

states, and the new EU member states. In services, the old EU member states are followed by Russia and the new EU member states.

Table 3.2. Shares of companies with 50 of more employees in Finland that have offshored R&D tasks in 2001-2006

	EU-15	EU-12	Russia	China	India	The US or Canada
All sectors (R&D)	37%	25%	15%	23%	17%	7%
Manufacturing (R&D)	30%	30%	0%	37%	22%	17%
Services (R&D)	42%	21%	26%	13%	14%	0%

Data source: Statistics Finland

The offshoring of R&D has primarily been driven by the desire to enter a new market, to better fulfill customer needs, and to achieve cost savings (Ali-Yrkkö 2006a). Local regulations and needs often necessitate making product adjustments, and the easiest way to implement these adjustments may be by having a local presence. Operating in developing countries often generates cost savings because, for instance, in China, the cost of R&D staff is approximately one-third or one-fourth of the cost of equivalent labor in Finland (Ali-Yrkkö and Tahvanainen 2009). However, some R&D tasks have also been offshored to developed countries such as the US, where R&D labor costs are notably higher than in Finland. Based on qualitative data covering the largest Finnish companies, Ali-Yrkkö and Palmberg (2008) report that in Finland the labor costs of R&D are, on average, less than half of the US level and in most cases are clearly lower than in Germany or in Sweden.