

3/2008



f focus



focus
met:

Jaak Aaviksoo
Estonia's Minister of
Defence

Photo: NATO

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Anders Hedman
Chairman
SCCE

Dear Reader, Time for a Russian strategy

Since the beginning of August a lot of the media focus in Estonia as well as in the rest of the world has been on Georgia and Russia.

Living in the former Soviet Republic of Estonia, with its 50 years of Soviet-Russian occupation, it is not surprising that the support for Georgia has been overwhelming and even to a degree too overwhelming. Estonian press, which is known for being rather right wing oriented compared to the traditional left wing press in Sweden, has sometime missed to take an objective stand, if that was at all an issue here. At least it seems so to me.



I think it is time that Estonia develops a well thought over strategy concerning Russia and their bilateral relations, where not only the need for independence and own interest of expressing opinions are taken into account, but where also other factors are taken into account, such as foreign investments, trade relations, tourism etc. Today that kind of productive long-term strategy does not exist to my observation.

Finland is a country with a long experience of Russian relations and these were after WW2, maybe not making the Finns proud from the point of view of the free word and the right to express your opinions (remember Kekkonens influence over editorials). But from a trade perspective it was a success and it helped to pave the road to what Finland is today. Today the Finns seems to speak with 3 tongues, the President takes a more understanding position towards Russia, the PM is neutral and the Foreign Minister speaks more open about NATO membership. Whether this

strategy will be successful remains to be seen, but from my perspective it might for their Russian-Finnish relations.

The roots of these problems are the US – Russian relations. Here I must say that the US has missed an opportunity to make Russia an allied for the last 10 years. To make it short, the US has tried to dance wiener waltz in cowboy boots after having some gallons of Coors beer down the throat. Finally the bride said, enough is enough, I do not want to dance with you anymore! This final point was Kosovo independence support in combination with the rocket base in Poland.

Having this in mind, it is not so surprising that Russia decided to teach everybody a lesson in Georgia. This development is good only for idiots like Castro and Chavez, but long term it is bad for Russia, Europe and US. Instead these three parties should sit down and form an alliance for peace and prosperity in the world. That would also pave the road for an improvement of the Estonian-Russian relations.

Independent from this Estonia must think over what road Estonia want to go in the future; either be the leader of the anti-Russian block in NATO and EU or to go together with Finland for a more broader strategy. Is Estonia ready for it?

Car policy in Estonia



I read www.balticbusinessnews.com a lot because it's simply the best Baltic daily business news source in English language. During the last months' cars has somewhat been in focus for many reasons; car dealers in bankruptcy, higher petrol prices etc., but there has also been two other interesting reasons; firstly the Scandinavian/Italian book about the rise

and fall of the Estonian economy where the authors criticized and made fun of the Estonian love for big luxury cars and secondly Minister Parts very poorly timing of getting himself a new Audi A6 as a ministerial car. This gave him some critics from the PM Ansip, who is said to have read the book mentioned above.

This was for me interesting because it seems like there starts to be a sense of normal approach here from the PM concerning politicians' cars.

I am glad that the PM has started to move away from the African approach, meaning the poorer the country, the bigger the politicians' cars. I have an easy proposition for

Mr Ansip; I think every MP should drive a car like Volvo S30, the Ministers a Volvo S50 and the President the S80. The car brand is open for competition every third year and let the car dealers compete with the best offer. This would save a lot of money to the state and it would signal a trend brake in the former East Europe. The country really needs a moderate car dress code for its politicians.

Financial forecast

In Sweden there was a joke some 20 years ago when the news program Rapport started to appoint "The Swede of the year". First out was Hans Holmér who failed to catch Olof Palme's murderer, next was Dr. Refaat El-Sayeed, who turned out not to be a Dr. later on. After this they stopped with this because every possible candidate became afraid of becoming the Swede of the year as it usually brought bad luck for the appointed person.



In Estonia this title does not exist, but instead we have **experts** or **financial analysts** working for the banks. This year has not been an easy one and unfortunately it has shown that the forecasts are rather useless. After failing to predict the downturn to the extent they have during the spring, they should simply stop calling themselves experts. May I instead suggest guesser or gambler instead, as a more appropriate title.

Now I will do my bet:

- The Estonian economy will continue to fall during the autumn.
- More companies will go bankrupt during the autumn and people will be laid off.
- There will be no salary increases for next year.
- House prices will continue to fall and the banks will have more bad loans.
- Unemployment rate will go up and after one year from now we will see the bottom of the downturn.
- 2009 will be the worst year.
- 2010 the trend will turn upwards again.
- GDP 2008: -2 %, 2009: -4%, 2010: +2%.

Les jeux ne va plus! The roulette ball is rolling!

Enjoy reading **focus** nr 3, 2008!

Anders Hedman
Chairman
SCCE

Publisher

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The Swedish Chamber of Commerce in Estonia

The Swedish Chamber of Commerce in Estonia – SCCE - is a non-profit association registered in Estonia. Since its foundation 1991 the SCCE has grown considerably and today the Chamber unites close to 140 member companies and organizations headquartered in Estonia, Sweden as well as other countries.

SCCE is in many ways a mirror of the intensity in Swedish-Estonian commerce and trade. Sweden is the biggest foreign direct investor in Estonia and in terms of export and import Swedish-Estonian business is among the top three.

A main task of SCCE is to create an environment for networking and exchange of information. The Chamber act as a meeting place by arranging seminars, business lunches, company visits, hosting business delegations as well as arranging social events for the members.

Following a SCCE initiative, FICE - Foreign Investors' Council in Estonia was founded in August 2008. FICE is a lobby group acting through contacts with the Estonian Government and Estonia's Governmental bodies. Together, the nine countries represented among FICE's members had a more than 80% share of the total foreign direct investments in Estonia during the first six months 2008 [source: Eesti Pank].

Special and unique SCCE member benefits include listing in the SCCE Trade Directory, an opportunity to a further market introduction in the Member in HighLight section of the Chamber's website as well as taking advantage of a steady flow of Special Offers.

The fee for basic membership in the Swedish Chamber of Commerce in Estonia is EEK 5.900:- per year and EEK 20.000:- per year for Royal Membership (2008). Membership is only granted to legal entities.

For more information about SCCE, please visit www.swedishchamber.ee. You are also welcome to take a direct contact with SCCE's Ombudsman Kristiina Sikk: kristiina@swedishchamber.ee or tel. (+372) 501 9813.

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What to do if you don't get paid



As we are surrounded by statistics showing that the Estonian economy is no longer growing the way we are used to and the headlines in the newspapers state that bankruptcies are increasing, it is always useful with some guide lines on what to do if you do not get paid on time.

First of all, always make sure that you have valid

and signed agreements in original with all your counterparts. Without that, the risk is high that you have limited options when demanding payment. This is almost impossible to cure when the problems are already a reality.

If you suspect that a company you are doing business with is in financial trouble as they pay their invoices later and later, you should take this as a strong warning sign. A very good indicator on the health status of a company is the free-of-charge information from Krediidiinfo's web service.

Go to www.krediidiinfo.ee and select "Tasuta firmapäring" (Eng: free-of-charge company enquiry) for the company you are interested in. The information available here is updated every day and is gathered from all the major banks, the collection agencies (Est: inkassofirmad, Swe: inkassobolag) as well as the Tax Board. You will get information about missing leasing payments, unpaid taxes, non submitted tax declarations etc.

If the company seems to be doing well, but is still not paying you invoice you should consider turning to a collection agency or go directly to court in a so called expedited procedure. A collection agency would normally charge a percentage of

the claim to collect it in addition to a service fee. If you want to handle your company's own claims, you should consider filing for expedited procedure.

The expedited procedure was introduced in Estonia in 2007 and is a simplified procedure to get a court order for payment of debts that can be executed by a bailiff (Est: kohtutäitur, Swe: kronofogde), if needed. There is no court hearing and if the debtor does not provide the court with a trustworthy legal ground as to why the payment has not been made, the court will issue a court order for its payment. If the debt

is still not paid, you can turn with the court order to a bailiff with the court order to have it executed.

The cost for filing a claim under the expedited procedure is a minimum of 250 EEK or 1% of the claim. This procedure can only be used for claims up to 100.000 EEK. The form to be used to file a claim under this procedure can be found here:



Karolina Ullman

Karolina holds a Master of Laws from Stockholm University from 1998. She did her Swedish court practise 1999-2001 in Bollnäs District Court.

In 2001 she joined MAQS Law Firm's Stockholm office as an associate, assisting MAQS Law Firm's clients with an interest in Estonia.

Since 2002 she has worked part time in Estonia and as from 2004 full time. In October 2005, MAQS Law Firm opened its full service law firm in Estonia were Karolina is one of five partners.

Karolina speaks Swedish, Estonian and English. She is a member of the Swedish Bar Association and an associated member of the Estonian Bar Association.

MAQS Law Firm is a dynamic full service law firm within business law with offices in Stockholm, Gothenburg, Malmö, Copenhagen, Warsaw and Tallinn.



http://tarkmeestaskus.just.ee/mison_maksekasu_kiirmenetus

You will have to file the claim in Estonian language. If you have a claim exceeding 100.000 EEK it is advisable to turn to a lawyer. Some smaller law firms can still agree to do this type of work for a success fee or a lower fixed fee in combination with a success fee. Always discuss these issues at the first meeting and make sure to have a signed agreement also with your law firm outlining the agreed fees.

Larger law firms usually do not engage in collection issues but they can come in handy in case the issue is more complicated than just an unpaid invoice. Business lawyers are usually skilled negotiators and this can be of great value in some cases.

If you suspect that your counterpart is becoming insolvent and heading for a bankruptcy, be aware that the trustee in the bankruptcy (Est: pankrotihaldur, Swe: konkursförvaltare) may have the right to claim back payments made after the debtor became insolvent to the estate of the bankruptcy (Est: pankrotipesa, Swe: konkursboet).

If you happen to be on the other end of the problem with no payment; if your company is the one not paying – remember it is always better to start negotiating payment plans immediately than to wait for a court order or to be hunted by bailiffs and collection agencies. This way you will have business partners also after you have survived the bad times, or at least you will leave them with the feeling that you tried your best!

In addition, be aware of the fact that if you are a management board member you have an obligation to call for an extraordinary shareholders' meeting if the net assets of the company has fallen below 50% of the registered share capital and you have under certain circumstances an obligation to file for bankruptcy. If not dealt with properly, personal liability under the law may occur.

Written by
Karolina Ullman, MAQS Law Firm

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focus met:

Jaak Aaviksoo



Appointed Estonia's Minister of Defence in 2007, the former Tartu University Rector and Minister of Education and Culture, Jaak Aaviksoo took office at an intensive period of our time. The need grows for cooperative inter-

national engagements in several foreign conflict areas around the world. The relations with Russia are not the best. Important decisions have to be prepared on the future shape of the air-policing set up for the three Baltic States.

Internationalization

- Contributing to securing national sovereignty is of course the main issue of any country's defence forces, said Jaak Aaviksoo. But, just like it is in the world of commerce and trade, national defence forces are today becoming more and more internationalized.

- For Estonia, NATO-led operations have priority and Estonian Defence Forces are for example present in Iraq and Afghanistan. Being an EU-member Estonia also takes an active part in the European Security and Defence Policy work and Estonian soldiers and officers are, together with colleagues from other EU-countries, taking part in the largest EU military operation ALTHEA in Bosnia and Herzegovina.

- Estonia also took part in EU's peace-supporting Nordic Battle Group. Led by Sweden this group consisted of defence forces from Finland, Norway and Ireland in addition to our two countries and the Nordic Battle Group was kept ready and alert for rapid EU-ordered deployment to re-



Swedish minesweepers in Tallinn

Photo: Ingemar Elofsson – Försvarets Bildbyrå

note crisis areas from January 1st to June 30th this year.

- Estonia's defence cooperation with Sweden also includes the Baltic Defence College in Tartu. Called BALTDEFCOL and internationally renowned as a very effective Baltic joint venture, it is an international military educational institution and Swedish officers have been and still are working at the college.

- On a Nordic and Baltic level we are keeping up the contacts and cooperation through regular Minister of Defence meetings. Study visits are frequent among us and I could recently welcome a delegation from Sweden's Parliamentary Defence Committee. Just like members of the Swedish Chamber of Commerce in Estonia did in September, they also visited the NATO Centre of Excellence in Co-operative Cyber Defence.

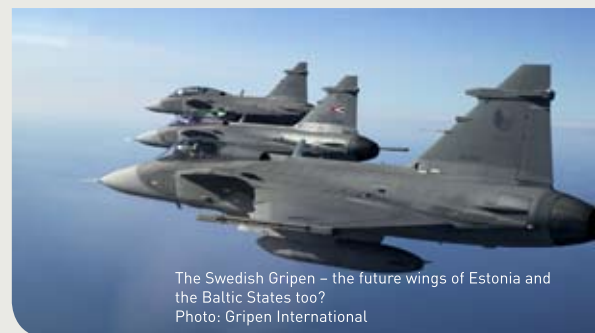
- International defence cooperation also involves taking care of the aftermaths following a war or a conflict. One example is the sea mines we still have in the Baltic Sea following both World War I and II. Sweden and Estonia have together with several other nations performed mine sweeping missions through the years and this huge mission is by far not yet completed.

Baltic air surveillance and policing

Estonia is considered well equipped to monitor its airspace but currently lacks the national and necessary capability for peacetime air-policing of its

sovereign airspace. Since the Baltic States joined NATO in March 2004, several NATO nations have policed the airspace over Estonia, Latvia and Lithuania. Based at the Lithuanian Zokniai air base a typical deployment consist of four fighter aircraft with some 50 to 100 support personnel and these deployments are changed and rotated among the participating NATO countries every fourth month.

- The current Baltic air-policing agreement with NATO is valid up until 2018, said Jaak Aaviksoo. During 2010 the



The Swedish Gripen – the future wings of Estonia and the Baltic States too?
Photo: Gripen International

agreement calls for Estonia, Latvia and Lithuania to come up with a proposal on how the air-policing should be handled after 2018.

- Teams of specialists here in Estonia, Latvia and Lithuania are currently evaluating all available and relevant options for a long term solution on the air-policing in the three Baltic States. This is not only a question of fighter aircraft, it is also a question of a proper ground support organization and the adaptation of existing air force bases to NATO standards.

- It is an extensive project and our final decision will naturally include quite a lot of different business opportunities, both for Swedish suppliers as well as suppliers from other countries. A good advice to potential suppliers is to keep the dialogue open with us.

From Tiigrihüpe to Cyber Defence



Tiigrihüpe (Tiger's leap) became a national project undertaken by Estonia 1996 to heavily invest in development and expansion of the country's computer and IT network infrastructure, with a particular emphasis on education.

- It was actually three men behind the creation of the Tiigrihüpe project, said Jaak Aaviksoo. It was Toomas Hendrik Ilves, at that time Estonia's Minister of Foreign Affairs, it was me and it was Johnnie Walker in the shape of a tax-free bottle.

- Our President at that time, Lennart Meri, supported our proposal and Tiigrihüpe was launched in 1996, continued Jaak Aaviksoo. Looking at the outcome today, 12 years later, I believe I can say that it became a success. Tiigrihüpe is regarded to be a main contributor to Estonia's current reputation as the most 'wired' country in Europe.

- But above all, our initiative contributed to the development of Estonian human resources within IT know-how and IT expertise. This came to serve us well as cyber attacks were launched on Estonian servers in the aftermaths of the street riots in connection with the relocation of the Soviet World War II memorial in Tallinn last year.

- The cyber attacks were indeed a hands on reminder of how vulnerable we all are today, both as a society and as private individuals. Luckily enough for us the idea on building up competence within cyber defence wasn't new, we actually started to build up this expertise already back in 2003.

- We managed to hold our fort and our cyber defence strategy, tactics and techniques created international attention and publicity. Today's Estonian based NATO Centre of Excellence in Co-operative Cyber Defence is a spin off from our successful defence efforts in cyberspace which, from a military point

of view, is a rather new battlefield.

- Maybe we can also look upon our national achievements within IT as a human resource basis for a further development and an answer to President Ilves' call for an Estonian Nokia – moving from a production oriented to a more knowledge oriented economy.

A Defence Minister's profile

"He must be able to take command in a more powerful way than the military themselves. He must be a technological genius to understand what the military is talking about when they demand new equipment. He must be an oracle in terms of foreign policy to determine what is needed and what might just be nice to have. And above all, he must be a very good friend of Sträng!"

That's how the former Swedish Prime Minister Tage Erlander put up the profile of his Minister of Defence as Erlander, with a troubled face, saw Sweden's defence expenses skyrocket towards the end of the 1950's and the beginning of the 1960's. 'Sträng' refers to Gunnar Sträng, a somewhat legendary Swedish Minister of Finance 1955 – 1976.

- Well, smiled Jaak Aaviksoo, I'm sure that was right down to the spot in Sweden during those days. Discriminating between what is important and what is not so important is indeed still a crucial issue. The ability to cooperate and negotiate is another quality I would put up on the Defence Minister's profile. Not only on the national Governmental, political and public level but also on the international arena. Finally, making the things happen is a prime quality that I believe is important, not only for Ministers but also for all decision makers in the public and business sectors.

Interview – July 31st, 2008: Megazine - Tallinn

Jaak Aaviksoo



Graduating cum laude in the speciality of Theoretical Physics at the University of Tartu 1976, Jaak Aaviksoo was named Professor of Optics and Spectroscopy at the same university 1992 – a professorship that he still holds.

His career at Tartu University continued as he was appointed Prorector 1992 – 1995 and Rector of the University 1998 – 2006.

Additional studies within his field of technological expertise during the 1980's, 1990's and early 2000's have taken Jaak Aaviksoo to Novosibirsk, Stuttgart, Osaka and Paris and he has participated in more than 100 scientific conferences in 23 foreign states.

On the Estonian political arena Jaak Aaviksoo served as Minister of Culture and Education 1995 and Minister of Education 1996.

He was appointed Minister of Defence 2007 and represents Isamaa ja Res Publica Liit (Pro Patria Union and Res Publica, Estonia's two right-conservative parties who voted to merge and form the biggest centre-right political power in Estonia in June 2006) in the current Estonian Government coalition.

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October 2008 - the month of different ethnic nationalities in Estonia

Following the Estonian schools as the September-theme of the 90th Anniversary of the Republic, October will be dedicated to the 121 different ethnic nationalities residing in Estonia. The first Estonian

Constitution provided national minorities a chance to establish cultural autonomy, at that time an initiative that made Estonia innovative in Europe. October 2008 will now see the slogan "A country built together" put up front.

During November the Anniversary theme will be the Government of the Republic. State Authorities supporting the functioning of Estonia will be highlighted and seminars and exhibitions will take a look into the future.

The 2008 Anniversary Year will last until November 28th, which marks 90 years since the first battles of the War of Independence, and will be concluded with a concert at the Estonia Concert Hall in Tallinn.

Estonian-Swedes

Statements on the right to cultural autonomy for national minorities were already included in the Estonian Declaration of Independence, signed in Pärnu February 24th 1918, as well as in the following Estonian Constitu-

tion and these rights became a law 1925.

Estonian-Swedes were first mentioned in written in a Hapsal (Haapsalu) document 1294. Through the years they have populated Nuckö (Noarootsi), Ormsö (Vormsi), Runö (Ruhnu), Odensholm (Osmussaar), Rågöarna (Pakri saared), Nargö (Naissaar) and, over time they also settled in Hapsal and Tallinn. Up until 1940 Estonian-Swedes were the predominant population group in many of these areas and islands.

Totalling more than 9.000 persons, the Estonian-Swedes were the third biggest national minority group during the first Estonian Republic. At a peak period during this time, they had 19 elementary schools, a secondary school in Hapsal and a residential college in Birkas (Pürksi). The Estonian-Swedes political party, Det Svenska Folkförbundet (The Swedish People Alliance) was represented in the Estonian Parliament

during a period of the first Republic.

1943/44 the vast majority of the Estonian-Swedes fled the war and the following Soviet occupation. Among those few who stayed, many perished in the war or got deported and a population census 1989 accounted for only 297 Estonian-Swedes living in Estonia.

As the Estonian-Swedes started to return following Estonia's restored Independence 1991, the number of Estonian-Swedes living in Estonia permanently or seasonally has

grown considerably. Today the Estonian-Swedes have established cultural autonomy in Estonia with Kulturrådet för den Svenska minoriteten i Estland/Rootsi vähemusrahvuse kultuurinõukogu Eestis (the Cultural Council for the Swedish minority in Estonia) as its governing body.



Estonian-Swedish culture and traditions

Estonian-Swedish associations supported and contributed to the efforts of keeping Estonian-Swedes together and their culture and traditions alive during the Soviet occupation. Nowadays a number of events, activities and projects, many of them on a yearly basis, highlight the Estonian-Swedish culture and traditions of the past and of today. focus has visited some of them this summer.

Olofsdagen

The first Swedes settled on Ormsö (Vormsi) during the 13th century and according to an old legend (not scientifically verified) Ormsö's church was established 1219. The church was named S:t Olai/S:t Olof after Olaf Haraldsson, more known as Olof den Helige/Olaf the Holy, king of Norway 1015 – 1028.

S:t Olof church on Ormsö served its congregation well through hundreds of years but, on Saturday afternoon, July



Sven Jerring,
Runö (Ruhnu) 1938



15th 1944 the church bells were tolling a last time for many years to

come. Practically all Ormsö Estonian-Swedes had left the island and during the Soviet occupation the church's benches were thrown out and used as fire wood and the church itself is said to have accommodated potatoes, crops and hay.



SCCE's Ombudsman Kristiina Sikk lighting a candle at the monument for the Ormsö Estonian-Swedes who fell in the Estonian War of Independence (Vabadussõda) 1918 - 1920

Following an initiative from local Ormsö inhabitants, church renovation works was approved by the Soviet authorities and could start in 1988. The initiators had stated that the church should be used as a 'meeting

place for the community' which obviously was the key for the successful outcome of their application.

The renovation works received financial and hands on support from Estonian-Swedish associations as well as private individuals and the church was reopened on Olofsdagen (the Olof day) July 29th 1990.

focus visited the Midnight Mass in Ormsö's S:t Olofs church this summer. This traditional Mass is celebrated July 28th, the night before Olofsdagen, and is dedicated to the memory of the Estonian-Swedes and Ormsö inhabitants now buried at the church's cemetery. Following the Mass a candle walk is arranged from the church to the cemetery and this is indeed a very solemn and emotional tradition.

Rälby väderkvarn



It looks old, the Rälby windmill on Ormsö but, it actually only dates back to 1999. It was built as a kit by the Estonian-Swede Egil Hamnholm on Mjölkö in the Stockholm archipelago and was mounted up in Rälby during July 1999.

Egil Hamnholm lived in Rälby as a boy and the windmill is constructed according to the old time Ormsö traditions.

The miller was an important person on Ormsö in the old days. Crops needed to be milled and bread baked from the resulting flour. One Ormsö Estonian-Swede told focus that the miller was considered so important that he got a small amount of money as a fixed remuneration every month. It wasn't much, but the arrangement still created some envy among the other Ormsö islanders.

Today a road sign next to the windmill says 'Tere Tulemast' on one side and 'Välkommen' (Welcome) on the other side. The Rälby windmill is used as a handicraft and souvenir shop and has become a popular stop for passing tourists.

Ormsö Hembygdsgrd

Pearsgrden - Pers Gård (Per's farm) on Ormsö - is one of the few Estonian-Swedish farms that survived a big fire in Sviby June 13th 1932. Bought by Ormsö Hembygdsförening/Vormsi Kodukandi Ühing (Ormsö Folk Association) in the spring of 2000 it is also one of the few farms that look like the Estonian-Swedish Ormsö farms did just before World War II.



Nowadays called Ormsö Hembygdsgrd/Vormsi Talumuseum (Ormsö Folk Museum), Pearsgrden is open for the public. The farm is a time document and the buildings and the interiors look like the farmer and his family has just left for a short visit somewhere some 70 years ago.

20 meters Estonian-Swedish history



On display at Aiboland's Museum in Haapsalu, a 20 meters long wall tapestry depicts Estonian-Swedish history up until our days.

Inspired by the medieval Bayeux tapestry, this Aibo wall tapestry was designed by Jorma Friberg, who is also the ship building meister of the Runbjarn Jahta. The tapestry work began in 2001 and the embroidery was done by a group of sewing- and embroidery-skilled ladies known as Torsdagstanterna (the Thursday ladies).



In time for Aibolands Museum's inauguration, May 5th 2002 in the



presence of the President of Estonia and the Swedish King and Queen, the Aibo wall tapestry was ready and is since then on display in the museum.

Aibolands Museum is located at Sadama 31/32 in Haapsalu and is open Tuesday – Saturday, 11 – 16 during the winter season and 10 – 18 during the summer. Website: www.aiboland.ee.

Stora Svenskdagen 2008



Among the participants at Stora Svenskdagen: Kristiina Sikk, SCCE and Elna Siimberg, Swecon

Estonian-Swedes took an active part in the celebrations of Estonia's restored Independence August 20th as Stora Svenskdagen (the Great Swedish Day) was arranged in Birkas (Pürksi).

The event was arranged and supported by several Estonian-Swedish organizations, among them the Swedish Chamber of Commerce in Estonia, and SCCE's member Vävars OÜ was one of the main sponsors.

The Swedish Market was open throughout the day offering the visitors handicrafts and books. Folk music and folk dancing was performed and documentary films shown. An exhibition, created following an initiative by the Swedish Embassy in Tallinn, on the history of the Estonian-Swedes was up on display.



At the Swedish Market, Carina Adolfsson launched her second textbook in Swedish language. Supported by SCCE, her first Swedish textbook was published 2007. More information at: www.adolfsson.fie.ee

Stora Svenskdagen 2008 also marked three 20th year's Estonian-Swedish jubilees; back in 1988 the perestroika made it possible for many Estonian-Swedes to visit their homeland for the first time since many years. The origin of the Cultural Council for the Swedish minority in Estonia was formed the same year and the first Great Swedish Days were arranged July 30-31, 1988.

As previously announced a new section has been opened at SCCE's website giving Estonian-Swedish organizations an opportunity to inform about their upcoming events and also to publish links to their own websites. The section is available

at: www.swedishchamber.ee/estonianswedes



A Will to Be Free

On Estonia's 90th Anniversary Independence Day February 24th the exhibition 'A Will to Be Free. 90 years of the Republic of Estonia' opened at the Estonian History Museum's Maarjamäe Palace.

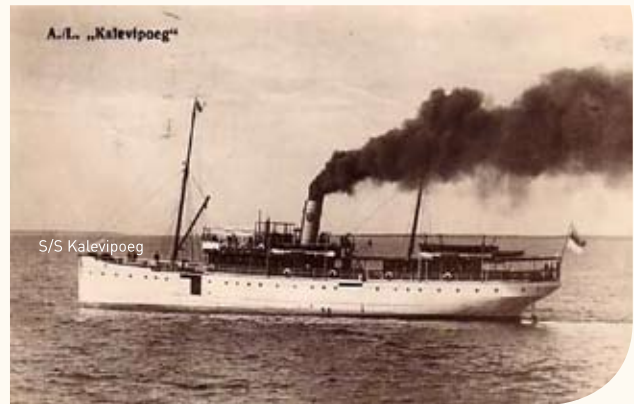
The exhibition is comprehensive and gives an overview of Estonia's history from 1917 until the

radical changes in the end of the 1980's and the beginning of the 1990's.

The exhibition is open Wed-Sun 10-17 at the Estonian History Museum - Maarjamäe Palace, Piritaa tee 56, Tallinn.

Connections

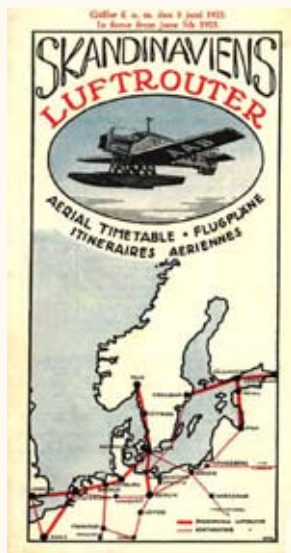
Both sea and air transport options between Estonia and Sweden existed during the first Estonian Republic but, traveling between Tallinn and Stockholm was a bit different at that time.



Built at the Swedish Gävle-based shipyard O.A. Brodin 1892, the steamship S/S Kalevipoeg took her passengers from Skeppsholmen at Stockholm's old town to Tallinn from

the beginning of the 1920's up until the first Soviet occupation 1940. Sailing under Estonian flag and known as 'Kalle på väg' in Stockholm the steamship offered a peaceful voyage if the





Baltic Sea showed itself from its best side.

Following the opening of Stockholm-Lindarängen seaplane air port in May 1921, Svensk Lufttrafik AB (Swedish Air traffic Ltd) started up air traffic between Lindarängen and Tallinn's Lennusadam (seaplane air port) July 19th the same year. The seaplane used was a single-engined Junkers F13 seating 4 passengers.

The trip took some three up to three-and-a-half hours pending the winds and the Swedish advertising text said 'Flygplanet är väl uppvärmt varför passagerarna ej komma att känna något obehag av kolden' (the aircraft is well warmed up and the passengers will not be discomforted by any coldness). These assuring words were however only valid for the cabin. The pilot was seated in an open cockpit and was consequently dressed like a civil version of the Red Baron.

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10.00	Dep.	M. E. T. Stockholm	Arr.	17.30
14.00	Arr.	O. E. T. Helsingfors	Dep.	15.00
3.00	Dep.	O. E. T. Helsingfors	Arr.	17.50
8.30	Dep.	O. E. T. Reval	Dep.	16.00
13.00	Arr.	O. E. T. Riga	Dep.	13.40

Förklaringsföretag: Riksbankens serier.
 M. E. T. = medeltidspunkt tid = svensk tid.
 O. E. T. = Reval tid = 1 tim. före svensk och medeltidspunkt tid.
 M. E. T. = Central Europe Time = Swedish Time.
 O. E. T. = East Europe Time = one hour before Swedish and Central Europe Time.

Svensk Lufttrafik AB didn't manage to fill up the cabin in their pioneering Tallinn traffic and the route was closed after a couple of months.

As the Finnish airline Aero Oy started flights between Helsinki and Tallinn and the Swedish airline ABA - AB Aerotransport flew with Junkers F13's between Stockholm-Lindarängen and Helsinki, passengers got an option for a connecting flight to Tallinn via Helsinki in 1925. Since this schedule called for an overnight stop in Helsinki, it is very doubtful that the effective travel time could compete with S/S Kalevipoeg's somewhat slower but nonstop crossing of the Baltic Sea.



Jüri Uluots - Prime Minister acting as the President of the Republic

Following his death and burial at the Forest Cemetery in Stockholm 1945, the remains of Jüri Uluots were brought back to Estonia in May this year and reburied with national honours in Kirbla, August 31st.

Jüri Uluots was the Prime Minister of the Republic of Estonia 1939 and became Prime Minister acting as the President of the Republic in July 1940. As the Soviet Union began its reoccupation of Estonia 1944, Uluots appointed Otto Tief as the Prime Minister of the Republic of Estonia and gave him a task to form the Government of the Republic.

Jüri Uluots and parts of Otto Tief's Government managed to flee to Stockholm, where Jüri Uluots died shortly after arriving.

Estonia's Government in exile operated from 1944 and laid the groundwork for the continuance of the Independence of the Estonian State in exile. The existence of the Government as a constitutional institution in exile allowed for the restoration of the Independence of the Estonian state in 1991 by relying on legal continuity.



focus on the ECONOMY

Mostly positive for Swedish banks

Swedish owned banks dominate the banking sector in Estonia and the Baltic States and it was with some anxiety the market waited for their 2nd quarter reports 2008.

The reports were mostly positive with Swedbank on top of the positive list.



- The profit of SEK 6.5 billion [Edit: EEK 10.78 billion] for the first six months 2008 is our highest ever, said Swedbank's President and CEO Jan Lidén. The Baltic region's macroeconomic development was weaker than expected during the second quarter, partly as an effect of economic uncertainty in the rest of Europe. While this will affect Baltic Banking's development, the business area is expected to maintain a robust earning capacity and net profit. Credit quality remains high in both

the Baltic region and Sweden.

Economic analysts noted that Jan Lidén expected Swedbank's total credit losses not to exceed 0,7 percent [or SEK 1,3 billion / EEK 2,15 billion] of the bank's total lending. This means that Swedbank's total credit losses SEK 400 million [EEK 664,1 million] during the first half of 2008 will more than threefold during the remaining six months of the year.

- Even if Swedbank adjusts their Baltic credit loss prognosis upwards, it is still lower than we previously thought, said Tomas Ullman, a Swedish economic analyst.

In addition to Swedbank, SEB's report also contributed to cooling down the worried feelings on the credit situation in the Baltic States.

- It is satisfying to note that we in a quarter marked by renewed financial turbulence can present an income level just second to our all-time high, said SEB's President and Group CEO Annika Falkengren as she presented SEB's SEK 5,9 billion [Edit: EEK 9,8 billion] operating result for

January – June 2008. Our strong capital base and liquidity position provide continued opportunities to long-term grow our business and thus to be offensive in overall defensive markets.

Swedbank and SEB are the main actors in terms of credit volumes in the Baltic States.

Nordea's half year report 2008 was in line with the expectations of the market.

- I am pleased that we have been able to maintain a high activity level and report record results in customer areas in a period with weakened and volatile financial markets, said Christian Clausen, President and Group CEO of Nordea. We continue to deliver on our growth initiatives and we stand by our long-term financial targets although increasing macroeconomic uncertainty and volatile financial markets put some pressure on the short-term development of risk-adjusted profit.

Handelsbanken presented January – June 2008 operating profits amounting to an impressive SEK 6,3 billion [EEK 10,4 billion].

"Loan losses increased to SEK 571 million [EEK 946,7 million]", said Handelsbanken in a written comment. "Around two-thirds of the loan losses derive from one exposure in Sweden."

- Handelsbanken's credit loss feels like thunder from clear skies, said the Swedish economic analyst Tomas Ullman. But, it should be remembered that Handelsbanken's businesses look good for the future.

Inflation



As Estonia is struggling with a 11% inflation, Sweden fights a record high 4,3% inflation and the Euro area noted a 4,0% inflation, Zimbabwe is dealing with a 2 200 000% inflation [all figures as per August 2008].

Known as hyper-inflation, Germany's Weimar-Republic inflation during the

1920's is probably one of the most well known.

As this German hyper-inflation reached $3.25 \times 10^{16}\%$ per month in 1923, it meant that prices doubled every two days.

Neighboring Austria was affected and 1921 - 1922, Austria's inflation reached 134%.

1940's hyper-inflations include Greece in 1944 when its inflation rate reached 8.5 billion percent per month and prices doubled every 28 hours.

Hungary set a record 1945 – 1946 as its inflation peaked at $4.19 \times 10^{16}\%$ per month and prices doubled every 15 hours.

The Central Banks: No considerable improvements in sight this year



- The external environment is likely to stay volatile in the near future and there are no considerable improvements in sight for the second half of the year, says Eesti Pank (the Estonian Central Bank) in its end of August Economic Policy Statement.

Eesti Pank's statement got support from their colleagues at Riksbanken (the Swedish Central Bank):

- The [Swedish] picture presented in July largely remains unchanged. Lower growth and high inflation but GDP growth has so far this year been weaker

than anticipated, said Riksbanken's Deputy Governor Svante Öberg in an end of August speech. Inflation is at its highest level since the mid-1990s. However, oil and other commodity prices have fallen. At the same time, productivity has been lower and resulted in increased wage costs.

Eesti Pank's Economic Policy Statement continues:

- In light of Eesti Pank's spring forecast, it can be said that the economy is developing according to the scenario of a speedier decline in domestic demand, especially investment growth. Therefore it is possible that real growth will be negative this year.

- The exporting sector has managed satisfactorily so far. We expect economic growth to recover in 2009. To this end, resources should be reallocated in order to reinforce the export potential even more.

- In the convergence programme sent to the European Commission and the Council of the European Union, the Government has confirmed that in the medium term, the budget must be in surplus. This is necessary for reasons related to the expenses arising from the ageing population, unexpected events originating from the external environment, the international credibility of the Estonian economy, as well as national security.

- In addition, the labour market should quickly react to the changing economic conditions. In Eesti Pank's opinion,

indexation should definitely be avoided when determining wages and the prices of services.

Labour

On the international scene prices on energy and food are considered as main global inflation drivers, both having a considerable impact on every nation's economy. In addition to these commodities, Estonia is still struggling domestically with the aftermaths following the tiger-economy's wage and labour rally as well as election promises on lowering the income tax.



Labour is still hard to find in several Estonian business sectors and there is an obvious shortage of skilled specialists and competent managers.

According to Eurostat and despite the current economical slow down, Estonia's unemployment is down from 4,8 to 4,1 percent compared to one year ago. Followed by Denmark, the Netherlands and Cyprus, this gives Estonia the lowest unemployment level among the 27 EU member states. The comparable EU 27 average unemployment figure is down from 7,1 to 6,8 percent.

Though the Estonian wage growth during the second quarter this year slowed down to the lowest level in two years, double-digit wage-raises still exist on the Estonian labour market.

Statistics Estonia reports that the average monthly Estonian gross wages during the second quarter increased with 15.2 percent y-o-y compared with an increase of 19.5 percent in the first quarter. This could also be compared to the average 20 percent

Productivity and an ageing population

One year ago focus reported that Eesti Statistika is looking for more babies to be born; "Estonia has a birth rate considerably lower than the gross reproduction rate. Such a way of behaviour can be applied in one, two or in some cases three generations, but then the country in question is doomed to disappearance as a nation..."



The ideal population pyramid looks like any of the Giza pyramids – a steady flow of newborns grow up, start school, get educated, work, get children and when they get old a sufficient number of young and productive people are there to continue the job the same way.

As the population pyramid doesn't look like a pyramid any more, Eesti Statistika got massive support from Eurostat this year.

- The declining population in the EU area means that in 2050 there will only be two working persons per pensioner, compared to today, says Eurostat. As for Estonia the population will fall 15 percent from today's level by 2060.

- An ageing population might halve the economic growth, continues Eurostat. Present social welfare systems will be under severe pressure as the costs for pensioners, health- and medical care accelerates.

wage growth level which has been in existence during the last five quarters.

The Estonian Ministry of Finance expects that this small but well needed trend of lower wage growths will continue this and next year.

Within the Estonian coalition Government, there has been a debate this year on a temporarily freeze of the current 21 percent flat income tax rate. The original plan, and also an election promise, called for a decrease down to 20 percent in 2009 as well as further decreases down to 19 percent in 2010 and 18 percent in 2011.

The demands for a balanced Estonian State budget have included tax incomes as one source for a solution and the proposal of a frozen income tax level has support within the coalition Government as well as from the political opposition and now also from one of Estonia's beer producers, A. le Coq;

- Estonian voters would understand if several election promises wouldn't be met to 100 percent, said A. Le Coq's CEO Tarmo Noop in a recent comment. Not lowering the income tax would be a better option than increasing whatever taxes, like VAT. An increased tax pressure leads to decreased consumption and a weaker home market.

Real Estate

- We have built more than we are able to buy, said Natalja Viilmann, an analyst at Eesti Pank, as Statistics Estonia reported that the number of real estate transactions is down by a third in Q2, 2008 compared to one year ago.

Compared to the first quarter this year, the number of Estonian real estate transactions increased with 10 percent but, this bigger number of transactions compared to the beginning of the year, represent a typical seasonality in the real estate business.

- There is no reason to talk about a revival of the real estate market, said the Statistics Estonia report.

In terms of value, the volume of real estate transactions decreased with 38 percent y-o-y in the second quarter 2008, reports the Estonian Land Board. The average value of a notarised purchase-sale transaction was EEK 1 million which is 20 percent less than in the same quarter 2007 and 3 percent less than in the first quarter 2008.

A suitable housing for a family prepared to pay EEK 1 million was impossible to find in the suburbs of Tallinn 18 months ago. Today prices for a two bedroom suburban apartment start at around EEK 650.000.- and a one bedroom downtown Tallinn flat can be found for around EEK 1 million. Finding a private house for EEK 1 million will however take a prospective buyer some 50 kms outside Tallinn.

- We don't foresee any growth in the real estate sector for another 18 to 24 months time, concluded Eesti Pank's Natalja Viilmann her comments.



Food

Good international grain crops so far this harvest season, have lowered the world market food commodity prices, but we still have to

wait for notable price decreases on retail level.

- The retail price adjustments on food stuffs are historically sluggish all over the world, says Marcus Widén at the Swedish National Institute of Economic Research. Within the EU it is typically food stuffs that are less processed and containing a high amount of raw material, like flour and bread, that are among the first to get their prices changed, upwards or downwards, in the shops and supermarkets.

Retail EU-average prices on food stuff increased in 2001 and 2002, followed by a slow decrease during a couple of years until prices started to sky-rocket since some 12 to 18 months back.

- As the population on our planet increases, so does the demand for food, concludes Marcus Widén. It is not likely that we will get back to the prices we had a few years back, but we can expect a slow and small price decrease up until 2009 - 2010.

The global price development and availability of grain crops has created a renewed international trend reports FAO - the Food and Agriculture Organization of the United Nations. Financially strong countries are now beginning to secure their need of grain by acquiring and setting up cultivated areas in other countries. Being a financially strong country doesn't automatically mean that you have fertile farm land within your own borders. And, the other way around, having own fertile farm land doesn't automatically make a country financially strong. In a recent United Nations speech, the FAO Director Jacques Diouf, said that the trend might be a sign of a new colonialism and called for an international monitoring of the development.

USA takes national control on the real estate finance market

Supported by the two US Presidential candidates Barack Obama and John McCain, USA has now taken national control over the two gigantic real estate financial corporations Fannie Mae and Freddie Mac.

In a recent move following the consequences of the US subprime financial crisis (see focus 2/08) the State bought shares in Fannie Mae and Freddie Mac for 100 billion USD. The State will additionally guarantee short term credits and will buy real estate credits on the open market in an attempt to restore the confidence for this vital part of the financial market. As the saving action is accomplished, the State will own almost 80% of Fannie Mae and Freddie Mac.

Further US Federal actions on the financial market are expected during the autumn.

Oil

- Which is the fastest way to become a millionaire?

- Invest a billion in an airline...

Following more than 500 days of a continuous price escalation and the mid-July all-time-high Brent oil price of USD 147 per barrel, the above

somewhat gloomy tip was given by several CEO's in the airline industry. Seeing the airlines hit severely hard by record-high fuel prices, an airline industry official said that there isn't any such thing as a low-cost carrier anymore. But there still are low-price carriers operating in an environment of record-high costs.

The Brent oil prices stayed between USD 20 – 40 per barrel from year 2000 until the 4th quarter 2004. During this quarter the price took a jump up to USD 50 per barrel, went down to USD 40 in December and in January 2005 the real oil price escalation began.

2005 saw the price rise to USD 60 per barrel. Following a peak of close to USD 80, 2006 ended with a USD 60 price, while 2007 ended with close to USD 100 per barrel.

Following the mid-July all-time-high USD 147, the price went down to USD 115 in August. At that time OPEC made a statement on a support from their side on higher oil prices and the rollercoaster-looking story on oil prices will obviously continue.

International energy analysts also argue that speculations might have had a considerable impact on the oil price escalation. They have support from the oil industry where figures on a 'speculation effect' of USD 20-25 per barrel was mentioned as the oil price reached USD 147 per barrel.

The private households' behaviour and the global economic slowdown are considered to be of vital importance for the continued story on oil prices. There are clear signs that the world's biggest oil consumer USA, with a 25 percent global share, has a downward trend in its oil consumption. People are changing their transportation habits and are choosing more fuel efficient new cars.

Oil shale holds a special position among the mineral resources in Estonia, but as for every source of energy, there is an environmental price to pay for oil shale generated electrical and thermal power too.

From an aesthetic point of view the surface mining indeed minimizes the recreational value of the landscape, but an even more serious concern is that surface mining also includes a damage-risk for the area's ecosystem. Oil shale combustion and thermal processing generate emissions, waste material and also consumes a lot of water.

Internationally agreed emission quotas forced Estonia to go from being an electricity exporter to an importer during the first eight months 2008. Statistics Estonia reports that the Estonian domestic energy production was 29 percent lower in July 2008 compared to one year earlier.



Rita Strandberg

- In 2006/07 Eesti Energia paid EEK 150 millions in environmental charges, says Rita Strandberg, M.Sc. in Environmental Engineering. However, using best available technologies,

Eesti Energia has managed to decrease the emissions from the oil shale fuelled energy. Compared to 2005, 2006 saw the emissions of carbon dioxide decrease with 5%, sulphur dioxide emissions decreased with 8% and nitrogen dioxide emissions decreased with 6%. New fluidized bed furnaces in the new blocks of the Eesti and Balti power plants have reduced the amount of cooling water needed and new filters have decreased the amount of fly ash emitted. Carbon dioxide is a greenhouse gas, sulphur dioxide is a prominent part of sulphuric acid and thus a contributor to acid rain and nitrogen dioxide is yet another prominent air pollutant.

- As the Narva and Ahtme power plants will have to comply with the EU directive on large incineration plants by 2010, Eesti Energia is facing remarkable investments that remain to be made for our oil shale fuelled energy, concludes Rita Strandberg.

Estonia's know how in oil shale mining and its use for producing energy is internationally renowned. According to The Jordan Times, Eesti Energia has submitted a feasibility study, saying that there is a potential for producing

Oil shale

Called põlevkivi (combustible stone), Estonia's oil shale resources is also referred to as Estonia's black gold. Owned by Eesti Energia, the AS Narva Elektriijaamad-operated Balti and Eesti power plants supply Estonian consumers with electric power and the town of Narva with thermal power. About 95% of Estonia's power needs are supplied by these two power plants.

Põlevkivi – the combustible stone – was first mentioned in 1725 as shepherds used oil shale for starting up their fires. In 1918 the first applications of oil shale as a fuel for various industries and households appeared in Estonia's north-eastern oil shale district and in 1924 Tallinn's thermal power plant switched over to oil shale combustion. As the Estonian utilization of its oil shale resources increased, Swedish interests were partly involved in the mining during the first Estonian Republic through the company 'Baltiska Oljacentralen' (the Baltic Oil central).



Located 5 km from Narva, the Balti power plant is one of the largest oil shale-fired power plants in the world. It was built in 1959–1965 and is currently operating within the framework of the united Baltic States' energy system.

Also located in the neighbourhood of Narva, the Eesti power plant is even bigger and actually the largest oil shale-fired power plant in the world. Constructions began in 1963 and in 1973 the plant attained its design capacity of 1 610 MW.

At the end of 2007, the total installed electric capacity of the two Estonian oil shale-fired power plants was 2 380 MW. This could be compared to other countries with sizeable oil shale-fired power plants like Israel - 12.5 MW, China - 12 MW and Germany - 9.9 MW.

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36,000 barrels of oil per day just from one of the Middle East Kingdom's oil shale findings. When Jordan switches over to oil shale fuelled energy production, it is estimated that the country's energy bill will be reduced by some 40 – 50%.

Oil shale as an energy resource will be highlighted at an international oil shale symposium in Tallinn next year. The total world resources of oil shale are conservatively estimated to at least three trillion barrels, which exceeds currently known oil reserves at least three times. Topics covered during the Tallinn symposium will include exploration, mining, retorting, combustion, environment and carbon management as well as national oil shale strategies and related industry developments.

In the wakes of the current oil price levels, new business initiatives develop. As an Estonian example, Biodiesel Paldiski AS now uses rapeseed oil for further processing to motor biodiesel and the company is aiming at a 100.000 tonnes per year production.



As for the airline industry, Sir Richard Branson's Virgin Atlantic, pioneered biofuelled flights earlier this year. A Virgin Boeing 747 made a test flight from London to Amsterdam with one of the tanks fuelled up with a 20-percent mix of biofuel derived from coconut and babassu oil [derived from the seeds of the babassu palm tree, mainly growing in Brazil].



An immediate commercial implementation of aviation biofuels seems however doubtful. Critics said that the environmental benefits of biofuels are negligible at best and using crops for fuel will drive up food costs, deplete arable land and contribute to deforestation.

- If Virgin alone would power its entire fleet with biofuel, it would have to use about half of the UK's arable land, said Jos Dings, director of the European Federation of Transport and the Environment.

R&D on alternatives to today's standard aviation jet fuel continues. Boeing is looking at algal based fuel as one option.

- Algae look very promising, said Billy Glover, Boeing's head of environmental strategy. Our search for a fossil fuel replacement continues and the Virgin test flight proved that a different type of aviation fuel can be used.

Business as usual though a renewed east – west political polarization?

Forty years ago the east – west political polarization got new fuel as Warsaw-pact troops crossed the borders to Czechoslovakia just before midnight August 20th 1968 and the days of Alexander Dubcek's Prague-spring came to an abrupt end. During August 2008 the conflict in Georgia has developed to a renewed east – west polarization on the international political arena.

From an economical point of view there is a consensus among international analysts that Russia now, after ten years of economical progress, is demonstrating super-power ambitions. However, says the analysts, Russia is risking a cool down in its international economical relations.

There are fears that the Russian economy will face a problematic future unless the country manages to develop its international commerce, trade and industry as well as increase the productivity. However, that requires international cooperation and a significant Russian openness towards the rest of the world.

The current escalating east – west political polarization resulting from the conflict in Georgia is not considered to politically promote Russia in this international scenario.



As the international protests and the east-west polemics continued the Moscow International Automobile Salon 2008 and the 4th International Automobile exhibition

InterAuto was arranged at Moscow's Crocus Expo August 26th through September 7th.

This was the first time the Moscow-exhibition was ranked alongside the motor shows in Geneva, Paris, London, Detroit and Frankfurt.

Foreign car brands' share of the Russian automotive business has grown with 47% and in terms of new car sales Russia is on the second place in Europe. All figures so far 2008.

On a European level and a few days before the European Union's extraordinary summit September 1st on the situation in Georgia, Estonia's Prime Minister Andrus Ansip said that the EU must review the entire spectrum of relations with Russia to give Moscow a signal that aggression towards another country cannot be left



Andrus Ansip

without any consequences.

- In the current situation, the European Union must decide whether it is appropriate to enter into a new framework contract for cooperation between the European Union and Russia, according to the current plans, said Andrus Ansip.

It takes quite a lot for the EU to call for an extraordinary summit. Before the Monday, September 1st 2008 summit it has only happened in connection with September 11th in USA and the Iraqi war.

areas than South Ossetia and many regard the military conflict as a tragic mistake in office. Things should have been solved through talks and diplomacy.

- The Enguri River in the high Western Georgian Mountains has an enormous potential for hydro power installations and the proposed Khudoni Hydro Power Plant will indeed deliver an impressive amount of energy if and when realized.



Declaration of Independence by the Georgian parliament, 1918

- The kolkhoz collective farm system never got implemented in Georgia during the Soviet era. Maybe because Stalin was born in the Georgian city Gori and wanted the farming to continue in the traditional way.



Carl Bildt and Ekaterine Tkeshaleshvili, Sweden's and Georgia's Ministers for Foreign Affairs in Stockholm August 29th.

Photo: Tobias Nilsson/MFA

- The EU summit ended with strong and united conclusions, said Sweden's Minister for Foreign Affairs Carl Bildt. Many had speculated in deep differences of opinion among the EU member States and there were obvious nuances in the discussions as the EU member nations are carrying different historical backgrounds. But, the differences were small and

- The outcome today is that a 50 – 100 ha farm is considered big and there is definitely a potential for a more effective development of Georgia's fertile land. One of my projects in Georgia involves production of concentrated apple juice and we hope to gradually increase the production output towards a level that corresponds to the potential.

- Georgia and the European Union are getting closer to each other and the Swedish Head of the European Commission Delegation to Georgia, Ambassador Per Eklund, is actively working for intensified trade relations and a possible free trade agreement.

Europe is obviously learning that strength comes from unity.

- In addition to the conflict, Georgian business bottle necks do indeed exist, concludes Gunnar Andersson. The former Soviet

The outcome of the EU summit is that the EU negotiations on a new partnership agreement with Russia are postponed until Russia has fulfilled the conditions in the cease fire agreement, negotiated by France and its President Nicolas Sarkozy.

The EU summit didn't declare any economical sanctions on Russia. International political and economical commentators said that the reason why is simply that the EU would lose as much as Russia would lose on such an action right now.

- Though slowly picking up again, most business projects came to a halt as the Georgian conflict escalated during August, says Gunnar Andersson, Managing Director, founder and owner of SCCE's member Nordic Lint. Together with a Swedish partner I established GG Nordic, a consultancy company, in Tbilisi 2006 and started to look for business opportunities in Georgia.

- Many Georgians I have talked to, ask themselves why the South Ossetian issue developed to an open armed conflict. The majority of Georgia's business potential is located to other



Gunnar Andersson



Tbilisi

mindset is still alive and it is many times difficult to make people take own initiatives and making the things happen. Financing is typically done at a 20% interest rate level which indeed calls for a set up of sustainable and profitable business ventures in Georgia.

Research and texts: Megazine - Tallinn

Baltic Dynamics

SCCE's member, the Nordic Council of Ministers' Office was one of the sponsors of the Baltic Dynamics September 2008 conference in Tartu. The conference was addressing the challenges facing the Baltic States and many other European and world countries; how to tackle economic slowdowns and find new strategies for growth.



In his opening speech President Toomas Hendrik Ilves underscored the importance of innovation in Estonia and as the conference started topics like the Global Context for Innovation, Environment and Energy, Science and Technology Parks and a European Cooperation for Innovation were covered.

Vida Rozite, Senior Advisor at the Nordic Energy Research in Oslo was one of the speakers at the conference and Madis Tilga from the Nordic Council of Ministers' office in Tallinn met her for an interview:

How would you evaluate your research areas (energy efficiency, hydrogen energy etc) - which one has been most successful recently? Can you mention a truly regional co-operation network where R&D has resulted in concrete outcome?

- Nordic Energy Research finances energy research projects along the whole knowledge value chain from basic research to applied research and demonstration projects, which means that the timeframe in which research results can be applied in practice or commercialized differs significantly.

- This said, many of our projects show interesting results up to date. For example, our "Nordic Centre of Excellence on Hydrogen Storage Materials" has received considerable international attention, and the project participant Thorstein Sigfuson has also received an international prize for his work in 2007.

- The project "New, innovative pretreatment of Nordic wood for cost-effective fuel-ethanol production", which is a collaborative project with more than 13 partners and with a high level of participation from the industry, has shown significant progress and the results could be instrumental in contributing to the Nordic countries gaining a leading edge in this field.

- Other more tangible results include the "Hydrogen Highway Partnership" project that has built their first H2 filling stations and thus plays an important role in testing and

demonstrating the viability of hydrogen-based transport systems.

- Several of our projects dealing with energy markets have also developed a knowledge-based and solutions that address important challenges the energy sector is facing today, for example the project "Nordic AMR Forum (Automatic Metre Reading)" has been developing solutions that could contribute to a more flexible and well-functioning electricity market and improved efficiency.



- Nordic Energy Research cooperates closely with the Nordic Innovation Centre, so while we support research and development efforts, the Innovation Centre can in a later stage support prospective commercialization of ideas and innovations arising from energy R&D.

- In regard to regional co-operation, all our projects have participants from at least 3 Nordic countries, and often have project partners from the Baltic States and North West Russia and thus contribute to establishing and strengthening research networks in the region. In addition to this, we also encourage multidisciplinary collaboration and participation from the energy sector in our projects. Strong networks have been established for example in the fields of biofuels, hydrogen, wind energy and photovoltaic.

- One very important regional network that has been developed to address the specific energy challenges faced by sparsely populated areas, namely "Nordsesil - Nordic network for sustainable energy solutions in isolated locations". The project aims to significantly improve the capability of energy using communities in the Nordic region to take practical and effective steps to identify, evaluate and access sustainable energy

Vida Rozite



Vida Rozite is a Latvian-Swede and a graduate from the University of Stockholm (BA in political science) as well as having a MSc in Environmental Management and Policy from Lund University in Sweden.

She started her working career at the Latvian Embassy in Stockholm and continued to the Nordic Council of Ministers Office in Riga as a Deputy Director and an Advisor.

She has been an active researcher at Lund University and since April 2007 she has been working as the Senior Advisor in the Nordic Energy Research.

solutions particularly in isolated and Arctic/Baltic areas.

What would be the best way to encourage people/enterprises to invest more in Energy R&D and co-operate across borders?



Ill: Aleksandar Rodic

- For small countries such as the Nordic and Baltic countries collaboration and the pooling of efforts and resources makes sense and can help our countries to attain a competitive edge and have a greater impact on the global market.

- Due to the high level of attention that renewable energy, attainment of targets and integration of renewable energy in the energy system are receiving in the political agendas of countries across the world, it is becoming increasingly clear that strategic and concerted efforts in this area are necessary.

- In order to achieve good R&D results and cooperation it is essential that there is a specific need and a genuine interest i.e. a drive from users. Cooperation across borders is, of course, stimulated by the identification and sharing of common needs.

- Many of our projects address issues that are of specific interest in the Nordic countries for example the project "Development and demonstration of an efficient and cost competitive proton exchange membrane fuel cell system for cold Nordic climate". Proton exchange membrane fuel cell systems run on hydrogen and are prime candidates for vehicle and other mobile applications because of their compactness, however, there are a number of technical challenges that still need to be addressed.

- While the Nordic region has favorable framework conditions for investments in sustainable energy systems, there is a need for increased understanding of how the Nordic energy innovation system can be strengthened.

- In 2007 we launched our NORIA-energy programme, which aims to strengthen the Nordic research and innovation (R&I) area in the energy field, and to aid Nordic decision-makers in developing efficient policies on science, technology and investment in new energy technologies and systems. The projects are being finalized during 2008 and we will host a workshop on December 1st to present and discuss findings including strategies for encouraging investments and collaboration.

Are the Nordic and Baltic countries moving on different paths concerning R&D and innovation? To what extent could their efforts be merged/pooled?

- The Baltic countries have been and are to some extent

facing a different set of challenges than the Nordic countries, which, of course, has had an impact on the resources available for supporting R&D and innovation. However, rather than moving along different paths, cooperation is being increased and strengthened.

- That the Nordic and Baltic countries differ in focus on energy research, and hence have different national comparative advantages in R&D is not a negative. On the contrary, building on the different R&D and technological strongholds is the best way of making progress in this area as a region.

- The issue of how to further develop collaboration is a question that is high on our agenda, for example, several of the projects in the NORIA-energy programme have been looking into how collaboration between the Nordic countries, Baltic countries and North West Russia.

Do the Nordic countries (still) differ regarding their input in different fields of energy R&D. For example, Denmark as wind energy pioneer, Iceland as hydrogen energy, Finland as...

- Yes, the Nordic countries do differ in regard to strongholds in energy research and in technologies used both due to differences in natural resources and policies. However, since it is increasingly clear that the transition to a sustainable energy system needs to be based on a robust mix of different technologies, this can be seen as a strength rather than an impediment to further collaboration.

- The existing Nordic energy cooperation and common electricity market provides an excellent starting point for attaining a leading position in the field of integrating renewable energy into the energy system. By promoting integration, larger, more stable and more predictable markets for renewable sources of energy will be created.

- Furthermore, concerted efforts in this area should provide ample opportunities for promoting the Nordic and Baltic region as a leading knowledge and competence area for renewable energy.



Interview: Madis Tilga, the Nordic Council of Ministers' office in Tallinn

Tax Implications of Moving from Sweden to Estonia

The following is the second of three articles outlining how a Swedish citizen (a private person, not a company) who has become a tax resident of Estonia is taxed on their “Estonian income”. The first (published in focus nr 1, 2008) of these three articles explored the process of how a Swedish citizen moves his or her tax residency to Estonia. This article explains how that Swedish citizen is taxed on their income derived from Estonia. The third article will explore how that same Swedish citizen who is a tax resident of Estonia will be taxed, in Estonia, on their worldwide, including Swedish, income.

The assumption behind this article is that a resident or citizen of Sweden has moved to Estonia. He or she has relinquished their Swedish tax residency and has registered their tax residency in Estonia. The steps on how to do this were set out in Part 1 of 3 of this series of articles.

This article explores, by different types of income, how the Estonian tax system would tax that Swedish citizen who is a tax resident of Estonia.

Salary

The short answer is that the Swedish citizen who is a tax resident of Estonia is treated like any other resident of Estonia, including Estonian citizens. On his or her salary, their employer would withhold, during 2008, a personal withholding tax of 21%. This amount would fall to 20% in 2009. Meaning if his gross salary for a month were EEK 10 000, then the employer of the Estonian tax resident would be required to withhold, by law, EEK 2 100 of the income of the resident and forward it to the Estonian Tax and Customs Board. The net salary received by the tax resident of Estonia would be EEK 7 900/month. This example assumes that the “basic exemption” does not apply to this individual.

The final tax deducted from the gross salary of every Estonian tax resident is 0.6%. This is the employee’s portion of the unemployment insurance or tax. In other words, 0.6% of the gross salary of an Estonian tax resident is withheld by the employer and forwarded to the Unemployment Board of Estonia.

The employer tax paid by every employer on the gross salaries of their employees is 33.3% (social tax and the employer’s portion of the unemployment insurance), but this amount does not impact the gross or net salary of the tax resident of Estonia.

This answer assumes that the Swedish citizen has successfully cut their Swedish tax residency.

Interest Income

Skatteverket

Maksu- ja Tolliamet

As with all Estonian individual citizens living in Estonia, interest income earned from a registered “financial institution” (e.g. Hansabank, SEB, Nordea, Sampo, etc.) by a Swede who is a tax resident of Estonia is tax free. The Estonian state does not tax interest as income.

If however, an individual Estonian tax resident receives interest income from a company (be it an OÜ or an AS) on a loan

that he or she has made to that company, or from another individual to whom he or she has lent money, then the interest income is taxable at the usual rate (in 2008, 21%).

I would note that if the borrower is a company (i.e. not a private individual) and the lender an individual, then the company is obligated to withhold the tax of 21% (in 2008) on the interest payment and submit the withheld tax to the Estonian Tax and Customs Board.

Dividends

In Estonia, the corporate tax is paid by the company that is paying out dividends and the Estonian individual who receives the dividend is not taxed on that dividend income. In other words, the profit made by the company is not taxed twice, just once. The company is taxed not on making a profit but upon paying out a dividend. The Estonian individual tax resident, be he or she an Estonian citizen or a Swedish citizen, will not be taxed a second time (i.e. upon receiving that dividend).

Once again, this answer assumes the Swedish tax authority (“Skatteverket”) does not have any



claim on the dividend received by the Swedish citizen who has successfully transferred his or her tax residency to Estonia.

Capital Gains

Estonia does not distinguish between income and capital gains. What would be considered a capital gain in Sweden is simply considered to be income in Estonia.

Once again, a Swedish citizen who is a tax resident of Estonia would be treated like any Estonian individual living in Estonia.

To give a simple example, if a Swede had purchased a piece of land in Estonia for EEK 10 000 (and assuming that this piece of land was not a principal residence), and sold it for EEK 100 000, then the profit of EEK 90 000 would be taxed, in 2008, at 21%. Meaning the Swedish tax resident would be required to pay tax of EEK 18 900 (e.g. 21/100 X EEK 90 000).

The above is the general rule, but there exist many exceptions to this rule. Please check the facts of your specific case with our legal advisor or auditor.

Next Article

The final article in this series will examine how Estonia taxes a foreign national (e.g. a Swede) who has transferred his or her tax residency to Estonia on his or her worldwide income and capital gains, including income and capital gains arising from Sweden.

The author would like to thank Ruut Mägi for his valuable comments. All errors remain the responsibility of the author alone.

Hillar A. Lauri

**Near-Shoring OÜ
Founder and Managing
Director**



Hillar A. Lauri

**2004 -
Near-Shoring OÜ, Tallinn,
Estonia**
Founder and Managing
Director

**2002 - 2004
NA Power LLC,**

Director of Business
Development

**1996 - 2002
NRG Energy, Inc. (HQ in USA),
Tallinn, Estonia**
Executive Director Business
Development,
Nordic Region

**1993 - 1995
The World Bank (HQ in
Washington, D.C.),
Tallinn, Estonia**

Manager of Branch Office,
Estonia

**1992
Ministry of Finance,
Government of Estonia,
Tallinn, Estonia**
Legal Advisor (western
trained
lawyers were not to be found
in Estonia)

**1990 - 1991
The Mortgage Insurance
Company
of Canada, Toronto, Canada**

Solicitor

**1988 - 1989
Fitzsimmons & MacFarlane
(Barristers and Solicitors),
Toronto, Canada**
Associate Lawyer

Languages
English: Native language
Estonian: Fluent
French: Fair
Russian: Marginal



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This time focus toured Tallinn and continued to Ormsö (Vormsi) and Hapsal (Haapsalu). We met Swedish, Estonian-Swedish and Estonian owned businesses and we also experienced how the Estonian-Swedes and their ancestors take an active part in the continued future development of Estonia.

FOUR focus



Photo: Scania CV AB – Jonas Nordin

We drive while you sleep

- Indeed we do drive while people, including our customers, are asleep, said Thomas Askenberg, Estonian country branch manager at the Swedish Posten Logistik owned Logistiikkatalo, as focus met him at the companys' Tallinn cargo terminal. In-night deliveries before seven o'clock

in the morning, is one of our tailor made solutions for having a competitive edge on the logistic market.

-- I started up our business here in February 2006 as HIT Baltics, also owned by Posten Logistik, was established in Tallinn. Posten Logistik's 2007 purchase



Thomas Askenberg in the early morning hours

of Logistiikkatalo included the merge of HIT Baltics into the operations and is a further step towards building up an effective and solid logistical organization east of the Baltic Sea.

- Logistiikkatalo is a one-stop source for solutions and services for managing the entire supply chain.

Our customers can let us take care of the whole logistic process, or select an assortment of services needed to make their logistics work in a complete, smooth and effective way. Our goal is to create solutions that help our customers succeed.

- Our in-night solution usually involves a tailor made mix of cargo shipments by air, land and sea, continued Thomas Askenberg. We focus on transports between the Baltics and the other Nordic countries as well as within and between the three Baltic countries. A typical profile on our in-night solution customers involves regular transports and full EDI - Electronic Data Interchange capability.

- Daily deliveries of palletized goods to and from the Nordic countries and within and between the three Baltic countries is another major part of our logistic services. And the same applies for FTL - Full Trailer Loads. We offer complete trailer traffic to and from the Baltics, mainly with a focus on the Nordic countries as receivers or senders.

- As for warehousing we have a unique strength on the market. Suomen Logistiikkatalo, which is the full name of our company, and Posten Logistik have built up a solid know-how within logistics and warehousing through the years. We have the advantage of a steady flow of competence transfer from Scandinavia and Europe to us in the

Posten Logistik



Fully owned by the Swedish Post, Posten Logistik AB is the company where the Post's logistical solutions are collected, further developed and offered

to the market. The basic services include transports of palletized goods, packages, express deliveries and system-transport concept solutions.

Posten Logistik is a full service business partner taking responsibility for the customers logistical and distribution functions.

Posten Logistik's 2007 purchase of Suomen Logistiikkatalo and the further expansion in the Baltic countries marks a further step towards building up an effective and solid logistical service organization east of the Baltic Sea.

Baltics and can thus tailor solutions to support and reinforce our customers' operations and add value to their business.

- We focus on a slimmed organization in terms of overheads, concluded Thomas Askenberg. This also serves as a guideline for our personal customer service concept. Our customers have one dedicated contact person in our organization and we are proud of the engagement we have internally in the constant interaction between our drivers, terminal workers and dispatchers.

Vävars



Bo Stenholm and Olga Galdina

- Our Swedish language related company name Vävars is closely connected to weavers and weaving, said Bo Stenholm as he and Olga Galdina welcomed focus to their Tallinn downtown shop in the WW Passaaž shopping mall. I have an Estonian-Swedish family background and way back in time my ancestors were renowned for their

weaving skills.

- At that time they had the manors and their landlords as main customers and the textiles produced by them were tailor-made according to the needs and wishes of the landlords and landladies.

- Today's Vävars operates in two main business areas; home-textile and wooden products, continued Bo Stenholm. As for the home-textile sector we have three shops and two design and sewing studios in Tallinn. In addition to the downtown WW Passaaž shop we also have shops in Lasnamäe and Õismäe and we focus on home-textiles but also have bijouterie in our assortment.

- Most of our textiles are imported and our local

Estonian production concerns design and sewing of textile decoration solutions for private homes and public localities. Curtain arrangements is a good example of our business in this segment and our two studios are located to Lasnamäe and Õismäe.



- Our WW Passaaž shop is right between the port of Tallinn and the Old Town and a good portion of our customers here are tourists, told Bo Stenholm. This means that we have a clear difference in the purchase pattern of our customers here compared to our shops in Lasnamäe and Õismäe. While textile materials like linen and linseed are in big demand here at the WW Passaaž shop, synthetic materials dominate our assortment in the other two shops who mostly serve the local customer market.



- Olga Galdina is managing our shops and our home textile studios while I am more focused on our wooden production and I guess you can say that this suits me in two ways, said Bo Stenholm. My personal Swedish professional background before moving back to my roots in Estonia was in the export trade and since more or less all of our Estonian made wooden products are sold



Vävars Home textile and bijouterie shops:

Vävars - WW Passaaž
Aia 3 / Vana Viru 10,
Tallinn

Vävars - Lasnamäe
Mahtra 1, 2nd floor,
uus Mustakivi keskus,
Lasnamäe, Tallinn

Vävars - Õismäe
Õismäe tee 107A, 2nd floor, Õismäe, Tallinn

Design and sewing studios:

Vävars, Punane tee 6, Lasnamäe, Tallinn

Vävars, Õismäe tee 107A, Õismäe, Tallinn

Wooden products:

www.vavars.ee

Contact:
Bo Stenholm
Tel: (+372) 56 22 38 70
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E-mail: bostenholm@hotmail.ee

on export markets, this background serves me well in terms of marketing and sales.

- Secondly, my Estonian-Swedish ancestry has also made me a forest owner which secures a certain level of access to the raw material needed. Our wooden production is focusing on sauna accessories like stools, benches, headrests, lighting covers, ventilators and doors but we also have production resources for manufacturing smaller pieces of furniture like chairs and tables.

- The wooden production factory is located to Kuijõe in Läänemaa and our machinery include different saws, a moulder, a milling cutter for copy profiling and grinding tools. Additionally we recently also invested in a 5-axis CNC machinery center, making our production flow even more smooth and effective. These production resources also give us additional capability to supply contract based wood works in smaller or larger production series.

- Being a forest owner also brings along responsibilities, concluded Bo Stenholm. A forest has to be cared for. Thinning it out on a frequent basis is one of the important tasks you have to undertake. The wood you cut in this process is seldom or never good enough for further refining in our furniture production. But, it is indeed good and suitable as fire wood and that is a small but important part of our total production and sales as well.

Ormsö – heading for the future



Located between Dagö (Hiiumaa) and Nuckö (Noarootsi) on the mainland, Ormsö's (Vormsi) 93 sqkm's area makes it the fourth largest Estonian island.

Close to 3.000

Estonian-Swedes lived here as World War II broke out and during 1943/44 the vast majority of them managed to flee the war and the Soviet occupation. Today's Ormsö is a mix of the islands' Estonian-Swedish background and the efforts of the Estonian-Swedes' ancestors and the permanent island inhabitants to secure the future development of Ormsö.



Andres-Andi Sarv

- We are some 300 people living year round on Ormsö and our school in Hullo can count 14 pupils, said Andres-Andi Sarv as focus met him at his

and his partner Jaak Kaabel's Ormsö Pub (Vormsi Kõrts), newly opened in July this year. Our market is obviously in tourism, private events and smaller conference groups visiting our island and I believe that this business is of vital importance for the future development of Ormsö.

- We will keep the pub open on a daily basis during the summer season and plan for keeping it open on weekends during the winter. As my partner Jaak Kaabel's family is running the nearby Hullo food shop, we had the logistical process for getting our supplies of food and beverages in place when we opened our pub and this is really crucial when you operate a business like ours on an island.

- Our future plans include a couple of guest rooms on the upper floor offering accommodation on a bed and breakfast basis and we are also looking at the possibilities of growing the business of accommodating smaller conference and private event groups, concluded Andres-Andi Sarv.

As for tourism Ormsö offers a unique nature, both in terms of flora and fauna. In addition to



nature hiking and excursions some also argue for the set up of organized wild boar hunting expeditions.



Accommodation options include boarding houses, houses for rent as well as camping sites. In terms of straight forward, well cooked and tasty homely fare food, focus

can guarantee that Ormsö will not make anyone disappointed!

However, bottle necks for Ormsö tourism exist. The ferry connecting Rohuküla port, close to Haapsalu on the mainland, with Ormsö's Sviby port has limited capacity in terms of the number of passengers and vehicles carried. During the summer season, the 45 minutes trip is operated with 4 roundtrips every Friday and Sunday and 3 roundtrips on the remaining days of the week. Further improvements on the roads remains to be done on the island and sandy beaches are rare, small and hard to find.

In the old days, mostly farming, forestry, fishing and hunting filled up the daily life of the Estonian-Swedes on Ormsö. The fields, meadows, forests, villages, houses and barns were at that time mirrors of their work as well kept and active island societies.

Following Estonia's regained independence the Estonian-Swedes started to get their estates back and many returned to Ormsö. They found an island with clear traces of almost fifty years Soviet occupation. Ormsö was included in the Soviet military boarder zone and military activities and installations were consequently on top of the Soviet agenda. Houses had

turned to hovels, some buildings didn't even exist anymore as they had been demolished and used as fire wood. Few signs were visible of the former open fields and meadows and the forests showed few, if any, traces of having been cared for.



Today's [additional to tourism] businesses on Ormsö show clear signs of the ongoing rebuilding and renovation works taking place on the island. Architectural drawings and plans, excavation, transportation, machinery rentals and building construction works are some of the services offered by small, but local Ormsö companies.

Known as Västra Kustens Skogsägare/Lääne Ranniku Metsäühistu (the West Coast's Forest Owners) and counting 190 members, this forest owners association was formed in 1999 as Ormsö Skogsförening/Vormsi Metsäühistu (Ormsö Forest Association) with 3 launching members. As the Estonian-Swedes eventually got back their land, the need for an association taking care of the forests became obvious as the forest owners mostly lived in Sweden and had lost the daily contact with forestry work.

Västra Kustens Skogsägare today is a voluntarily service association for forest owners mainly on Ormsö and in Nuckö on the mainland. Forestry services offered to the members include thinning, final cutting, planting, sales of timber, economical reporting to the forest owners, tax payments as well as forestry courses for the forest owners.

- The future of Ormsö is of course connected to today's Estonia and the opportunities Ormsö and Estonia can find in today's world, said one Ormsö Estonian-Swede to focus. I was ten years old when I and my family left everything on Ormsö and fled to Sweden 1943. Today, we Estonian-Swedes have come quite far in terms of caring for and supporting the preservation of our old culture here but, in addition to



this, we must also take a giant leap in time, from the 1940's to 2008, and contribute to more or less start up many things from the very beginning again. But, now according to the prevailing conditions of today's Estonia and the country's opportunities in the world.

Runbjarn launched to the sea



At a ceremony at the Haapsalu Yacht Club August 7th, the Ruhnu Jahta (see focus 1/08) was named Runbjarn and was duly launched to the sea.

- Runbjarn means Runö-björn (Runö/Ruhnu bear) in the old Runö-Swedish dialect, told Alar Schönberg, project manager at MTÜ Puulaevaselts Vikan, the association in charge of the building and future operations of Runbjarn. As many might remember a bear was sighted on Ruhnu last year and became headline news.

- Runbjarn is not ready yet, but we really had to launch her to the sea now rather quickly, said Meister Jorma



Friberg, in charge of building the Jahta. The recent heat wave dried up the wood and she will now need some hours in the sea to seal up.

- Our immediate continued building works will take us and Runbjarn to Saaremaa to get the mast and rig installed, continued Jorma Friberg. Remaining works will be done here in Haapsalu and we hope to visit Ruhnu on a maiden voyage during September.



- We will welcome guests onboard for sailing trips next summer, concluded Alar Schönberg. The

MTÜ Puulaevaselts Vikan's Project Manager **Alar Schönberg** and Ship Building Meister **Jorma Friberg**.

Swedish Chamber of Commerce in Estonia is one of our sponsors and I really hope that we can arrange some events together, not only with SCCE's members but also with their staff and customers.

Nordic Lint



Gunnar Andersson,
Nordic Lint

- I guess you can say that I have commerce and trade in my blood by now, says Gunnar Andersson, Managing Director at SCCE's member Nordic Lint. I've been doing business since more or less exactly forty years and it all started in Charlottenberg, a Swedish town just at the border to Norway.

- I was running a food and everyday commodity shop there and much of our sales were connected to the border shopping market. Some products are cheaper in Sweden and some are cheaper in Norway and consequently there is a steady flow of shoppers in both directions.

- Sometimes however the stream of customers flows in only one direction over the border. During the 1970's the price of sugar skyrocketed in Norway and more or less overnight I found myself selling 36 tons of sugar per day in my 60 sqm shop! I'm not totally convinced that all sugar sold ended up in baking cakes and bread, a good part might very well have ended up in some Norwegian home distillation machineries...



- Being a member of Rotary in my Swedish home community, I came to Estonia the first time in the beginning of the 1990's. We arranged aid shipments to an orphanage in Kose and what I saw and experienced touched me deeply. Estonia needed support but I also realized Estonia's potential for a future economical growth.

- However, I didn't start my business activities on this side of the Baltic Sea in Estonia. Russia and St Petersburg became my first stop outside Sweden. Since I knew the retail business I entered this Russian market together with a team of partners. We imported products like bread from Finland and coffee from Sweden and distributed our assortment through more than 200 shops in the St Petersburg area. As for the coffee it was of course Löfbergs Lila, roasted, milled and packed in Karlstad, the biggest city in my Swedish home landscape Värmland.

- The Russian venture developed very well up until the Ruble crisis 1998. We decided to wind up our business in a fair and honest way and I have gained from this through the years since I still have very good relations with my Russian business contacts from those days.



- I founded Nordic Lint in Estonia 2000 with the basic business idea to recruit medical doctors and dentists for jobs in Sweden. Good contacts with the county councils in Värmland and Örebro made the business take off and it has developed and worked out extremely well.

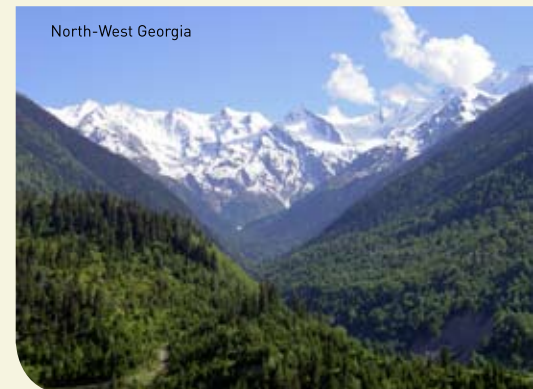
- Since this business concerns medical expertise deciding the treatments administered based on personal contacts with their patients, solid Swedish language training is of vital importance. We provide that here in Estonia with an intensive language training programme run in cooperation with the University of Uppsala in Sweden.

- It is equally important to give our medical experts a good introduction as they and their families settle in Sweden. The Chamber of Commerce in Värmland offers a good introduction package for people moving there and I am using their services and always get a very positive feed back.

- This introduction package might very well be something for the Swedish Chamber of Commerce in Estonia to pick up and offer to Swedes moving here. It is basically about an introduction to the foreign society

you move to. Support in the necessary contacts with the authorities, finding schools and kindergartens, maybe also finding a job for the spouse as well as straightforward support in everyday issues like explaining that suur piim doesn't mean sour milk.

- Thinking about it, a package like this might also be something for Sweden to offer all their immigrants, both those who are already settled and those who arrive.



- Running a business should be done with the windows to the world being wide open in my opinion, concludes Gunnar Andersson. Good opportunities exist in most parts of the world and after having learned the mindset and how things work in practice, I started up a company in Georgia 2006 [more on this in the economy section of this focus]. I don't think my international businesses will stop with Estonia and Georgia. I started up my professional career next to a border and it feels kind of natural to continue crossing other borders as well.

Texts: Megazine, Tallinn



Kristiina Sikk, SCCE Ombudsman and FICE Secretary, Anders Hedman, SCCE Chairman and Martin Breuer, Chairman of the Holland Business Club in Estonia

Following a SCCE initiative, FICE is now formally launched as a lobby group acting through contacts with the Estonian Government and Estonia's Governmental bodies.



Heikki Mäki, Vice Chairman of the Finnish-Estonian Chamber of Commerce and Jens Christiansen, FICE Chairman and Chairman of the Danish-Estonian Chamber of Commerce

Pioneering FICE members include the American, Austrian, British, Danish, Finnish, German-Baltic, Holland, Norwegian and Swedish Chambers of Commerce, Business Clubs and Marketing Offices in Estonia.

Together, the nine countries represented among FICE's members had a more than 80% share of the total foreign direct investments in Estonia during the first six months 2008 [source: Eesti Pank].

Quarterly meetings will be scheduled between FICE and the Estonian Government and the members of the participating FICE-organizations will regularly be invited by the Council to specially arranged speaker events.

Fantastic response from SCCE's members

The proposals and comments delivered by SCCE's members for the Estonian Action Plan for Growth and Jobs 2008-2011 served FICE well as the Council's discussions with the Estonian Government now start up and goes on.

SCCE really got a fantastic response from its members and here are some of the proposals and comments the SCCE members delivered:

Tax system

"Keep the simplicity in the business sector - this has been a success so far and Estonia should continue this way. This includes the simplicity of the tax system, the flat rate system etc."

"To attract foreign experts / specialists / professors /

FICE - Foreign Investors' Council in Estonia

managers introduce a package with a minimum social tax on salaries for such foreigners for a period up to five years. This way, the companies/universities/authorities can spend a larger share of the total salary cost on the real salary and less on social tax while importing know-how."



"Create the necessary prerequisites, e.g. within taxation, migration of expertise, for making Estonia a financial hub and a financial center for primarily the Nordic and Northern and Eastern European countries. Luxembourg is a good and existing model."

Energy and environment

"The Estonian forest sector's great potential is a great opportunity to increase bio energy volume and to reduce Estonia's carbon footprints which are the worst in EU per capita."



"Create stability on the energy sector by opening up possibilities to import liquid gas (LNG) to guarantee smooth gas supplies to the Baltics and creating alternative supply sources to Gazprom."

"Russia's importance shouldn't be under-evaluated. Until Europe finds widespread alternatives for the supply of oil- and gas-energy, the dependency on Russian supply

Jens Christiansen - FICE Chairman

Chairman of the Danish-Estonian Chamber of Commerce since its foundation 2007 and CEO of Christiansen Consulting OÜ in Tallinn.

Jens has a BSc degree in Engineering and 1988 marked the starting point for his professional experience as management consultant and coach practitioner.

He has work experience from various industries in different positions such as development engineer, quality director, head of operations, managing director, CEO and business consultant.

In December 1997 Jens established Christiansen Consulting in Copenhagen and founded Christiansen Consulting OÜ in Tallinn in March 1998.

His main fields of activities and specialization are Strategy Development and Execution, Corporate Performance Management, Balanced Scorecard, Coaching, Team Building, Management Development and LEAN.

Jens' international experiences include Balanced Scorecard merger and acquisition processes, major aspects of HR development, development and execution of complex company development programmes.

Among the latest remarkable achievements can be mentioned global roll-out of Corporate performance management system resulting in winning the European Supply Chain Excellence Award 2007.



is vital, and their economy will continue to prosper.”

Administrative reforms

“Merge all the “vallad” into larger ones creating local authorities where the decision-makers are not the friends, relatives and/or neighbours of its subjects to save money and to push down the embarrassing statistics on corruption.”

“Many products sold in Estonia are more expensive than they are in, for example Sweden and Finland. Make Estonian prices competitive by making comparative statistics and put Estonian State pressure on the importers.”

“The annual forest growth in Estonia is 12 million m3. Only 6 million m3 are harvested per year so it means a potential of double volume! 20.000 persons are involved in forest and wood processing industry making it a great opportunity for many more companies and employees. Its contribution to Estonia’s GDP is 6%. A mystery to me is why there is such a low political willingness to utilize more contribution from the forest sector.”

Export

“Develop Estonia’s export. Important markets are Russia and Ukraine – easier to sell there compared with Western Europe and Estonians speak the language and understand the Russian mindset.”

Education

“Focus on quality throughout the education system. The many universities should merge into fewer and try to reach higher on international rankings. There are too many people with good looking diplomas that do not know anything useful.”



“Invest in education in foreign languages - it is crucial for a smaller country to have very good contacts with its neighbours and be able to understand what others want to buy.”

“Improve the vocational educational system, which is a pity in today’s Estonia.”

Business, general

“Make it easier to sell existing houses and make it

harder to build new houses with similar functions and more or less the same location as the existing ones.”

“The introduction of the Euro in Estonia should have first priority on the political agenda. Until the Baltic countries adopt the Euro, the uncertainties on the value of the local currencies will grow and new rumours of devaluation may follow.”

“Become more competitive in subcontracting and tourism, as long as no high tech industry exists. Prices must go down for labour in manufacturing and service industries. This can be done only by lowering wages and having competition on the labour market. Hence an influx of workers from



Eastern Europe, EU- or non EU-residents including Ukrainians and Russians, is needed.”

“Improve relations with Russia, thus increasing the transit trade.”

“Quickly improve the relations between Russia and Estonia and facilitate the integration of the Russian minority in Estonia.”

“In my opinion, the Government should listen carefully to the business and economic community in Estonia. The need for qualified labour in Estonia is considerable, and the current process of the economy reaching a sustainable level will not solve this problem. Migration of qualified and specialized labour is a solution, and the right persons are found on the global labour market, not only inside the EU area.”

FICE wrote a letter and met Prime Minister Andrus Ansip

FICE met in August, consolidated all proposals from the nine pioneering FICE member organizations and reached a consensus on 26 issues to be presented under 6 headlines in a letter to the Estonian Government.

The letter was sent and resulted in an initial September 26th meeting with Estonia’s Prime Minister Andrus Ansip.





Martin Breuer – Chairman of the Holland Business Club in Estonia, **Anders Hedman** – SCCE Chairman, **Märt Haamer** – Vice Chairman of the British-Estonian Chamber of Commerce, **Prime Minister Andrus Ansip**, **Jens Christiansen** – FICE Chairman and Chairman of the Danish-Estonian Chamber of Commerce, **Heikki Mäki** – Vice Chairman of the Finnish-Estonian Chamber of Commerce, **Johannes Brunner** – Austrian Trade Marketingbüro Tallinn and **Kristiina Sikk** – SCCE Ombudsman and FICE Secretary

- I welcome FICE's initiative as a valuable contribution to Estonia's Action Plan for Growth and Jobs 2008-2011 and I totally agree on your major proposals, said Prime Minister Andrus Ansip as he welcomed FICE's delegation to the first meeting at the Estonian Government's Stenbock's House.

FICE's main goal at the meeting with Prime Minister Ansip was to express a willingness to contribute and cooperate with the Estonian Government for a continued and sustainable economical development in the country.

- We in FICE are ready to share our experiences with the Estonian Government and give our opinion on local issues with an international outlook, said Jens Christiansen, FICE's Chairman. The fact that Estonia now is dealing with the national and international economical slowdown not only locally but also by listening and discussing with its community of foreign direct investors is good news that deserves to be told.

During the meeting FICE and the Prime Minister focused on three major issues; the tax system, labour and education.

- Flexibility on the labour market is a key issue, said Prime Minister Ansip. We don't have any traditions on life long learning yet and I welcome every support here to get Estonia to a level where, for example, Sweden and Finland are today.

- Efficiency and delivering quality are also key issues on the labour market, said Paal Aschjem, representing the Norwegian-Estonian Chamber of Commerce in FICE. We look forward to you Mr Prime Minister and your colleagues in the Government to now spread the message to the Estonian people that the time has come for all of

us, Estonians as well as foreign investors, to work harder for the same remuneration.

FICE and the Prime Minister agreed

that there is a clear lack of skilled and qualified labour in Estonia and FICE underlined the need for a renewed education system and possibilities for tax-free re-education and training of labour in need of a new profession.

- Estonia should not be perceived as a low tax paradise, in a European comparison we end up in the middle



PM **Andrus Ansip** and FICE's Chairman **Jens Christiansen**



Johannes Brunner – the Austrian Trade Marketingbüro, **Kristiina Sikk** - SCCE and FICE, **Tiina Martisik** -the German-Baltic Chamber of Commerce and **Yrjö Ojasaar** -President of the American Chamber of Commerce Estonia

of the scale, said Anders Hedman, Chairman of the Swedish Chamber of Commerce in Estonia. And Estonia has to watch up now! Small tax increases here and there makes a big total and fuels the inflation. Stick to a simple and clear tax system and secure continued foreign investments in Estonia.

Further issues discussed included the energy sector, corruption, administrative reforms and the need for a streamlining of the approval, management, and the payment process of available EU funds.

FICE and Prime Minister Andrus Ansip agreed to set up a scheme for continued quarterly discussions and also to form work groups for in-depth works on specific topics.

FICE's next meeting with Estonia's Governmental bodies will be a mutual October brief with the Committee of Economical Affairs at Riigikogu (Parliament).

Report: Kristiina Sikk – SCCE Ombudsman and FICE Secretary

Kristiina Sikk – FICE Secretary

SCCE Ombudsman since 2006 and now also contributing to FICE as the Council's secretary.

Following studies in English language and literature at Tartu University, Kristiina started her professional career 1983 at the Information Department of the Institute of Cybernetics in Tallinn.

In 1992 she began a long marketing career in the Baltic automotive trade working with brands like Alfa Romeo, Lancia, Fiat, Champion, Teboil, Holts, Kemetyl and Goodyear at the Tallinn based importer and distributor Asmer AS.

In 2001 Kristiina was offered the position as marketing manager at the newly formed Goodyear Dunlop Tires Baltic AS and she kept this panBaltic position until she joined the Swedish Chamber of Commerce in Estonia as Ombudsman in January 2006.

Additional courses and trainings during Kristiina's professional career have included business communication, sales and negotiation techniques at GIS-International Institute, Denmark and Mercuri International as well as Swedish language training at Svenska Folkhögskolan, Tallinn.



Eastern European safari

Romania and Bulgaria; cousins rather than twins



Romania and Bulgaria are often media treated as one area, as they were "re-introduced" to the wider European public at the same time last year. The countries, however, are very different not only in terms of size, and language but also culturally and current developments.

recognize many similar words in the Romanian language. Romania is also part of the "Francophonie" (International organization for French-speaking countries and governments), something which the country is very proud of. It is reported that up to 25% of the Romanians speak or understand French, and it is as uncommon to speak Russian in Romania as it is in Finland or Sweden. Due to historical bonds, however, Romania has a sizable (6-7%) minority of fully integrated Hungarian speaking Romanians, which also boosts the trade ties to Hungary.

The Romanian links with Western Europe can also be seen in its food culture. The Romanian food culture has much more elements of Central Europe than that of many of its Eastern Neighbours. You are much more likely to be served a decent, fresh salad with a good wine in a middle-class restaurant in Bucharest, than say in Kiev.

Romania is doing well.

Foreign Direct Investments (FDI) keep pouring into the country, which is a member of NATO and a recent member of EU. With a relatively young population of 22 million well educated people, companies such as Renault, Nokia and Microsoft have made some of their biggest European investments in Romania. The



Bucharest, Romania

Romanian population is also relatively dispersed, with several major cities that can provide workforce on a large industrial scale. The big domestic market and the cheap labour has meant that the economy is blooming; the GDP growth is still accelerating and the foreign investments into the country doubled during the first half of 2008.

On the cultural side, Romania, unlike many other Eastern European countries does not feel "Russian" at all. Anyone familiar with Italian or French will soon

Bulgaria on the other hand is struggling.

It is also a fresh member of NATO and EU, but has failed to attract major industrial investments in the same extent as its northern neighbor. The reason is the relatively small population of seven million people, which is shrinking because of low nativity and work force migration, making work force availability in the long run a question mark for many corporate decision makers. So far the economy has developed well, but inflation is running high and there is an amounting risk of overheating. Bulgaria is also mentioned along Estonia and Latvia as one of the countries in the EU that are most likely to risk a devaluation of its currency.

Corruption is a big problem in Bulgaria (although, to be fair it is also a problem in Romania). This has led to a very inefficient government structure that



Sofia, Bulgaria



Tower Center International, Bucharest



Shopska-salad

has been record-breakingly slow in being able to disperse the EU funds granted to the country after membership. Many programs have not been started although it

is already a year and a half since the country joined the EU. This has meant that many investments into infrastructure have not been made, because it has not been clear exactly on which grounds the Bulgarian government will grant the money for such projects. During this summer EU finally had had enough of this, and froze 500 million euros in EU funds, as a punishment and protest against Bulgarian inefficiency and corruption. On a positive note, this action was widely welcomed by the Bulgarian people, who are also tired of the politicians' inability to live up to EU standards.

Compared to Romania, the Bulgarian history is much more tied to the Balkans and Turkey. Almost 10% of the Bulgarian population speak Turkish, and there is a decent level of trade between the countries. The Bulgarian language itself is a Slavic language, remotely related to Russian, and Russian is also widely understood in Bulgaria. Among other reasons, this has made the country a favourite for Russian tourists, and Russian investors are additionally investing into companies but above all real estate.

Despite the differences and challenges, both Bulgaria and Romania are extremely beautiful countries that can warmly be recommended both from a business and pleasure point-of-view. With very pleasant climates, beautiful mountains (with good ski opportunities!) and a rich food cultures, both countries are a pleasure to visit.

Sitting on a sunny Bulgarian terrace in October drinking wine and eating the delicious local Shopska-salad unstopably raises the mental comparison to having a vodka with pickled cucumber in the cold Russian autumn. It is a matter of taste of course, but sometimes trading a couple investment margin points for quality of life just might be worth it...



Martin Seppälä

Dr Martin Seppälä has a Ph.D. (Econ.) in strategic management and is a partner at Excedea. martin.seppala@excedea.com

Excedea

Excedea is a leading management and investment advisor in the Baltics and Eastern Europe.

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newsflashes

Putting Quality and Customer Satisfaction on top of the Baltic agenda



Originally developed in Sweden 1989 EPSI (Extended Performance Satisfaction Index) puts quality and customer satisfaction on top of the agenda in 20 European countries. Now also launched in the three Baltic States, EPSI Research Services delivers economic, financial as well as integrated business and organizational indicators for benchmarking and further sharpening of the competitive edge.

- I am happy to now establish EPSI Research Services locally in the three Baltic States, says Gunnar Ljungdahl, CEO, EPSI Baltic. Our local Baltic main office was recently opened and is located to Riga with the continued hands-on EPSI Baltic studies performed by local organizations in Estonia, Latvia and Lithuania.

- As for the Baltic States we launched our studies here in 2004 with EPSI researches on the banking, telecom and supermarket sectors, says Professor Jan Eklöf, CEO EPSI Research Services. Today a number of more company-specific Baltic studies are conducted and our studies here will be significantly expanded from this year including studies on the future economic climate based on the consumers' sentiment assessment.



Professor Jan Eklöf
CEO EPSI Research Services

- EPSI has developed to a de facto standard and as the Baltic States now are heading towards sustainable levels of continued economic growth, EPSI is a valuable

tool for sharpening the competitive edge of any company and organization, both on the local and export markets, concludes Gunnar Ljungdahl.

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Welcome to Estonia Jan Palmstierna



Jan Palmstierna is Sweden's new Ambassador in Estonia. He handed over his credentials to President Toomas Hendrik Ilves Tuesday September 2nd.

Jan Palmstierna came from a position in Stockholm as Ambassador and Chief Coordinator for trade and investment promotion at the Ministry for Foreign Affairs. He has previously

served as Ambassador in Vilnius. He has also held posts at the Swedish Embassy in Bonn, the Department for Trade at the Ministry for Foreign Affairs, the Riksdag Committee on Foreign Affairs, the Department for Eastern Europe and the Human Resources Department as well as at the Swedish Embassies in Copenhagen and Santiago de Chile.

The Swedish Chamber of Commerce in Estonia welcomes Jan Palmstierna to Estonia and looks forward to a continued close and good cooperation with the Swedish Embassy.

Good bye Dag Hartelius and all the best in Poland

As it became official that Dag Hartelius would move from Tallinn to Warsaw as Sweden's new Ambassador in Poland, SCCE took the opportunity and wished him all the best in connection with the joint event in Tallinn that the Swedish Embassy and SCCE had onboard the Swedish East India Ship Götheborg, June 19th.

SCCE's Chairman Anders Hedman thanked Dag Hartelius for a good cooperation and SCCE's Ombudsman Kristiina Sikk handed over an Estonian



Dag Hartelius, Anders Hedman and Kristiina Sikk onboard the Swedish East India Ship Götheborg

art work in glass as a memory of Dag's years as an Ambassador here 2003 – 2008 and also as a sign of the Chamber's appreciation for a very good cooperation with him and his Staff at the Swedish Embassy in Tallinn.

New Country Manager at the Swedish Trade Council



Henrik Avasalu has been appointed as the Swedish Trade Council's new Country Manager in Estonia.

Henrik has been working at the Trade Council's Tallinn office since 2006 coming from a position at Volvo Cars where he worked with economy control and cost efficiency within product development.

Henrik Avasalu has a Magister degree from

the School of Business, Economics and Law at the University of Gothenburg 2003 and he communicates in Swedish, Estonian and English.

A lost Jumbo at Stockholm-Arlanda airport

No, it hasn't got lost, the Boeing 747 recently placed next to the highway entrance to Stockholm's Arlanda airport. It's a new hostel now being built in a Jumbo jet that found itself grounded at the airport in connection with an airline bankruptcy 2002.

Reservations for rooms at the Jumbo Hostel can be made from December this year. 25 rooms with three bunk beds in each will be available with one exception; the cockpit will be converted to a luxury suite offering a panoramic view of the airport.



The Jumbo Hostel at Stockholm-Arlanda airport
Photo: LFV - Arlanda

Special interest tours – a concept for more tourists to Estonia

- Bird tourism, as one example of special interest tours, could be further developed in Estonia, said Marika Mann, CEO of Estonian Nature Tours in a recent statement.



- A typical bird watch group consists of some 10 – 15 persons, says Ants Ale, owner and landlord of SCCE's member Tuulingu Puhkemaja in the Matsalu National Park just south of Haapsalu. That is an ideal group size in order not to disturb neither the birds nor the other wildlife.



Ants Ale

- We can accommodate eight people here at Tuulingu but luckily enough Haapsalu, with its hotels is quite close to us. The same goes for other bird watching sites throughout Estonia, like Paljassaare – Tallinn, the North Coast – Rakvere, Ilmatsalu/ Peipsi lake – Tartu and Häädemeeste – Pärnu.

- Like any special interest tour group, bird watchers demand skilled and professional guides as well as good food and beverages being available next to the observation sites, concludes Ants Ale. We have this available in Tuulingu and I believe that the special interest tour concept can indeed be much more developed in Estonia and also include other special interests in addition to birds.



CODORNÍU

Against all odds – the Swedish repo rate went up

Riksbanken, the Swedish Central Bank, went its own way and raised the repo rate from 4,5% to 4,75% September 4th . The repo rate – the interest rate the banks pay when borrowing from the Riksbank – is the Riksbank’s primary instrument for influencing Swedish inflation targeted at 2% with a tolerance margin of plus/minus one percentage point.

As the economic slow down has hit Sweden as well, the pressure was intensive on Riksbanken not to touch the repo rate and their move came as a surprise for many.

- With a higher repo rate the inflation will decrease and will be close to the 2%-target within a couple of years, said Riksbanken in a comment.

- We have made a miss in our prognosis, said the Swedish State’s National Institute of Economic Research. We didn’t count with any raised repo rate and had a more expansive monetary policy included in our prognosis.



Anna-Stina Nordmark Nilsson

- Riksbanken’s move is totally unnecessary, said Anna-Stina Nordmark Nilsson, managing director at Företagarna – the Swedish Federation of Private Enterprises. As Sweden is seeing an economic slow down the increased repo rate will decrease the growth even more.

- Embarrassing, said SCB - Statistiska centralbyrån (Statistics Sweden) as it became clear that their reported inflation figures had been wrong for several months this year.



- Some 1.000 models of shoes are included in our inflation measurements and a mistake in our data programming resulted in missed new shoe prices related to their base prices, said Peter Nilsson, product responsible for SCB’s consumer price index.

Swedish economical commentators said that SCB's mistake could have misled Riksbanken in their decision to raise the repo rate.

The correct Swedish inflation during the biased period was as follows (SCB's earlier and wrong figures within brackets):

April: 3,3 (3,4)

May: 3,9 (4,0)

June: 4,2 (4,3)

July: 4,1 (4,4)

August ended with a 4,3% Swedish inflation.

Pernod Ricard acquired Vin & Sprit



In a July transaction valued at € 5.69 billion including debt, the French wines and spirits company Pernod Ricard acquired 100% of the shares in the Swedish State owned Vin & Sprit.

'Pernod Ricard Nordic' will now market Pernod Ricard's international and local brands in Sweden, Denmark, Finland,

Norway, the Baltic States and Iceland. The company has been created by merging V&S Wine (the leading north-European wine producer and importer), V&S Distillers (the leading north-European producer and distributor of regional and local spirit brands) and Pernod Ricard Nordic Countries (the current Pernod Ricard distribution subsidiary in the Nordic region).

Swedish State's ownership in business companies to decrease

Last year Riksdagen, the Swedish Parliament approved a proposal from the Parliamentary Committee on Industry and Trade to decrease the Swedish State's ownership in several companies. Political commentators interpreted the decision as a sign that the current Swedish Government is of the opinion that businesses should be owned and run by private interests.

In addition to Vin & Sprit the list presented last year included the Swedish State's ownership in Civitas Holding, Nordea, OMX, Sveriges Bostadsfinansieringsaktieföretag SBAB (the Swedish real estate financing company) and Telia Sonera.

Following the recent speculations on a Lufthansa purchase of SAS - Scandinavian Airlines it can be noted that the Swedish State's 21,4% ownership in SAS AB, was not included in this list.

The acquisition of V&S enables Pernod Ricard to assume co-leadership of the global wine and spirits industry. Absolut, the number one premium vodka worldwide, is the ideal addition to complete Pernod Ricard's brand portfolio and makes the Group the second-largest player in the US. In addition, the local brands V&S brings with it will add to Pernod Ricard's critical mass in the Nordic markets.

- Sales of premium wines and spirits brands are increasing in Estonia,

says Rein Aksalu, Country Manager at Pernod Ricard Estonia.

- Concerning the vodka market, the importance of domestic vodka producers has been significant here. Pernod Ricard has not had a vodka brand in the portfolio before and the Absolut brand will now mark our entrance on this market.

- As for other brands we are currently negotiating with the brand owners and it is a bit too early to comment on any possible change in our brand portfolio, concludes Rein Aksalu.

Hansabank's new name is Swedbank

Mid-September marked the start of a one year process of changing Hansabank's name to Swedbank.

- The new name Swedbank will not bring along any essential changes for our clients or employees, said Erkki Raasuke, Swedbank Group's Baltic banking CEO. We've always wanted to be the best bank in the Baltics and all our decisions, including becoming part of the Swedbank Group, have served this purpose

- The core of Swedbank's brand is service leadership and our main aim is to provide the best service on the markets we operate at, said Jan Lidén, leader of the Swedbank Group. The Baltic States are important markets for Swedbank and we aim to do successful business in the Baltics also further in the future, despite the current cooling down of the economy.

The history of Swedbank Group dates back to 1820 with the establishment of Sweden's first savings bank in Gothenburg.

Today the banking group operates in a large variety of international markets including Sweden, Baltics, Russia, Ukraine, Finland, Norway, Denmark, Spain, US, China, and Japan. It has more than 22,000 employees and serves a total of around 9 million private customers and 500,000 corporate customers in its home markets of Sweden, Estonia, Latvia and Lithuania.

Swedbank Group purchased 100% of Hansabank stocks in the spring of 2005. The Swedbank brand was created in connection with the resulting cooperation between FöreningsSparbanken and Hansabank in 2006.



newsflashes

Christmas Buffet and New Year's Eve celebrations at Radisson SAS Hotel, Tallinn



Radisson SAS Hotel's traditional Christmas Buffet is served in Restaurant Seasons Tuesday – Friday between 12.00 – 15.00. All the tastes of Christmas are laid up and served in a cosy Christmas atmosphere.



Every year as the clock nears midnight December 31st a delicious menu, sparkling wine, an intimate and festive atmosphere and fireworks are offered at Lounge 24 on the top floor of Radisson SAS Hotel. Additionally, the 140 sqm open top floor terrace is a unique spot where you can admire all the great New Year's fireworks in and around Tallinn.



Tables for enjoying the tastes of Christmas and getting a spectacular start of 2009 at Radisson SAS Hotel can be reserved by phone: (+372) 682 3000 or by e-mail: reservations.Tallinn@RadissonSAS.com.

ABB honoured in Estonia

ABB has been chosen Enterprise of the Year and Foreign Investor of the Year in Estonia for 2008. Estonia's president, Toomas Hendrik Ilves, presented the award September 18th at a special ceremony in Tallinn to ABB's manager for the Baltic States, Bo Henriksson.



Estonia's Minister of Economic Affairs and Communications **Juhan Parts**, Estonia's President **Toomas Hendrik Ilves** and ABB's Country Manager Baltic States **Bo Henriksson**.

The competition is organized every year by Enterprise Estonia as a way of recognizing the country's most successful companies, and increasing awareness of the importance of entrepreneurship.

- Enterprise of the Year is given to a company that can demonstrate stable growth in Estonia over a period of years, said Enterprise Estonia's board chair, Ülar Alameets. Companies are assessed on a scale that includes investments, export development and job creation.

The Foreign Investor award recognizes a company that stands out for the scale of its investment in Estonia, and the contribution that it makes to Estonia's economy by introducing new technologies and creating high-quality jobs.

ABB's 2007 revenue in Estonia was \$160 million, 24-percent more than 2006 and the best result in 15 years of operations in the country. ABB invested \$9.5 million in Estonia in 2007, which helped to create 300 new jobs. The Group has invested \$61 million in Estonia since its operations started here in 1992.



Photo: From SCCE's study visit to ABB's Jüri factories last autumn

About 90-percent of ABB's Estonian production volume is exported, mostly to Finland, but other destinations include Sweden, Russia, China, Ukraine and Latvia. Exports in 2007 rose by 46-percent on the previous year and ABB now employs more than 1,000 people in Estonia.

- Demand for our energy saving products is increasing year by year, and we are very glad to be able to make a solid contribution to the Estonian economy, said Bo Henriksson.

ABB in Estonia manufactures energy and automation products, mainly wind generators and low voltage drives.

ABB's head office is in Tallinn and there are ABB factories in Keila, Jüri and Maardu, and maintenance centers in different parts of the country.

Meriton Hotels kicked off for the autumn

Some one hundred guests gathered at this year's annual Meriton Hotels' September corporate event.



The new Meriton Conference & Spa hotel was presented and the guests could take a look at a room specially prepared for showing what is coming up as this new hotel opens during the spring next year.

The guests enjoyed a five course Asian style menu during the event and Ines and her band took care of the evening's entertainment.

Tallinn Airport's renewed terminal opened

As Tallinn Airport's renewed passenger terminal was opened September 19th, Estonia's Prime Minister Andrus Ansip announced the Government's decision to name the airport "Lennart Meri Tallinn Airport". Lennart Meri passed away 2006 and was Estonia's President 1992 - 2001. The renaming ceremony of the airport will take place on Lennart Meri's 80th anniversary in the spring 2009.



The renewed terminal means that Tallinn airport now can serve up to two times more passengers at the peak traffic hours.

The new cross terminal building has seven new and two reconstructed passenger bridges and the gallery enables two-level traffic for international passengers. The check-in area has expanded significantly, a new VIP-complex has been established and separate lounges have been built for Schengen and non-Schengen-passengers.



As the renewed terminal was opened, Tallinn Airport reported a 10,3% y-t-d passenger growth for the first eight months of 2008 compared to last year. Air cargo growth during the same period

amounted to an impressive 192,9%!

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newsflashes

Sweden's State Budget 2009 presented



Sweden's Minister for Finance, **Anders Borg** and the State Budget 2009

- We have a clear focus on getting more people into jobs and encouraging more companies to start and grow and Sweden now stands on a firm foundation, said Sweden's Minister for Finance Anders Borg as the Swedish State Budget 2009 was presented in Riksdagen [the Parliament] September 22nd .

- Sweden's position is stronger than that of most other OECD and EU countries. We will now take advantage of this to respond to a poorer outlook in the wake of growing unrest in the financial markets, while providing increased resources to education, health care, social services and other areas.

- The dark clouds hanging over the world economy have thickened during the summer and autumn as unrest has grown in the international financial markets, concluded Anders Borg. In light of this, the Government, like most other analysts, is adjusting the Swedish growth forecast downwards. The Swedish economy is expected to grow by 1.5 per cent this year and 1.3 per cent next year. The Government expects growth to pick up again in 2010.

- The lowering of the employment social fees are good but not enough, said representatives of Swedish small and medium sized entrepreneurs. The Government's one percent lowering really doesn't make any difference. We want to see lower company taxation and a considerably lower social fee.

The Swedish forest industry welcomed the Government's planned investments for better roads. Bad roads are estimated to cost the forest industry's transports close to SEK 600 million per year and the SEK 400 million the Government now is prepared to invest for better roads were indeed welcomed.

A Swedish Government promise to take a look at the taxation on savings was also welcomed.

- The current Swedish taxation on savings are

destructive, unfair and discriminates private and long term savings in shares, said one finance commentator.

- It should be noted that the figures in this Swedish State Budget were locked before the big drama began on the global financial scene, said Svenska Dagbladet, a major Swedish daily newspaper, in a commenting editorial.

Estonia's State Budget draft 2009 presented and debated



- Though the 2009 draft budget revenues are EEK 800 million lower than the expenditures, it is technically balanced, said Estonia's Minister of Finance Ivari Padar. The budget deficit is some 0,9 percent of the total budget.



On the revenue side the draft budget calls for the Estonian State to take out larger dividends from State owned companies like Eesti Energia, the Port of Tallinn, the State Forest Management Centre and the Civil Aviation Control Centre. Further revenues are planned to come from sales of real estate and State holdings. The income tax level is planned to remain at 21% during 2009.

On the expenditure side, Ivari Padar said that the Government has sharply reduced costs of the public sector.

In several respects coinciding with the proposals suggested by FICE, the Foreign Investors' Council in Estonia, Prime Minister Andrus Ansip made a September 24th budget comment:

- Our priority in 2009 is a flexible labour market, said Andrus Ansip. One part of the flexible labour market is lifelong learning. Despite of our people having fancy diplomas we don't have a qualified workforce.

- The list of Estonia's priorities also includes supporting export, research and development activities, a strict budgetary policy and simple and clear tax policy, concluded Andrus Ansip.

- There will be no recovery in the Estonian GDP growth before 2010, said Erkki Raasuke, CEO of Swedbank Baltic operations at a September 24th conference. The 2008 and 2009 GDP growth will be negative and the prognosis for an economic growth by 2010 is rather optimistic.

Debating the 2009 draft budget, critical voices were heard in the current Estonian Government coalition:

- The Estonian budget draft 2009 is based on the assumption of a 2.6% economical growth 2009, said Taavi Veskimägi, a Member of the Estonian Parliament and representing the Pro Patria and Res Publica Union. Unfortunately, this will not happen, concluded Veskimägi.

Gencs Valters Law Firm launched their Tallinn office



Valters Gencs

It was a full house as Gencs Valters Law Firm launched their downtown Tallinn office in September. The guests mingled and got intrigued by Estonia's Triki Mees who, among other magics, managed to move Elvis the Duck from one spot to another without anybody really realizing how he did it.

- No, Triki Mees has no direct connection with our law business, said Valters Gencs, CEO, a lawyer and the founder of Gencs Valters Law Firm. But, he symbolizes that when you know how to do the things the right way, it sometimes seems as magic.

- The Gencs Valters Law Firm is a full service, general practice international business law firm with offices in Riga and Tallinn



Jevgeni Robakov

focused in tax, litigation, M&A, corporate, immigration, finance and intellectual property law. We provide legal, tax, corporate finance, management consulting, evaluation and due diligence services and here in Tallinn, Jevgeni Robakov is in charge of our office.

- The law firm has by now grown to include a team of 15 lawyers and tax consultants in 3 countries, Latvia (Riga), Estonia (Tallinn) and Lithuania (Vilnius) and we have particularly strong ties with Scandinavian clients, concluded Valters Gencs. Further, as a part of the independent law firms network Eurojuris we cover 610 different cities and locations in 30 European countries.

Gencs Valters Law Firm is located at Tornimäe 5, 2nd floor in Tallinn and Jevgeni Robakov can be reached at tel: (+372) 619 1000 or by e-mail: jevgeni.robakov@gencs.eu.



Right in the midst of the business

ABB ACG NYSTRÖM EESTI AD VISIBLE ADVOKAADIBÜROO GLIMSTEDT STRAUS & PARTNERS ADVOKAADIBÜROO LEPIK & LUHAÄÄR LAWIN ADVOKAADIBÜROO LUIGA MODY HÄÄL BORENIUS ADVOKAADIBÜROO PAUL VARUL ADVOKAADIBÜROO POHLA & HALLMÄGI ADVOKAADIBÜROO SORAINEN LAW OFFICES ALD AUTOMOTIVE ALLANDO TRAILWAYS ALSTOM ESTONIA ALTENBERG REVAL AQ LASERTOOL ASIANAJOTOIMISTO HEDMAN OSBORNE CLARKE ASSABALT ASTLANDA HOTELLI BALTIC SEA CARGO BANCTEC BARONS HOLDING BERCO OÜ BESQAB PROJEKT JA KINNISVARA BLADHS EESTI AS BOOMERANG SUBCONTRACTING CIPAX EESTI CITY AIRLINE DHL ESTONIA DPD EESTI E-BETOONELEMENT EESTI AGA ELECTROLUX EESTI ERICSSON EESTI ESTNATURE ESTONIAN AIR ESTONIAN GOLF & COUNTRY CLUB EVATA BALTIC EXCEDEA FARM PLANT EESTI ADVOKAADIBÜROO VIRRI&GÄRDE&NORDLIN FORS MW GOODYEAR DUNLOP TIRES BALTIC HANSAPANK CSA PARTNERS HK INDUSTRIAL HUMAN SEARCH HUSQVARNA IF EESTI KINDLUSTUS IMPLEMENT BALTIC INBRO & PARTNERS KINDLUSTUSMAAKLER INCAP ELECTRONICS ESTONIA INTEREXPRESS JUS SUECANUM KG KNUTSSON KNT MEEDIAD LEGEND MANAGEMENT LINDORFF EESTI LUNA EESTI AS MANDATOR ESTONIA MAQS LAW FIRM FUSION VARAHALDUS MCM - MARKET COMMUNICATION MANAGEMENT MEDIA MENU INTERNATIONAL MEKANEX MASKIN MERITON HOTELS MÖLNLYCKE HEALTH CARE MORE REKLAAMIBÜROO MPS EESTI NEAR-SHORING NORDEA BANK FINLAND PLC EESTI FILIAAL NORDIC LINT OÜ NORDKALK AS ORIFLAME EESTI OÜ OUTOKUMPU BALTIC OÜ PÕHJAMAAD MINISTRITE NÕUKOGU PÕLTSAMAA FELIX PRIMUS EESTI OÜ PROEKSPERT AS PROPARTS OÜ RAGN-SELLS RAPLA PLAST REVAL HOTEL MANAGEMENT RIMI EESTI RMCONSULTING AB & PARTNERS RÖDL & PARTNER SANDHOLM ASSOCIATES SAPA PROFIILID SAS SCANDINAVIAN AIRLINES SYSTEM SCANDITRON SCANIA EESTI SCHENKER SCHLÖSSLE HOTEL GROUP SEB SEGERSTRÖM AUTOMOTIVE SIEVERT SIROWA GENCS VALTERS LAW FIRM SLG THOMAS INTERNATIONAL EESTI SÖDRA EESTI SSAB SWEDISH STEEL EESTI STENSTRÖMS SKJORTFABRIK EESTI STONERIDGE ELECTRONICS STORA ENSO METS STRAND STRØMNES & STRØMNES LAW OFFICE SVEAFSTIGHETER SVEBA-DAHLEN SVENSKA HANDELSBANKEN AB EESTI FILIAAL SWECON SWEDBANK SWEDISH EMBASSY SWEDISH TOOL SWEDISH TRADE COUNCIL SAVANT ESTONIA TALLINK TARKON TEDER GLIKMAN JA PARTNERID TELIA SONERA AB TIETOENATOR EESTI UNITED MOTORS ARCO VARA VARAMIESPALVELU PERNOD RICARD VÄVARIS VIKING KINNISVARA VIKING MOTORS VOGLERS EESTI VOLVO ESTONIA WAHLQUIST WENDRE WIGEN SINDI WINDAK SUOMEN LOGISTIKKATALO



The Swedish Chamber of Commerce in Estonia

ps.

It seems that summer went fast this year. At least in Estonia where a couple of warm weeks towards the end of July and the beginning of August was what we got in terms of nice weather.

I got the opportunity to dive a bit deeper into the history of the Estonian-Swedes this summer as I visited Ormsö, Hapsal and Birkas in connection with several major Estonian-Swedish events.

A Swede visiting Ormsö for the first time actually named the visit The Positive Surprise of the Year. He was referring to the food served at Rumpu and said that it was the best 'husmanskost' (Swedish styled everyday food) he had eaten since many years. **focus** reports on the Estonian-Swedish events in this issue and personally I am now anxiously waiting for next summer and an opportunity to offer SCCE's members a sailing trip with Runbjarn – the Ruhnu Jahta.

focus also reports on FICE, the Foreign Investors' Council in Estonia.

As FICE got formally launched in August, Jens Christiansen, Chairman of the Danish-Estonian Chamber of Commerce was elected FICE's Chairman and I was elected as the Council's Secretary. FICE got a great take off as the media interest for our initiative was impressive. As this ps. is written the FICE-meetings with the Estonian Government as well as other important authorities and organizations have started. A report on FICE and FICE's first meeting with Prime Minister Andrus Ansip is included in this issue of **focus**.

Being a former student at the University of Tartu it was interesting for me to meet its Rector during several recent years; Jaak Aaviksoo. Now in his position as Estonia's Minister of Defence.

The meeting took place just



before the Georgian conflict developed to an armed military conflict and our talks with Jaak Aaviksoo concentrated on international defense cooperation with a special **focus** on Estonian – Swedish past, current and potential future cooperation projects.

The global economical roller coaster ride continues and from an Estonian point of view the timing could have been better as it coincides with Estonia's own way towards sustainable economical levels.

The second quarter reports from the Swedish banks dominating the Estonian and Baltic banking sector were good, while on the international finance scene Lehman Brothers filed for bankruptcy protection. The coming three months periods will most probably demonstrate the impact the international finance market has on Estonia, Sweden and the rest of the globe.

We have a challenging autumn, winter and spring ahead of us and I look forward to seeing you at the upcoming seminars, meetings, study visits and events arranged by the Swedish Chamber of Commerce in Estonia.

I hope you enjoy reading this issue of **focus** and latest news on SCCE events to come and reports on events passed are always found at: www.swedishchamber.ee.

Sincerely,

Kristiina Sikk
SCCE Ombudsman

Contributions to **focus** from the members of SCCE, both in terms of editorial content and advertising, are welcomed. If you haven't already done it - please do put us on the mailing list for pressreleases, articles as well as your point-of-view on issues of general interest for the commerce and trade between Estonia and Sweden. You can reach me at email: kristiina@swedishchamber.ee or by phone: **(+372) 501 9813**. The focus advertising opportunities including sizes, prices and technical requirements are available at our website: www.swedishchamber.ee.

Latest news on SCCE events to come and fresh reports on events passed are always found at: www.swedishchamber.ee.





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