the companies into a centralized system - that plays its part in the background to differences in work permit policies.

There are also differences in the time-period designated for making decisions. After receiving a work permit application, in both Hungary and in Finland, the labor administration decides whether domestic or EU-based workforce is available for that specific job within a reasonable timeframe, which is 60 days.

Seasonal workers have a special status in Hungary and Finland. In the proposal of the new Finnish Act on Aliens, seasonal workers and several other groups be made exempt from the obligation to procure a work permit as such a permit is almost automatically granted for foreigners and in year 2003, more than one third of work permits were granted for seasonal agricultural work.

The next table 1 shows the overall picture concerning the annual stock of immigrants in respective countries compared to the data on whole world.

Table 1. Total population, migrant stock and annual migration in Hungary, Finland, Russian Federation compared to world figures in 2005.

Country or area	Total Population (1000)	Migrant stock		Net migration (annual average )	
		Number (1000)	Percentage of population	Number (1000)	Rate per 1000
	2005	2005		2000-2005	
<b>World</b>	6 464 750	190 634	2,9	0	0,0
<b>Hungary</b>	10 098	316	3,1	10	1,0
<b>Russian Federation</b>	143 202	12 080	8,4	80	0,6
<b>Finland</b>	5 249	156	3,0	8	1,6

Source: International Migration 2006. United Nations, Department of Economic and Social Affairs, Population Division.

## The role of ethnicity in immigration

### The structure of immigrant population: Russia

In Russia, the number of immigrants from the Asian CIS-countries and from the countries of South-East Asia has grown considerably over the last decade. The major precondition for the existence of the multiethnic communities are the common political past re-emerging in the frame of the organization of the Commonwealth of Independent States, the survival of social-economic and cultural relations formed during the Soviet period and the existence of national diasporas and public national-cultural organizations all over Russia. However, mass migration in the last decade has produced an additional burden on the social-cultural institutions of the Russian regions and has led to competitive relations in the public sphere. Social-economic problems are perceived by the public through the prism of interethnic relations, and therefore they are linked to migration which fact results in non-tolerant behavior.<sup>17</sup>

The different types of immigration and the adaptation of migrants vary according to the hosting region. Three types of hosting regions have been identified: the Russian territories bordering CIS and other countries, inner Russian territories and large cities. Border regions both on the Russian territories and abroad have similar social and economic structures and maintain mutual social-cultural communications. These features foster excellent adaptation on behalf of immigrants and enhance genuine competition in local labor markets and in the social sphere. The geographical closeness of the ter-

<sup>17</sup> Migratsiya i besopasnost v Rossyi . M. : Interdialekt, 2000



ritories stimulates mass migration and creates the preconditions for forming ethnic enclaves. The situation is perceived as a threat by the local population and provokes inter-ethnic conflicts.<sup>18</sup>

The inner regions are situated far from the state borders and inhabited mostly by an ethnically homogeneous population. Immigrants are dispersed over these regions. The inner regions are characterized by a deficit in human resources and segmented labor market like in Siberia.

The majority of immigrants are attracted by the large cities. The high level of social competition in major cities, the considerable size of the migrant population and the differentiation of immigrants according to their social-economic status and ethnic-cultural composition determine public attitude towards immigrants, which is characterized by growing inter-ethnic tension and xenophobia, especially among young people.

Several variants of ethnic-social stratification and segregation can be identified as slavery and trafficking, ethnic corporative unions, ethnic enclaves, and ethnicity related criminality. These ethnically defined social phenomena have fed hostile attitudes towards all the representatives of the respective ethnic group. Public hostility towards temporal migrants has been transferred onto other ethnic population groups, which have inhabited these regions since long ago.

Migration processes lead to the transformation of existing patterns of inter-ethnic behavior and create ethnic-cultural instability. In general, the situation in the sphere of interethnic relations in Russia remains within the standards of civic behavior. However, it is still possible to identify several zones of potential conflicts: large Russian cities Moscow and St. Petersburg, the Stavropol and Orenburg Regions and the Far East Territories.<sup>19</sup> The situation in these areas can be characterized by growing social tension, the development of ethnic phobias together with the growing autonomy of the migrant population.

The above noted tendencies towards the aggravation of interethnic tension hinder the elaboration of strategies of politically correct public behavior. On the other hand, economic growth makes the inflow of labor necessary. Migration will play its important role in the formation of economic and labor potential in the Russian regions under the conditions of the problematic demographical situation. Hence the strategies of intercultural communications have to be developed.

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<sup>18</sup> Soboleva S.V., Tchudayeva O.V. Inostrannie migranti na rossiskom rinke truda // EKO. - 2003 Nr 1, pp. 60-79.

<sup>19</sup> Krasinets E.S. Nyesakonnaja migratsiya i sanjatost: vaschnyeysche harakteristiki v prigranitnhyi teritoryah //Migpatsyia i opit vsaimodeistviya regionov po usilevniyu etnopoliticheskoj stabilnost v Evrasyii, Novosibirisk: Artinfodata, 2002.

Table 2. Population of foreign origin by the country of birth in Russian Federation 2002.

<b>Countries of origin</b>	<b>Number</b>	<b>Foreign-born population, %</b>
Ukraine	230,558	22.5
Azerbaijan	154,911	15.1
Armenia	136,841	13.3
Uzbekistan	70,871	6.9
Kazakhstan	69,472	6.8
Other	362,760	35.4
<b>TOTAL</b>	<b>1,025,413</b>	<b>100.0</b>

Source: Russian Federal State Statistics Service, Census 2002.

### **The structure of immigrant population: Hungary**

In terms of citizenship, Romania is by far the most important country of origin for labor permit holders in Hungary: almost half of the total foreign laborer population of Romanian origin (HCSO 2003). Also the other neighboring countries, Slovakia and former Yugoslavia, and the former Soviet Union, mainly Ukraine are important countries of origin. In addition China and EU-countries play significant roles in the transnational movement of labor. Most of the people from neighboring countries are of Hungarian ethnic origin. It is important to note that previous links between state socialist countries have broken down or have been reconfigured, which can be exemplified by the decline in the number of Polish industrial workers in Hungary.

Eastern neighboring states are the prime sources of immigrants, like in the case of labor permits. On the Western side, Germany plays an important role. The end of the 1990's was a peak period of foreigners arriving from EU countries and Germany. Besides the European citizens another significant group are Chinese (more than 5,000) and Vietnamese (above 1,500).

Concerning questions related to ethnomigration we rely on a Hungarian survey on immigrants carried out by Irén Gödri et al. (Poplar 2003). In 2001 7000 people from neighboring countries gained immigrant status in Hungary, 69 percent of them came from Romania, 18 percent from the Ukraine, 10 percent from the former Yugoslavia, 2 percent from Slovakia and a negligible percentage from Croatia and Austria. This survey, carried out among this immigrant population in the summer of 2002, was based on data from a representative sample of 1 015 people over the age of 18<sup>20</sup>.

<sup>20</sup> Research project NKFP 5/0084/n.

Among migrants from Romania and Slovakia more than 90 percent have an exclusively Hungarian identity, but in the case of the Ukraine the relevant figure is only 78 percent.<sup>22</sup> The ratio of immigrants without Hungarian identity or not mastering Hungarian is low with regard to Slovakia and Romania.

The data described above show that the co-ethnic element is characterizes to Hungarian immigration. The question of ethnomigration can also be raised from the point of view of the motives of migration. In this respect the motivation to use the mother tongue or experiences of ethnic discrimination in the country of origin play an important but decreasing role among immigrants from neighboring countries. In the early 1990's and in the mid 1990's the large movement of people with a Hungarian identity was largely due to this factor. The survey has revealed that more than 50 percent of the immigrants had a family member who settled down before the arrival of the respondent, and this ratio is significantly higher among immigrants with a Hungarian identity. Therefore ethnic identity, the attraction of the "mother country", and the existence of networks as pull factors, and the experience of ethnic discrimination as a push factor, smooth the way of migration. In the Hungarian case these social and ethnic factors coincided with economic factors, like restructuring of the labor market: collapse of the heavy industries and a slow readjustment to the service economy. In this case ethnicity and economic inequalities together catalyzed a self-generating process (see also Gödri & Tóth 2005).

Table 3. Population of foreign origin by the country of birth in Hungary. 2001.

<b>Countries of origin</b>	<b>Number</b>	<b>Foreign-born population, %</b>
Romania	143,727	49.1
Slovakia	37,439	12.8
Serbia and Montenegro	27,388	9.3
Ukraine	23,835	8.1
Germany	10,173	3.5
Other	50,369	17.2
<b>TOTAL</b>	<b>292,931</b>	<b>100.0</b>

Source: OECD 2003, Population Statistics

<sup>21</sup> Immigrants 2002 and 2004, Demographic Research Institute Panel Survey 2001-2006.

### **The structure of immigrant population: Finland**

The composition of Finnish population in terms of nationality is homogenous: 2,2 percent of the population had a nationality other than Finnish, and 3,1 percent were foreign born in 2005 (Statistics Finland 2005). Linguistic composition is slightly more varied because of a language minority of Swedish Finns, small traditional ethnic minorities, and indigenous people in the north, the Sámi.

The most common reasons for immigration to Finland have been family ties. Employment as a primary reason for migration covers only 5-10 percent of all immigration. However, the number of granted work permits has increased sharply under the last five years, and this development is expected to continue because of the structural changes in the labor market, and the retirement of working population. The largest groups of foreign citizens come from the neighboring countries, Russia, Estonia and Sweden, and from Somalia, whereas most labor permits, over 60 percent were issued to citizens of Russia and Estonia.

Similarly to Hungary and Russia, Finland has also been a recipient of so-called ethnic “return” migration from the 1990’s onwards. When first launched in the early 1990’s, return migration policy targeted Ingrian Finns, who have Finnish family ties. However, since immigration of Finnish population to Ingria - now located on Russian territory – traces back to 17<sup>th</sup> century, grounds of calling Ingrian Finnish immigration as *return* migration can be questioned. Criteria for claiming ethnic Finnish ties have been made stricter and a requirement of competency in the Finnish language has also been added during the 1990’s. As described above similar governmental efforts to reduce ethnic immigration are also launched in Hungary. In Finland, unlike in Hungary and Russia, ethnic “return” migration did not become a dominant feature characterizing immigrant population. It is interesting to note, how ethnicity is understood in this context, since being and “ethnic Finn” in administrative or political terms is defined through biology, not through culture. The recent shift towards required competency in the Finnish language balances the definition slightly, but still the definition of ethnicity is strongly defined in terms of *jus sanguinis* (descent), not in terms of *jus soil* (culture, language and factual country of residence) (Laari 1998).

Ethnicity does play a role however, through immigrant communities and chain migration patterns. So far these have also been fairly limited, since immigrant communities are still quite small. However, within Finland, ethnic communities seem to attract the migration of co-ethnics; for example a vast majority of ethnic Somalis live in the capital area of Helsinki.

Table 4. Population of foreign origin by the country of birth in Finland. 2002.

Country of origin (nationality)	Number	Foreign-born population, %
<b>Russia</b>	25 326	<b>25</b>
<b>Estonia</b>	17 599	<b>7</b>
<b>Sweden</b>	4 623	<b>2</b>
<b>Somalia</b>	3 693	<b>2</b>
<b>China</b>	3 382	<b>2</b>
<b>All other countries</b>	32 179	<b>62</b>

Source: Population Register 2006.

## Conclusions

Focus of our study was to describe how flows of people and capital are embedded in social development: the collapse of the Soviet regime and the socialist system, as well as enlargement and membership in the European Union have had a major impact on migrations and flows of foreign capital both in Hungary and Finland. Migrations and flows of foreign capital do not just happen, but political, social and economic circumstances shape national attitudes towards transnational processes, which are also embedded in frameworks of legislation and national policies.

Popular globalization paradigm claims that states are losing their sovereign positions in shaping national social and economic policies. Globalization is seen as a process where national economies are deliberated from state regulation, where capital was constrained in the name of “political reality”. During the Soviet regime and in circumstances of Cold War, the argument of “political reality” was powerful when restrictions towards flows of capital and people had to be justified. Popular globalization paradigm has created argumentation of its own: in the name of “economic reality” state regulations constraining flows of capital and labor have to be demolished. However, there seems to be evidence that globalization is not destroying national sovereignty. Regulatory power of states still exists, but it has taken new forms in a new context. The way how states regulate immigration policies, and monetary policies of EU provide examples of this.

In Russia, Hungary and Finland foreigners immigrated on other grounds than solely the need of their labor and populated the target country more evenly than migrant laborers. However, capital areas attract the greatest number of migrants of various statuses in all three countries. In this respect capital areas of all three countries follow the same trend: globalization is a restructuring process in which the most urbanized regions become entangled in transnational social and economic networks. This, in turn, loosens the most urbanized regions from realities of the other regions of a respective country.

In terms of attitudes and institutionalized social practices towards the ethnic hierarchy of immigrants, shaped and reproduced by national legislation and administrative practices, seem to follow the same pattern in all the countries studied. In Finland, Hungary and Russia so called ethnic remigration takes place: in Hungary immigrants from neighboring counties of Hungarian origin, in Finland immigrants from Russia of Finnish origin and in Russia immigrants from CIS-states of Russian origin have privileged status in immigration policies. In Hungary and Finland EU-membership shapes hierarchy of immigrants on a basis of nationality even further: EU-nationals and so-called third country nationals have different rights and obligations what comes to their status as immigrants.

The political and legal frameworks developed by the individual countries have a lot of common elements, but we can observe clear differences. Finland has developed a system which aims at protecting cohesion of the Finnish Welfare State, while Hungary has developed an institutional system in which different aspects, including ethnic ones are combined without a coherent framework. Russia being on the way of developing an integrated system still struggles with the legacy of the dissolution of the Soviet Union.

All in all it is clear that globalization does not lead to a more open and egalitarian international system of transnational movements of people but reproduces new economic, ethnic and national hierarchies with severe implications on the movement of individuals or migrant groups.



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Appendix table 1 Periods in the History of Migration and Foreign Investment in Finland, Russia and Hungary, 1850–

FINLAND		
Characteristics of foreign investment		Characteristics of migration
Political and Institutional Framework	Investment Processes	Migratory Processes
<b>Autonomy (late 1800s – 1917)</b>	<ul style="list-style-type: none"> <li>Foreign entrepreneurs accelerated the rate of industrialisation and brought know-how</li> <li>Many of today's largest and well-known Finnish companies were founded during this period by foreigners; for example the brewery Sinebrychoff (Russian), the departments store Stockmann (German), and Enso-Gutzeit (Norwegian) in the forest industry, Fazer's (Austrian) bakery, cafeterias and chocolate business</li> </ul>	<ul style="list-style-type: none"> <li>In 1888, all people entering the country had to have a valid passport</li> <li>Foreign entrepreneurs and artisans could immigrate to Finland; statutes, control over foreigners</li> <li>Residence and practicing trades were regulated by permits, also in the case of Russians</li> <li>Class divisions of the estate system also applied to foreigners: the treatment of foreigners was irregular and unequal. The Roma and Jews were under special control</li> <li>Nationals of other countries were seen as a national security risk</li> </ul>
<b>First decades of independence (1918-1950)</b>	<ul style="list-style-type: none"> <li>A majority of the most significant foreign-owned enterprises were transferred into Finnish ownership in the early years of independence</li> </ul>	<ul style="list-style-type: none"> <li>In 1918, Tartars and Jews were granted citizenship and freedom of trade</li> <li>The Aliens' Act of 1938 created the foundation for rules in current legislation on controlling foreigners, and the statutes for preventing entry into the country and deportation</li> <li>The main motive was: "preventing the activities of revolutionary movements"</li> <li>Foreigners were monitored with the help of state police.</li> <li>Foreigners were regarded as a security risk</li> </ul>
<b>1960s and early 1970s</b>	<ul style="list-style-type: none"> <li>Foreign investments started increasing</li> <li>Investments into labor-intensive sectors, such as textile and garment industry</li> <li>Motives: low labour costs, entry into market</li> </ul>	<ul style="list-style-type: none"> <li>As a result of the Russian revolution, 33 000 Karelian refugees and Russians entered Finland Most of them either continued to other countries or returned later to Russia</li> <li>Small-scale immigration</li> <li>Number of foreign nationals declined till the 1950s</li> </ul>
		<ul style="list-style-type: none"> <li>Small-scale, controlled immigration</li> <li>High levels of Finnish emigration to Sweden.</li> </ul>

FINLAND			
Characteristics of foreign investment		Characteristics of migration	
Political and Institutional Framework	Investment Processes	Political and Institutional Framework	Migratory Processes
<i>Late 1970s and 1980s</i>	<ul style="list-style-type: none"> <li>From assembly lines to high skills.</li> <li>Gradual growth of foreign-owned companies</li> <li>Motive: desire to obtain special know-how from Finnish companies</li> </ul>	<ul style="list-style-type: none"> <li>In 1984, the first alien legislation in the history of Finland was passed, including permit statuses related entering and residing in the country, legal protection for foreigners in accordance with the obligations contained in international conventions</li> </ul>	<ul style="list-style-type: none"> <li>Most immigration occurred as a result of marriage; return migration of Swedish-Finns</li> <li>The reception of refugees started: from 1973, Chilean refugees, and from 1979, the Vietnamese. Council of State ratified annual refugee quota starting in 1985</li> </ul>
<i>1990s</i>	<ul style="list-style-type: none"> <li>The era of protectionism of national industry ends.</li> <li>Foreign companies were increasingly interested in buying Finnish companies</li> <li>Investments concentrate in industry and services</li> <li>Finnish investments abroad grew rapidly</li> </ul>	<ul style="list-style-type: none"> <li>New Aliens' Act in 1991; reforms in asylum and legal protection</li> <li>Continuous pressure to modify alien legislation; it soon became complex and incoherent.</li> <li>Permit system in practicing trades was eliminated</li> <li>Act on the Integration of foreign nationals and reception of asylum seekers came into force in 1999</li> <li>EU membership in 1995 eased the movement of labour inside the EU area</li> </ul>	<ul style="list-style-type: none"> <li>Ethnic return migration from the Soviet Union began in 1990</li> <li>Number of asylum seekers grew, a system for receiving them was established</li> <li>Number of foreign nationals increased</li> </ul>
<i>2000-</i>	<ul style="list-style-type: none"> <li>Taxes of foreign highly skilled labour force has been reduced by a tax reform</li> <li>The Ministry of Finance announced that national economic competitiveness required increasing immigration for both high- and low-skilled work</li> </ul>	<ul style="list-style-type: none"> <li>Labor permit policies are more liberal, recruitment of foreign labour force becomes a long-term political objective</li> <li>Transition periods for the movement of labor from new EU member states are introduced</li> <li>Governments' proposal for a new Aliens act turned down in the Parliament due to shortcomings in human rights issues; Ministry of the Interior faces strong criticism concerning treatment of foreign nationals, from e.g. the United Nations. The Ministry ignores all criticism.</li> </ul>	<ul style="list-style-type: none"> <li>Number of foreign nationals continues to grow</li> <li>Seasonal labour from Northwest Russia and Estonia</li> <li>Foreign nationals are concentrated in cities and especially in the Helsinki capital area</li> <li>Roma asylum seekers from Central European transition countries</li> </ul>
	<ul style="list-style-type: none"> <li>Foreign investments and foreign-owned companies are concentrated in the Helsinki capital area</li> <li>Many Finnish-owned companies hook up with other Nordic companies; for example the forest industry company Enso-Gutzeit (see the period autonomy-1917 in this table), hooks up with the Swedish Stora; the Stora-Enso becomes one of the world's leading forest industry companies. Norwegian Kvaerner buys the Finnish Masa-Yards; two largest Finnish banks become a part of the Nordic Nordea bank.</li> </ul>		

RUSSIA			
Characteristics of foreign investment		Characteristics of migration	
Political and Institutional Framework	Investment Processes	Political and Institutional Framework	Migratory Processes
<p><b>Russian Empire (late 1800s – 1917)</b></p>	<ul style="list-style-type: none"> <li>Accelerating economic growth and liberalization till the 1<sup>st</sup> World War.</li> <li>Foreign investments begins to grow.</li> <li>The largest FDI figure in Russian economic history was in 1913.</li> </ul>	<ul style="list-style-type: none"> <li>During the second half of 18<sup>th</sup> century massive immigration started.</li> <li>Foreigners were invited to settle at the sparsely populated lands along Volga River. In 1763 the special government office was founded.</li> </ul>	<ul style="list-style-type: none"> <li>The total net migration to Russia since the beginning 19<sup>th</sup> century till 1916 was slightly over 4 million persons; it significantly affected the development of certain regions – Povolgie, South of Russia, Far East. The main ethnic groups were: ethnic Germans (app. 1.8 million), Koreans, and Chinese. The proportion of immigrants in Russian Far East at the end of 19<sup>th</sup> century was around 15%..</li> <li>Russia was an active participant of world migration process as one of the main suppliers of cheaper unskilled labour force for Europe and America. On the other hand Russia attracted peasants and unskilled workers from the provinces</li> </ul>
<p><b>Soviet period from 1917 till the 1970s</b></p> <ul style="list-style-type: none"> <li>The establishment of a state-socialist system. State control over most aspects of social and economic life.</li> </ul>	<ul style="list-style-type: none"> <li>All foreign companies were nationalized</li> </ul>	<ul style="list-style-type: none"> <li>After 1925, when the “iron curtain” was erected, legal emigration from the USSR became impossible. Immigration policy became an object of ideological control.</li> </ul>	<ul style="list-style-type: none"> <li>Russia experienced two waves of emigration.</li> <li>The first wave caused by World War 1, the 1917 February and October revolutions then civil war. Russia lost a great part of its previous intellectual and social elite.</li> <li>During the Second World War 4 million Russian citizens were taken away to Germany and other countries by force. About 620.000 of them did not wish to return to the USSR.</li> </ul>

RUSSIA	
Characteristics of foreign investment Investment Processes	Characteristics of migration Migratory Processes
Political and Institutional Framework- work	Political and Institutional Framework
<p><b>1970s and 1980s</b></p> <ul style="list-style-type: none"> <li>• Attempts to create a more integrated socialist international system within the framework of Comecon.</li> </ul>	<p>Alleviation of immigration policy restrictions.</p> <p>“Planned” migration within the socialist community and between socialist republics.</p> <p>Outflow of emigrants who departed with Israeli visa started</p> <ul style="list-style-type: none"> <li>• By the beginning of the 1990s the number of foreign workers in Russia from Vietnam, Bulgaria, Cuba was over 200,000 persons</li> <li>• Migration flows to Russia started in inter-republics internal migration process.</li> <li>• 360,000 persons emigrated to Israel</li> </ul>
<p><b>1990s</b></p> <ul style="list-style-type: none"> <li>• The restrictions on investments by foreign companies were eliminated in the beginning of 1990's.</li> <li>• Law on Joint Ventures with Firms from capitalist countries was passed</li> <li>• The government tended to protect the most vital part of industry from foreign investors. Foreign company took part in Russian Privatisation Program with special conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Over the period of 1992-2001 about 6.4 million persons arrived to Russia from ex-Soviet states. Among them there were 70% of ethnic Russians.</li> </ul>
<p><b>1999-</b></p> <p>Relatively low foreign investment level</p>	<ul style="list-style-type: none"> <li>• Inter-republics migration became international migration.</li> <li>• “Transparent” borders, the territory of ex-Soviet Union was a united as a system, with a unified labour market. The unity was secured both by that fact that no visas were necessary to cross the borders, and by the absence of special restrictions in respect to the labour flows from different republics</li> <li>• Initiation of the new immigration status: forced migrants, for ex-Soviet Russian population</li> <li>• Politically immigration from FSU was caused primarily by economic reasons</li> </ul> <ul style="list-style-type: none"> <li>• Decline and stabilization immigration inflow from FSU countries</li> <li>• Growth of non-Russian population in immigration inflow</li> <li>• Majority of immigrants are labor immigrants</li> </ul>
	<ul style="list-style-type: none"> <li>• Adoption of new immigration law. Definition of foreigner status in Russia. The equal conditions for ex-Soviet migrants and for migrants from other countries</li> <li>• Regulation of labour migration (work permit)</li> </ul>



HUNGARY	
Characteristics of foreign investment	Characteristics of migration
Political and Institutional Framework	Political and Institutional Framework
Investment Processes	Migratory Processes
<p><b>Austro-Hungarian Monarchy (1867-1918)</b></p> <ul style="list-style-type: none"> <li>• Dualist structure; Hungary is basically sovereign, but it had a common monarch with Austria and some common affairs (like foreign affairs, military affairs and the financial aspects of the common affairs)</li> <li>• The first period of liberal capitalism in Hungary. In terms of foreign investment Hungary was dependent on foreign investors in financing public debt (approximately 60% foreign). In terms of industrial companies dependence on foreign investment was much lower, not more than 26% percent. Austria was the main foreign investor, but Germany played an important and increasing role. The main targets of foreign investors were metallurgical industry, chemical industry and food industry. Metallurgical industry was the most dependent on foreign investment.</li> </ul>	<ul style="list-style-type: none"> <li>• Around one and half million Hungarian citizens left the Monarchy for North America between 1871-1913. Most of them were from ethnic minorities, and socially they were mainly from agrarian laboring classes.</li> <li>• Immigration to the Monarchy and internal migration between the different parts of the Monarchy mainly to more "developed" parts.</li> </ul>
<p><b>From 1918 till the communist takeover in 1948</b></p> <ul style="list-style-type: none"> <li>• Hungary became independent: Hungarian Kingdom was divided up and large territories were lost for Romania, Czechoslovakia and Yugoslavia. Huge problems emerged with regard to the citizenship and property of Hungarians in the so-called successor states. For a short period Hungary had a communist dictatorship limiting private ownership. From the early 1930's there was a change in economic policy from liberal principles to ideas favouring massive state intervention. From the late 1930's the state intervened into the private economy and even it attempted to change the composition of entrepreneurial classes and ownership. First anti-Jewish legislation was introduced in 1920. Later Jewish property was taken away. Later at the end of the war Germans took away Hungarian and Jewish property. Afterwards German property was confiscated by the Soviets. Shortly after the war communists introduced measures to nationalise private property including foreign property. Even there were trials against foreign investors. By 1949 almost all companies were nationalised and foreign investment was basically ruled out.</li> </ul>	<ul style="list-style-type: none"> <li>• 1920: Several hundred thousand Hungarians (max 10% of the Hungarians living on the "lost" territories) moved to Hungary from the successor states.</li> <li>• Due to the US. Legislation of Quota of National Origin in 1924 emigration to the United States dropped to a minimum level. But emigration to other countries also decreased.</li> <li>• In the Hungarian Holocaust more than 300 thousand Jews are deported outside Hungary.</li> <li>• During the war Hungary received tens of thousands of refugees from Poland and some countries directly affected by the war. The re-annexation of some pre-First World War Hungarian territories also led to a massive movement of people into and out of Hungary. After the Second World War more than 200 thousand Germans and 90 thousand Slovaks were deported from Hungary, while the country received several hundred thousand Hungarians from Slovakia and Romania. Beside these "population exchanges" there was also a massive flow of migrants called displaced persons and in addition Hungarian prisoners of wars were also forcefully kept in the Soviet Union for several years.</li> </ul>
<p><b>From 1918 till the communist takeover in 1948</b></p> <ul style="list-style-type: none"> <li>• From the 1930's Germany played an increasing role in Hungarian foreign trade and later Germany became a major investor in the Hungarian economy.</li> </ul>	<ul style="list-style-type: none"> <li>• 1920: Trianon peace treaty regulated the citizenship of Hungarians living in the successor states of the Austro-Hungarian Monarchy.</li> <li>• 1925: Legal control on foreigners was practiced by the Interior Ministry and significant aggravations were brought in.</li> <li>• 1930: National Central Authority on Supervising Foreigners was established, which was responsible for the law enforcement on foreigners.</li> <li>• 1939: Second anti-Jewish act did not provide Hungarian citizenship for foreign Jews including even those people, who lived in the successor states or in the re-annexed territories. 1944: The National Central Authority on Supervising Foreigners got under the control of Gestapo which persecuted Jewish, Polish refugees appearing in Hungary during the Second World War.</li> <li>• After the Second World War, allegedly on the basis of collaborating with Nazis, the Hungarian government forced Hungarian citizens with Swabian-German origin to migrate to Germany.</li> <li>• Hungary also forced Hungarian citizens with Slovakian origin to migrate to Slovakia while Slovakia forced Hungarians to move to Hungary.</li> <li>• Hungarian prisoners of war are kept in the Soviet Union for a longer period to work for the reconstruction of the Soviet economy.</li> </ul>

HUNGARY		
Characteristics of foreign investment Investment Processes	Political and Institutional Framework	Characteristics of migration Migratory Processes
<p><b>1950s, 1960s and early 1970s</b></p> <ul style="list-style-type: none"> <li>●The 1950s and early 1960s is a period of rigid central planning with severe control over production and trade.</li> <li>●From the mid 1960s Hungary was more and more involved in a continuous reform process for easing the central control over trade and production and imitating a market economy. From the late 1960s there was a growing support for private initiatives and some forms of controlled foreign investment.</li> </ul>	<ul style="list-style-type: none"> <li>●After 1948 the country was almost sealed off by the "iron curtain" till 1953. The opening of borders during and after the 1956 revolution.</li> <li>●Several attempts (between 1956-1963) to legalise the 1956 exodus and to invite emigrants back to Hungary</li> <li>●The setting up of a separate department in 1958 at the Ministry of Interior for "screening" "hostile" and "unworthy" Hungarian elements in order to control their immigration and emigration. The : National Central Authority on Supervising Foreigners was integrated into the Ministry of Interior Affairs</li> <li>Introduction of a policy of allowing emigration to "capitalist countries" only above the age of 55.</li> <li>●1970: Gradual easing of control on migration. Every Hungarian citizen was given a right to get passport and to travel abroad.</li> </ul>	<ul style="list-style-type: none"> <li>●Almost no migration till 1956.</li> <li>●In 1956 around 200 thousand Hungarian citizens left the country mainly for Austria, France and the United States.</li> <li>●After 1956 there was a continuous illegal emigration, and a net emigration balance. But numbers were low and there was a net annual outmigration of several thousand.</li> </ul>
<p><b>Late 1970s and 1980s</b></p> <ul style="list-style-type: none"> <li>●Hungary became severely indebted internationally after the oil crisis. It had an impact on the economic policy, which was more and more market oriented.</li> <li>●Foreign investment was more and more encouraged. New forms of foreign investments were introduced.</li> <li>●At the end of the 1980s there was a radical move toward the total opening up of the economy in all aspects (trade, investment, the increase of private ownership and the decomposition of the state socialist economy)</li> </ul>	<ul style="list-style-type: none"> <li>●From the early 1970s gradually a central office was created for policing foreigners.(the registration of address within 24 hours,</li> <li>●Further liberalisation of the access to passports and opportunities of travelling</li> <li>●1989: New act on emigration and immigration.</li> <li>●1989 and 1990: Bilateral treaties with Germany on employment.</li> </ul>	<ul style="list-style-type: none"> <li>●Till the late 1980s there was a continuous small-scale illegal emigration</li> <li>●In the mid 1970s Germany started a new policy of inviting labor force from Central and East European countries. Hungary participated in this.</li> </ul>

<b>HUNGARY</b>			
<b>Characteristics of foreign investment</b>		<b>Characteristics of migration</b>	
<b>Political and Institutional Framework</b>	<b>Investment Processes</b>	<b>Political and Institutional Framework</b>	<b>Migratory Processes</b>
<p><b>1990s</b></p> <ul style="list-style-type: none"> <li>•The complete legislation for the free flow of capital and privatisation.</li> <li>•Subsidies for certain foreign investors</li> <li>•The take-over of EU legislation for the sake of EU integration.</li> </ul>	<ul style="list-style-type: none"> <li>•Quick privatisation of state assets, within 8 years most of them were sold mainly to foreign investors.</li> <li>•Time lag between the collapse of state socialist industry and the appearance of foreign capital.</li> <li>•Huge increase in foreign direct investment till the end of the 1990s. Foreign subscribed capital increased by 6-7 times. In certain sectors (chemical, food, manufacturing, postal and telecommunication services) the ratio of foreign subscribed capital was well above 50 percent. In its export Hungary was extremely dependent on transnational corporations.</li> </ul>	<ul style="list-style-type: none"> <li>•Hungary developed a legislative framework for accepting larger number of immigrants, foreign labourers: employment act including employment of foreigners in Hungary; the gradual implementation of the Geneva Convention.</li> <li>•Hungary also entered into bilateral agreement with regard to Hungarian citizens working outside Hungary: From 1996 the country signed bilateral treaties on employment with some EU countries (like Austria, Holland, Ireland, Luxembourg, France) and some non-EU countries (like Switzerland, Slovakia, Czech Republic, Romania).</li> </ul>	<ul style="list-style-type: none"> <li>•1988: Almost thirteen thousand Romanian Hungarian immigrant nationality-migrated to Hungary. From 1989 their number was about 29 thousand annually until 1992 when it decreased to a level of four thousand and then their number started increasing again.</li> <li>•In the mid 1990's Hungary received around 50 thousand temporarily protected people from Bosnia.</li> <li>•The numbers of foreign workers with labor permit increased from 20 thousand to 40 thousand between 1994-2000.</li> </ul>
<p><b>2000-</b></p> <ul style="list-style-type: none"> <li>•The completion of EU-conform legislation</li> <li>•The maintenance of subsidies toward large foreign investors.</li> <li>•The country joins the EU in 2004 with some temporary restrictions on the free flow of labor.</li> </ul>	<ul style="list-style-type: none"> <li>•Relative slow down in the inflow of foreign capital</li> <li>•Some labor intensive foreign investor (including IBM, Philips) leaves the country for other countries with cheaper labor force.</li> <li>•Some huge Hungarian companies (including the Hungarian Oil Corporation) invest in neighboring countries.</li> </ul>	<ul style="list-style-type: none"> <li>•2000: Establishment of the Office of Immigration and Nationality, which has got national competence on law enforcement of foreigners.</li> <li>•Hungary starts preparing the implementation of the Schengen Treaty.</li> </ul>	<ul style="list-style-type: none"> <li>•The number of foreign workers increases to 50 thousand.</li> <li>•The number of refugees decreases.</li> </ul>