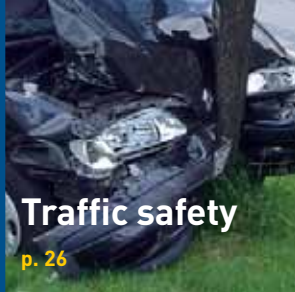


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Estonian Air -
revitalizing



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Anders Hedman
Chairman
SCCE

Dear Reader,

Sports and dancing

I am sitting in Saltsjöbaden, Sweden, writing this editorial after having completed Lidingöloppet's 30 km track running yesterday and thus completing the Swedish Classic (www.ensvenskklassiker.se).

This consists of completing four challenges in a row with Vasaloppet's 90 km classic ski race between Sälen and Mora being the most famous of them. The other three challenges include Vätternrundan's 300 km on bicycle around Sweden's second biggest lake Vättern, Vansbrosimningen's 3 km swimming in the river Dalälven and now, finally Lidingöloppet's 30 km running on the island of Lidingö next to Stockholm. When you accomplish, En Svensk Klassiker, you are not alone because thousands of people are doing this every year. In the next issue of **focus** there will be a deeper report on En Svensk Klassiker as this challenge should be of interest for all our Estonian readers, both men and women.

Our Swedish Ambassador to Estonia and Honorary Chairman of SCCE, Dag Hartelius is however not about to do a classic thing.

He is about to do something no other ambassador ever have done in the world. He will participate in the Estonian version of Strictly come dancing - Tantsud Tähtedega in Estonian TV and Let's Dance in Swedish television. I must say that by doing this he has created more publicity for Sweden than any diplomatic speech or cocktail party could bring. I think Dag hereby sets a new landmark in the diplomatic corps and not only in Estonia. I know that there has always been a small unofficial competition between the Finnish Embassy and the Swedish Embassy in Tallinn since 1991 - who gets most publicity or who has the most prestigious embassy building. With this, I think that Dag forever has secured the publicity victory for Sweden. Well done Dag! Maybe Dag can convince his boss, Carl Bildt to take part in the Swedish version of Let's Dance. We wish Dag good luck!

Economy and trade

During the summer we have seen more and more articles in the newspapers about the slow down of the Estonian economy.

Less visiting tourists, foreign companies starting to move out of Estonia, because of high salaries, low productivity and lack of qualified work force. This is indeed not very good news for the country, but I think that it is important not to have a too narrow Tallinn perspective on investing in Estonia. Tallinn is definitely overheated, but Estonia is not only Tallinn.

In this issue of **focus** you will find a lot of proof of it. I hope that the rest of Estonia will not sit in the shadow of Tallinn and wait for better days, but that they will develop a spirit Sweden knows as Gnosjöandan - the Gnosjö spirit. Gnosjö is a small entrepreneurial Mecca in southern Sweden where the entrepreneurial spirit is on the highest level. An article in Financial Times stated that Germany's future is with the small and midsized companies and I believe that is true. This is of course true not only in Germany, Europe's biggest economy, but also in Sweden and Estonia.

The real future of the country is not in the hands of the "Kroonika Clowns" but in the hands of the small entrepreneur that exist in every Estonian and Swede. It's time to wake up now and come out of the closet, to use an expression from the gay and lesbian world.

It is with entrepreneurship we will take up the future fight with China and India. I remember when digital watches came and everybody in Sweden predicted the death of Swiss traditional watches. Look at the situation today! No one speaks about digital watches anymore and Switzerland is producing more and more expensive traditional watches than ever before. The way Swiss watchmakers fought against the digital watches, is the way Europe in the future will preserve its superiority. For this we need to be well educated, efficient, innovative and stick to what we believe in.

Long live the entrepreneurs in every small Küla or Linn, By, Köping or Stad - you are our heroes now and for sure in the future!

Enjoy reading **focus** nr 3!

Anders Hedman
Chairman
SCCE

Publisher

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Please contact Kristiina Sikk: kristiina@swedishchamber.ee for further information.

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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 unite more than 130 member companies and organizations headquartered in Estonia and Sweden.

SCCE is in many ways a mirror of the intensity in Swedish-Estonian commerce and trade. Sweden is by far 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.

Special and unique SCCE member benefits also include listing in the SCCE Trade Directory, the opportunity to further market introduction in the Member in HighLight section of the Chambers 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 Partner- and Sponsor-membership. 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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Working abroad or staying home?

The Estonian labour force situation 2007-2008.

The local labour market has been changing rapidly during the last two years. The Estonian economy has never been so successfully growing as it did during recent history, the economic growth has also influenced the availability and cost of the local labour force.

The majority of all local enterprises managed to increase the volume of the industrial output and therefore also the lack of labour has turned to be one of the major obstacles for the future development.

Working abroad seems to be the attractive alternative for the Estonian labour force. For working abroad most popular destinations are Scandinavian countries of which Finland attracts due to the cultural and language similarities.

The qualification and work experience usually exceeds the occupational demands while working abroad, but as long as the salary level is higher in comparison with the domestic vacancies, the cross-border labour movement trend remains negative for Estonia.

Despite the fact, that the salary levels in Estonia has been growing rapidly there are still large differences between the salary levels compared to the salaries abroad. In some cases there are offered almost twice higher salary for the same job in Finland, compared to Estonia.

The main reason for working abroad is better salary and most of the local labour would prefer to work and live in Estonia. Beside the side costs related to the accommodation while working abroad workers tend to underestimate the facts that even if the salary is better the personal life and social connections, hobbies etc are left behind in home country and in such cases it is quit difficult to measure in money the negative aspects for working abroad.

The border-free labour movement has been available for some years and part of the labour force seeking for the experience and other values for working abroad has already left Estonia, however today most of the new cross-border workers choose to work abroad because of the higher salary. Despite the fact that domestically in Estonia the salary increase has been enormous, the difference in gross salary is still in some cases almost twice. Therefore there are no economical reasons for the Estonian labour to stop leaving the country. However in some sectors of industry the first signs of the positive trend have been noted.

In the construction and metal industry some of the labour that left Estonia in the 2004 are started to return home. The increased salaries in Estonia and the lack of labour attract good specialists and professionals to return Estonia.

At present salaries and the annual growth of the local salaries may still take several years for the salary differences between Estonia and Scandinavian countries to equalize and only then the total trend of cross-border labour movement shall turn around and labour force that has left Estonia shall return. The next becoming years are quit crucial for the Estonian enterprises. The competition for the labour force shall increase. The trend in the salary increase can not be stopped, it can only be controlled for some time and therefore it's crucial to utilize the available labour force efficiently and efforts have to be made for decreasing the need of labour force in the production industry.

Domestically there are some differences in the availability and qualification of the labour between the different regions of Estonia. The East-Estonian unemployment remains still the unused resource that can be utilized. The region has its specific ethnical and cultural differences, but the traditions and availability of the industrial labour force in the region is partly unused.

Wishing you all a successful and beautiful autumn,

Väino Tälli

Country manager
VMP-GROUP OÜ
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Väino Tälli

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ON TOUR focus

focus visits member companies of the Swedish Chamber of Commerce in Estonia and this time the tour went to Pärnu and Kuressaare.

It was interesting to note the similarities between Incap and Wigéns in terms of their abilities to effectively manufacture smaller series of their products within electronics (Incap) and fashion textiles (Wigéns). It was impressive to see Wendre's production facilities for large series of quilts and pillows and it was exciting to experience the spirit at Strand Spa & Conference Hotel for making Pärnu a year round destination for private and conference guests.

Pärnu

Founded by the German Fraternity in 1241 and named Pernau, Swedes conquered the city for the first time in 1562. During 1617 up until 1710 Pärnu belonged to Sweden's Baltic Sea provinces. A more peaceful Swedish invasion took place during the 1920's and 1930's as Pärnu was a real hot spot on the Baltic Riviera as the Swedes called it.

Norrköping, Sweden

Norrköping – the Swedish city where Wendre's owner Trading House Scandinavia AB has its head office – used to be an important center of the Swedish textile industry up until the 1960's. Around 1850, some 50% of all clothes made in Sweden were manufactured in Norrköping. The business economical life in Norrköping today is dominated by trading, logistic centers, transports, paper industries, electronics, IT and media. Additionally, many departments and authorities of the Swedish state administration have their main offices located to Norrköping.

Having a profile as the summer capital of Estonia, Pärnu is still invaded by tourists during the summer season and it is easy to suppose that the city goes into idle mode during the winter. This is true as far as Pärnu's sandy beaches are concerned, but in terms of business activities it is peak season all year round.

Wendre

- I had a background as an agent in the textile trade as I formed Trading House in Norrköping 1992, said Peter Hunt,

Managing Director and owner of Trading House Scandinavia AB, the holding company in a textile group where SCCE's member Wendre AS in Pärnu is one of the main production sites. My parents were among the approximately 30.000 Estonian refugees who came to Sweden towards the end of World War II and I was born, grew up and got my education in Sweden.



Peter Hunt - Wendre, Kristiina Sikk - SCCE and Vahur Roosaar - Wendre

- Trading House acquired the first shares in Wendre 1995 and Wendre became the first company with manufacturing operations in the Trading House Group. The 30,000 sqm production plant in Pärnu was opened in 2005 and is mainly manufacturing bed quilts and pillows, while our unit in Väandra concentrates on the production of mattresses. With the new factory in Poland and the factories in Estonia and China, we now have approximately 1.000 employees and the forecasted turnover for 2007 is 75 million EUR. ▶



Peter Hunt

- Our production process is to a very high degree automatic, said **Vahur Roosaar**, Managing Director of Wendre AS in Estonia. Wendre's labour costs only accounts for some 5% of our total operating costs. On the other hand, the advanced machinery we use requires highly skilled operators and we put a lot of effort in continuous training of our employees.

- There are of course manual processes involved in our production as well, replied Peter Hunt. Our investment in the Wuxi-plant in China provided us with the opportunity of producing labour-intensive products as well as semi-manufactured items such as pillowcases.

- Our customers are the leading retail chains for furniture and home textiles in Europe, concluded Peter Hunt. We are expanding organically and acquisitively in order to achieve a size that will benefit both us and our customers and the Trading House Group has a sound financial position, enabling us to expand and invest in new machinery and new production technologies, a key for guaranteeing our continued and future competitive edge.

Wigéns

- Manufacturing hats counts for some 98% of our production here in Pärnu, said **Õie Tamm**, Managing Director of Wigéns OÜ, and pointed to a poster with Wigéns pay off: Use your head.

- Hats by us are either an issue of fashion or special applications like graduation hats or specially designed hats and caps for theatre plays and movie productions. From a manufacturing point of view that means rather small production series of one and the same model and that is one of our specialties.

- Designs are made by our mother company in Tranås, Sweden, while we focus on cutting the fabric, sewing, packing and shipping. Wigéns in Tranås is also the headquarters for our sales, marketing and central administration functions.

- Wigéns, or AB Oscar Wigén as the formal name is, was founded in Sweden 101 years ago, and I have been with the company in Pärnu since we opened here 1998, said **Õie Tamm**. I have a background as a textile engineer and I learned Swedish language during the 1980's so it was quite



Õie Tamm



Tranås, Sweden

Tranås is sometimes called the Fur Town of Sweden, a designation originating from the 1860's. At that time Johan Petter Fång, a hat maker, came to Lövsstad's community (Tranås). He started a small business, which grew larger with the assistance of his daughters. In the summer of 1897, Carl A. Wigén came to Tranås to work as a salesman but ended up working at Fång's hat factory instead. He married Fång's daughter Elin and took charge of the factory. It was during this period that he started to produce fur products marking the start for more dressers and dyers companies to develop in Tranås. 100 years later, in the 1960's, there were approximately 125 fur companies and about 2.500 people employed in the business of handling fur in Tranås.



smooth for me to be a part of Wigéns Swedish – Estonian manufacturing concept.

- Having a background from the Sindi textile industry close to Pärnu, many people in our production team are real veterans with us by now, concludes Õie Tamm. That is an important factor in our training of new members in our team. Cutting fabric and sewing is a craftsmanship and should be treated like that to result in the quality our customers expect.

Strand Spa & Conference Hotel

- We can offer quite an impressive conference capacity here in Pärnu, said **Aime Vilgas**, General Manager, Strand Spa & Conference Hotel. Our biggest conference hall has a seating capacity of up to 500 persons and in cooperation with Pärnu's concert hall we can seat up to 2.000 persons.

- Conferences and congresses are our main markets during the winter. The general trend in terms of bed nights sold at Estonian hotels this year is pointing downwards compared to last year. Active marketing with presence at travel fairs and creating campaigns in cooperation with tour operators, shipping lines and airlines operating on Estonia is of vital importance for us.

And the same goes of course for working for even more smooth transports between Tallinn, being the main international gateway to Estonia, and Pärnu.

- During the summer some 96% of our capacity is sold and 60% is booked by individual guests while the remaining 40% represent group travel, mainly coming from Finland.

The average figure on capacity sold on a full calendar year is 50% and we consider Sweden, Latvia, Germany and Norway as our prime markets for further developing this figure. The distance between Tallinn and Pärnu is just 129 km and the road, being part of Via Baltica - the E67, is good and even becoming better and better.



Aime Vilgas

- As a Pärnu hotel we are considered to have a full menu, not only in our restaurant, concluded Aime Vilgas. On the top floor we have our night club being one of the main spots for Pärnu by night. We have a nice lobby bar and a full Spa in operation and I have already mentioned our conference and congress facilities as well as our restaurant. ▶





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► Kuressaare

The fortified castle in Kuressaare, built 1206 by the Danish King Valdemar Sejr, reminds the visitor of Saaremaa's 700 years history of occupation by Danes, Germans, Swedes and Russians. During the Soviet occupation, Saaremaa and neighboring Muhu was the sites for several military installations and the two islands were in many respects a highly restricted area. This had an influence on the development of industries on Saaremaa and what we see today in terms of plants and production sites are, to a high degree, businesses put up and developed after the regained Estonian independence 1991.

Incap Electronics

- In addition to our Kuressaare factory, Incap also has factories in Finland and India, said **Allan Lipu**, Incap's Plant Manager, Kuressaare. Here in Kuressaare we are mainly specializing in automated and manual assembly, product integration and testing.

We have the capability to offer effective production processes for a wide range of different electronic products and with special manufacturing solutions for lower production volumes.

- Including our Tallinn office, where we have functions for material management, purchasing and sales, Incap has some 180 employees in Estonia. The location of our factory to Kuressaare means that our factory team here mainly consists of Saaremaa islanders and they want to stay both on their island and with us. The outcome is a very low staff turnover; actually some of our foremen have been with us since the 1990's.

- We have a close and ongoing cooperation with Tallinn University of Technology (TUT), the local professional school as well as the Kuressaare College of TUT for our future recruitment needs of assembly workers and electronic engineers.

- From a logistical point of view our location to Saaremaa works just fine, concludes Allan Lipu. Electronic products tend to be quite small making them ideal for shipments out of an island where ferry connections is the main option for transports to and from the mainland.



Allan Lipu - Incap and Kristiina Sikk - SCCE



focus

on legalities

Obligations and liabilities of a board member in Estonia – Part 1

Dear reader,

Since many SCCE member company board members are non-Estonians, I thought it would be a good idea to write a bit about the obligations and liabilities that follows once you have become a board member in an Estonian company. (If you want to learn more about the difference between a Swedish board and the Estonian supervisory and management boards, please refer to issue nr 1/2007 of **focus**.)

First of all, there are two boards in an Estonian limited company, according to the main rule. In an Aktsiaselts there is always both a supervisory board and a management board. In an Osühing, there may be only a management board.

In this issue I will write about the rights, obligations and liabilities of a supervisory board member. In the next issue of **focus**, I will focus on management board members.

I will try to not make this text too boring, as it often is to read about law. However, the topic is important and the rules are quite strict so no matter how hard I try, it is not possible to make this into pure pleasure, but I will give it a try...

The tasks and the election of the supervisory board members

The supervisory board (Est: nõukogu) is the body that plans the activities of the company and organizes and supervises the management. You may say that this organ is the shareholders' representative. A supervisory board has at least three members that are elected by the shareholders.

No member can be elected for life, so you must check the company's articles of association for how long they are elected for or – if there is nothing said about this there – the term can never be more than five years so the members must be actively re-elected by the shareholders at the general meeting before their term comes to an end. Or maybe it is by then time to elect some new ones?

As the supervisors of the company, the supervisory board shall give orders to the management board how to organise the management of the company and in case of transactions beyond the scope of everyday economic activities, consent is required from the supervisory board. Please note, however, that only the management board may represent the company towards third persons.

Remuneration of a supervisory board member

The shareholders are the ones to make a decision regarding whether a supervisory board member shall get remuneration for his or her work and the size of such remuneration.

Supervisory board meetings – at least four every year!

A supervisory board **MUST** hold board meetings at least every three months. A meeting can be held over telephone and the minutes can be circulated for signatures. Do not forget to make formal minutes of these meetings (they do not need to be in Estonian) as this may be of use in case you need to prove that a decision was or was not made, who attended the meeting and who voted for or against a certain issue. In case the decision needs to be submitted to the Commercial Register (Est: Äriregister) you must make an Estonian translation or why not make parallel document in English and Estonian at the same time so everybody can understand it?

A supervisory board must have a chairman. The company must inform the Commercial Register about who is the chairman within five days from his/her election.

How to conclude agreements between the company and a member of the management board – this is a bit tricky!

When it comes to concluding agreements with a management board member (for example a service agreement) only the supervisory board can decide upon the terms and conditions ▶

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 where 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.



of such an agreement. The supervisory board must also appoint a representative to sign such agreement on behalf of the company. Unless these requirements are fulfilled the company cannot enter into any valid agreement with its management board member/s. I would strongly

advise all management board members to check if such a decision was made prior to concluding your service agreement (if you have any).

The supervisory board and the annual report

The annual report is prepared by the management board but reviewed by the supervisory board. The supervisory board may amend the profit distribution proposal before the presentation to the shareholders at the general meeting.

Competition and secrecy restrictions

All board members are restricted under law to compete with the company. In case of breach of the competition restrictions, the company may demand from such board member to stop the prohibited activity, transfer any income received through the prohibited activity as well as be obliged to compensate the company for any damages suffered. All supervisory board members are obliged to preserve the business secrets of the company under law.

Liability of a supervisory board member

In general, a board member shall perform his or her obligations with care and diligence. From court practice, one may conclude that this means that you do not only need to be careful, but also sufficiently informed about the company to make decisions and that you are not allowed to assume unnecessary risks for the company. If you do not meet these qualifications, the company can demand compensation from you.

The general limitation period for submitting claims against a supervisory board member is five years.

Some advise for a supervisory board member

In addition to the above, the articles of association may grant the supervisory board more or less rights and obligations. If you are a supervisory board member of an Estonian company, I strongly advise you to study the articles of association of that company with care. If you do not understand

Estonian, you should make sure that a professional translator translates them and if you have questions, you should turn to a professional advisor.

Karolina Ullman

Partner MAQS Law Firm

Member of the Swedish and Estonian Bar Associations

**In the next issue of focus –
Part 2: Obligations and
liabilities of a management
board member**

Real Estate – Estonia: Crisis or correction

Having a notorious reputation as one of the major inflation drivers, the Estonian Real Estate market was on the agenda as SCCE's member Advokaadibüroo Paul Varul arranged a Business Seminar on the topic.

The market

- Pending the type of real estate; residential, retail, offices, warehouses or production sites, prices have gone up 200 – 600% since 2001, said **Reimo Raid**, member of the board of the pan-Baltic real estate group Manutent. People have been talking about a crisis for more than two years now but what we see today is a 10% average decrease in real estate prices. Another 10% decrease is expected in the near future and put together this resembles more of a correction of real estate market prices than a crisis.

- A common driver for the real estate market has been the generous supply of bank loans, continued Reimo Raid. Salary increases have further boosted prices on residential areas, increased consumption has fuelled up retail building prices and the demand/supply situation has driven the prices for offices, warehouses and production sites to new heights.

- Developing a real estate project to a turn-key ready object is a long process, concluded Reimo Raid. It takes some 4 – 6 years and in that perspective it is easy to realize that a solid liquidity is absolutely necessary for a real estate developer during the investment and development phase. We will see fewer companies on this market in the future, either due to bankruptcies or structural merges within this business.

Three legal steps

- There are three important legal steps in a real estate transaction, said **Ramon Rask**, attorney at Advokaadibüroo Paul Varul. First, a contract under the law of obligations for purchasing the real estate has to be drawn up and a notarial form of the documents is mandatory. Second, a real right contract for transferring the real estate ownership has to be drawn up and a notarial form is mandatory for these documents as well. Third, the real estate transaction has to be entered into the Land Register.

- It might be interesting to note that, though there are no basic limitations for foreigners to acquire land in Estonia, some limitations apply anyhow, concluded Ramon Rask. This goes for profit yielding land including 10 hectares or more of agricultural or forest land and territories significant for the Estonian national defense.

Advokaadibüroo Paul Varul provides a full range of legal services from counselling to litigation. Domestic and international issues of business law including contract law, M&A, tax law, competition law, energy sector, telecoms, intellectual property, insolvency and legal issues related to real estate transactions, dominate the legal services provided.

As a professor of private law and Minister of Justice of Estonia (1995-1999) the senior partner of the firm, **Mr. Paul Varul**, has actively participated in the drafting of numerous Estonian legal acts, including the laws forming the new civil code of Estonia.

www.varul.ee

Lecturers from Advokaadibüroo Paul Varul at the SCCE Business Seminar on Real Estate Development & Legal Issues were:

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VAT

- There are no developed and settled law cases yet on real estate transactions and their VAT taxability under the current VAT Act which came in force May 1st, 2004, said **Vaido Põldoja**, attorney at Advokaadibüroo Paul Varul.

The situation is further complicated due to transitional provisions and real estate related amendments to the VAT Act effective January 1st, 2006. Disputable situations are likely to occur and a good advice is to consult the tax authorities before concluding a contract.

- As of January 1st, 2008 there is a possibility for getting a binding opinion from the tax authorities, provided that the case has been presented with open cards and no hidden agenda, concluded Vaido Põldoja.

Public

- Real estate development plans and planning activities are public and public disclosure is mandatory, said **Mikk Lõhmus**, attorney-at-law and partner at Advokaadibüroo Paul Varul. The duration of a public display is two weeks for a detailed plan and four weeks for a comprehensive plan as well as a county plan.

- A local government adoption of a plan might be contested, concluded Mikk Lõhmus. Every person who finds that a decision to adopt a plan is in conflict with an Act or other legislation or that his or hers rights have been violated or freedoms restricted by the decision, has the right to contest the decision in court within one month as of the day on which he or she became or should have become aware of the adoption of the plan.





Real estate – Latvia: Investments and taxation

In terms of foreign direct investments abroad, Latvia accounts for the biggest share of the Estonian investments abroad; 34%.

- A lot of Estonian investments here are allocated to Latvian real estate companies, says **Valters Gencs** – attorney-at-

law and a board member of the Swedish Chamber of Commerce in Latvia.

- The real estate market continues to develop very rapidly in Latvia, continues Valters Gencs. The average price for apartments in Riga's old town is 3.500-5.400 EUR per square meter and apartments in Riga's city center costs about 3.000-5.400 EUR per square meter. These prices are stable compared to other locations in greater Riga where we can see a decreasing price trend.

Taxes

- Latvia's parliament approved amendments to

the personal income tax law May 17th, 2007 affecting income derived from the sale of real property or a capital gain on shares held, directly or indirectly, in a company with Latvian real estate assets in excess of 50 percent. The changes took effect on June 12th.

- Until that date, income from sales of shares and of real property that was held for at least one year were exempted from personal income tax - if held for less than a year, the applicable personal income tax rate was 25 percent.

- The new changes address income derived from the sale of real property or a capital gain on shares held, directly or indirectly, in a company with real estate assets in excess of 50%. The 50% threshold applies to the current or previous year and is measured by the balance sheet value at the beginning of the tax year. To ascertain indirect ownership, shareholdings both in Latvian and foreign companies or parties are taken into account.

- The new rules establish that a sale of immovable property that



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has been in the possession of a person for more than five years, starting from the day the property is registered in the Land Register, and for more than 12 months if the property is the person's place of residence, which is not declared as a second address, is not subject to personal income tax.

- However, the old rules will still apply for a three-year transition period, until July 1st, 2010, under the following circumstances;

- The owner's property rights are already registered in the Land Register with effect until June 12th, 2007

- The owner's property rights are not registered in the Land Register until June 12th, 2007, but a registration will be completed by December 31st, 2008, latest

- The owner's property rights are not registered in the Land Register until June 12th, 2007, because of a dispute of ownership, but a court has issued a decision accepting the owner's claim statement or

- The owner's property rights are not registered in the Land Register until June 12th, 2007, but a decision has been made to restore the owner's rights on property.

- According to the tax treaty concluded between Latvia and Estonia, capital gains might be taxed in Latvia. A 2% withholding tax might be withheld from reimbursement for sale of real estate. The same as for personal income tax purposes in this case, as sale of real estate is considered sale of shares held, directly or indirectly, in a company with Latvian real estate assets in excess of 50%, concludes Valters Gencs.



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Estonian Air - revitalizing



ESTONIAN AIR

The Estonian national airline Estonian Air was established as a state company on December 1st, 1991, immediately after the re-establishment of Estonian independence. The Estonian government decided to privatize the airline 1996 and 66% of the shares were offered for sale. The Danish airline Maersk Air, together with the Estonian investment bankers Cresco Ltd., won the privatization tender and as a result the Estonian state owned 34% of the shares, Cresco Ltd. 17%, and Maersk Air 49%.

In September 2003 SAS AB signed an agreement with Danish Maersk Air A/S to acquire 49% of the shares in Estonian Air.

A new era began in the history of Estonian Air 1995 as the fleet of Russian built aircraft began to be phased out. Two Boeing 737-500 aircraft were leased and the first entered service in July 1995 and the second in February 1996. Both aircraft were built specifically for Estonian Air by Boeing in Seattle.

In 1996 two Fokker 50 aircraft were leased from Maersk Air and from this time, Estonian Air's fleet consisted of only western-built aircraft - Boeing 737-500s and Fokker 50s. In 1999 code-share flights with SAS on the Tallinn-Copenhagen, Tallinn-Stockholm and Tallinn-Oslo routes were started and Estonian Air became a partner-airline of the SAS EuroBonus frequent flyer program.

The same year Estonian Air enhanced its web-site with online bookings for airline tickets, hotels and rental cars. Estonian Air was one of the first eastern European airlines to offer such a service. Additionally the Tallinn Airport passenger terminal renovation project was completed this year and Estonian Air launched new and comfortable service areas and offices for its customers and employees.

In 2003 Estonian Air fleet grew to include five Boeing 737-500 aircraft.

- Sweden is one of our largest and most important markets, said Peter Arvidsson - appointed Vice President and Chief Commercial Officer of Estonian Air, February 1st, 2007 - as focus met him for a talk on the airline.

- 20% of our passengers on the Tallinn - Stockholm route continue via Arlanda airport to their final destination while the remaining 80% are local Stockholm passengers. All together this gives us a good backbone for the five daily roundtrips each weekday we and SAS operate in cooperation.

The five most popular final destinations via Stockholm-Arlanda are Gothenburg, Paris, Oslo, Brussels and Amsterdam.

- Building up resources for a good regularity has been a major issue this spring, said Peter Arvidsson. We added a sixth Boeing 737 to our fleet in June this year and with all aircraft passing Tallinn several times per day and all of them now also having their overnight stops in Tallinn, our technical maintenance team has a possibility to perform both planned and unplanned maintenance in an effective way. I am pleased to announce that our regularity today is up at 99%, an extremely good figure in our industry.

- Our current traffic structure also provides capacity for us to be active on the charter tourist market. Hurghada and Sharm-el-Sheik in Egypt are among our top destinations out of Tallinn.

- The summer is of course a low season in terms of business travel but still we could note a 75% cabin load factor in July this year. Our flights to 'summer destinations' like Dubrovnik and Simferopol have been successful. As the business travel is picking up again this autumn we introduce three new routes; Tallinn - Vilnius, Tallinn - Helsinki and Tallinn - Kuressaare - Stockholm.

- These new routes will be operated by a newly formed and fully owned daughter company of ours, Estonian Air Regional. The aircraft used will be the SAAB 340, a fast turboprop airliner built by Swedish SAAB Aircraft in Linköping and successfully operated all over the world. To begin with, we are putting two SAAB 340's in production and we plan to use more of this aircraft type for developing and further expand on short-haul routes.



► In 2006 Estonian Air carried 689.800 passengers on regular and charter flights and as per September 2007 Estonian Air's fleet includes four Boeing 737-500 seating 118/120 passengers and two Boeing 737-300 seating 142 passengers.

Additionally the aircraft fleet also includes two SAAB 340, seating 33 passengers and operated by Estonian Air's newly formed and fully owned daughter company Estonian Air Regional.

The traffic programme for the autumn 2007 include non-stop flights from Tallinn to 19 European destinations: Barcelona, Brussels, Copenhagen, Dublin, Dubrovnik, Frankfurt, Hamburg, Kiev, London, Milan, Moscow, Oslo, Paris, Simferopol, Stockholm, Vienna, Vilnius, Kuressaare and Helsinki.

Estonian Air is owned by SAS Group, the State of Estonia and the Estonian investment bank Cresco.

SAS Group strives for majority ownership in Estonian Air

Media has reported on an interest from SAS Group to become the majority or sole owner of Estonian Air.



In a comment to focus, Hans Ollongren, Senior Vice President, Corporate Communications, SAS Group, says:

- Yes, the reports are basically correct. The SAS Group is interested in becoming the majority or sole owner of Estonian Air. We acquired 49% of the shares in Estonian Air from Maersk Air A/S, Denmark in 2003 and now we are negotiating for

acquiring more shares from the Estonian State, owning 34% and the Estonian investment company Cresco, owning 17%.

- The basis for our interest is that it is only as a majority owner you can have a real influence and impact on long-term strategical planning and investments, says Hans Ollongren.

Is SAS interested in air Baltic too?

- We currently hold 47,2% of the shares in air Baltic and we are interested in becoming the majority or sole owner of this airline as well. air Baltic is based in Riga and has created a major hub there as well as in Vilnius and additionally they are also operating from Liepaja in Latvia.

Will you merge Estonian Air and air Baltic?

- Our prime interest is to create a positive environment of cooperation between the carriers. Mainly in terms of operational, technical and commercial issues and not only between Estonian Air and air Baltic ►



- Estonia is a small, but an increasingly internationalized market, continued Peter Arvidsson. Being the national airline of Estonia we have to consider this as we plan for an increased number of flights on our current destinations as well as launching new destinations.

- As an example on our traffic program planning cycle we are right now, in September 2007, tuning and finalizing the summer timetable 2008 effective from the end of March next year. Some of the European airports where we operate, like Paris/Charles de Gaulle, Frankfurt, Barcelona and Milan's Malpensa have a heavy traffic load and all airlines' arrival and departure times have to be coordinated on airports like these. As every other airline concerned we supply an application for slots – arrival and departure times – by October 11th and the final outcome is scrutinized at an international slot-conference November 10th.

- Following the slot-conference, our flight operations department and technical maintenance resources continue to plan the production in a more detailed way. However, we are acting on a dynamic market and have consequently also created room for continuous adjustments in our traffic programme as market demand might change.

- The current aircraft fleet of six Boeing 737's is a good base for building up more flights to our major destinations. But when it comes to building up new routes or taking care of thin but important routes to central and southern Europe, the Boeing 737 is a bit too big. Consequently we are studying the feasibility of introducing smaller jet airliners for this purpose.

- As most of our flights are operated on short and medium haul routes, both our passengers and we want to minimize the time the passengers have to spend on the airports. As a first step we will introduce E-tickets, the ticket-less air travel, later on followed by the possibility to check in via the web and via mobile telephones. All of it actions, that will minimize the need of queuing at the check-in counters and I believe this will have an impact at Tallinn airport since we have a 45% share of market among the airlines operating on Tallinn.

- Half of our sales volume is originating from Estonia while the second half comes from sales abroad. Looking at the local Estonian sales,





40% of all reservations are made via our website while the remaining 60% is booked through Estonian based travel agents on behalf of their clients.

- As we all know Tallinn airport is right now in the middle of a huge rebuilding project and in 2008 a new, bigger and Schengen-adapted terminal with more gates will be inaugurated. For us, being an airline, we can also look forward to more effective and environmental friendly de-icing procedures, speeding up the ground handling process of our aircraft during winter time. Meanwhile, as the construction work goes on, we have to face the fact that we have a minimum of gates available and that many of our flights from Tallinn are operated with the aircraft parked on a remote stand resulting in a bus transport from the terminal. I really recommend our passengers to be at Tallinn airport in good time before the flight leaves during this period of airport construction works.

- There was a time when it was considered almost glamorous to work for an airline, said Peter Arvidsson. Maybe it still is, but personally I think that it is the high-tech and internationalized environment we have in the airline industry that makes us an attractive employer on the Estonian labour market.

And high-tech solutions are not only found in flight operations and technical maintenance. Reservation systems, passenger service systems as well as systems for strategical and tactical planning are highly sophisticated. We have a close cooperation with the Tartu Aviation College and apart from finding and keeping ramp handling and check in personnel, we usually don't face any major problems in recruiting the people we need and want.

- Estonian Air is currently going through a revitalization process, concludes Peter Arvidsson. We have a new top management team manned by persons with both experience and many new and fresh ideas. Implementing our new strategy making the airline more open and customer friendly is on top of our agenda right now.

Text: Megazine - Tallinn

Photos: Kadi Asmer and Estonian Air

▶ but also with the entire SAS Group including Star Alliance, says Hans Ollongren.

SAS Group is currently putting up its shares in Spanair, Spain and British Midland, England for sale. Is your interest in Estonian Air and air Baltic of a long-term nature?

- SAS Group has taken a decision to focus on Northern Europe. The Baltic States together with Sweden, Denmark, Norway and Finland belong to this region. Spain and England does not and that is the reason why we are selling our interests in Spanair and British Midland. Our interest in Estonian Air and air Baltic is definitely a long-term interest.

What are the passenger benefits of a SAS Group majority ownership in Estonian Air and air Baltic?

- A close cooperation between companies offers a potential for large-scale production, concludes Hans Ollongren. And in our industry this is beneficial for everybody, including our passengers. A co-planning of our schedules for example and also including the Star Alliance carriers, offers the passengers timetables and flights with more and smoother onward connections.

Large-scale production also offers an opportunity to minimize double functions locally. All are factors having an influence on our costs and in the final run on the sales price for a passenger's ticket.

Note - Star Alliance currently has the following airlines as members: Air Canada, Air New Zealand, ANA, Asiana Airlines, Austrian, bmi, LOT Polish Airlines, Lufthansa, SAS, Singapore Airlines, South African Airways, Spanair, SWISS, TAP Portugal, THAI, United and US Airways. In addition Adria, Blue1 and Croatia Airlines are regional members.

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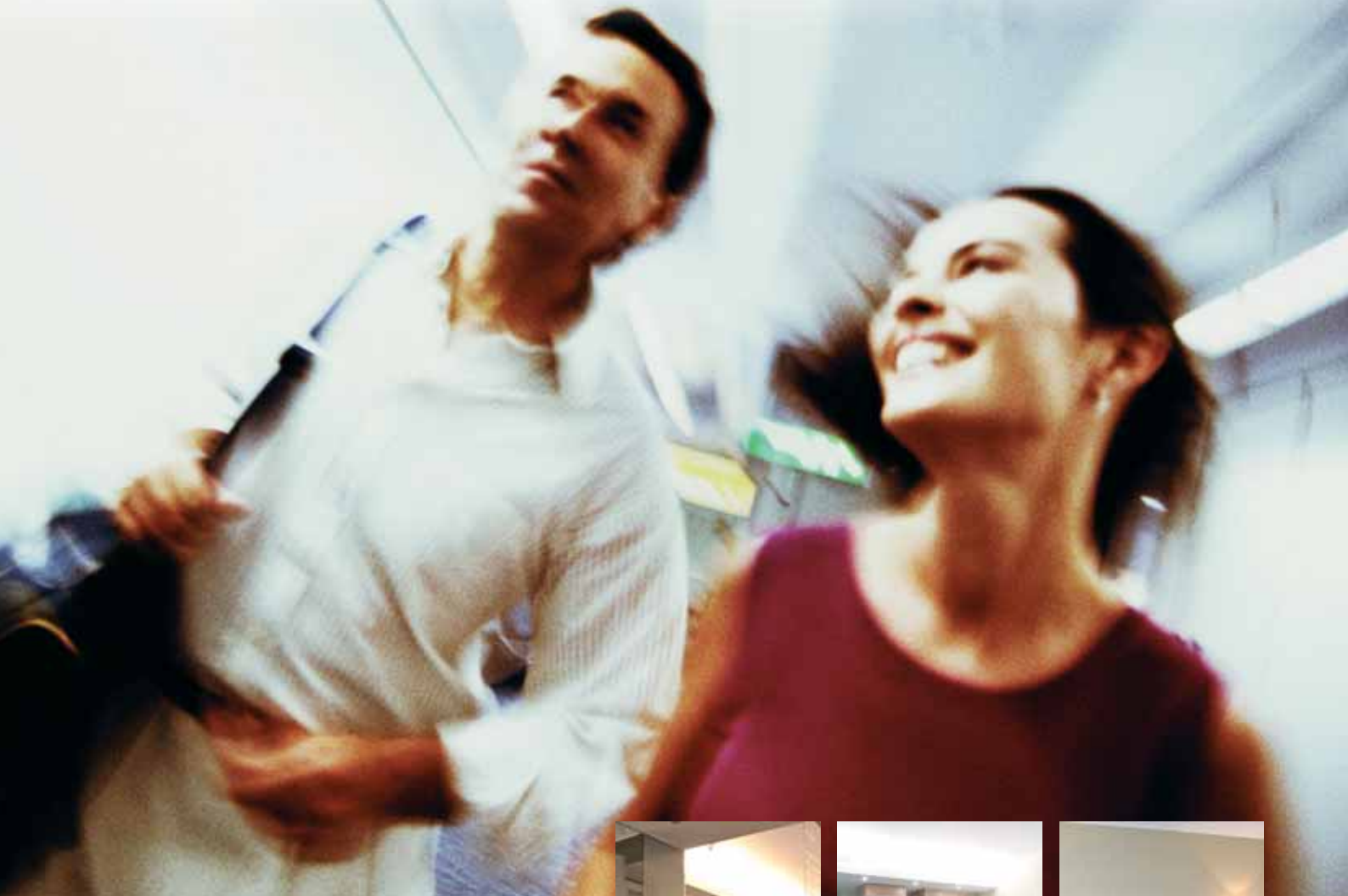
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Estonia – Realistic expectations recommended



In its August 2007 quarterly economic policy statement, Eesti Pank – Bank of Estonia – recommends realistic expectations on the level of wage growth and underlines that it is important to keep wage formation flexible and wage growth productivity-led.

- The Estonian inflation has soared faster than expected in recent months and the reason is to be found in the rapid wage growth, says the statement. However, the credit market has undergone an expected cool-down and Eesti Pank emphasizes that it is important that banks keep the annual credit growth in line with the expected growth of private persons' and enterprises' solvency and income.

- Estonia must continue to pursue a conservative fiscal policy in order to ensure economic sustainability, continues the statement. The Estonian budget surplus of 2007 should be kept on a level comparable to last year. The government must avoid any additional expenditure this year.

- Based on current estimations, the earliest possible term for Estonia to introduce the euro would be 2011.

- The second quarter's Estonian economic growth slowed to 7.3%, mainly due to a gradually declining domestic demand. The total volume of new loans is falling, the real estate market has stabilised and preliminary estimates point to the fact that the peak of private consumption has also passed.

- Meanwhile, the creation of new jobs continued and unemployment fell to a record low level of 5%. Most of the new jobs, created in the second quarter of 2007, are in the service sector and on the domestic market. For example, the number of construction workers has not been so large since the end of the 1980s - the Estonian construction sector has not yet passed its cyclical peak.

- Estonia's export growth has remained rather dynamic, being slightly stronger in the second quarter compared to the first quarter.

- Despite Estonia's slowing economic growth, the first-quarter increase in consumer prices was somewhat faster than forecasted. The inflation rate, which amounted to 6.4% in July 2007 and reached the highest level in three years, was driven by the global increase in food prices and the fact that the exceptional period of lower VAT on thermal energy in Estonia has terminated.

- Domestic demand should continue to slow at the beginning of 2008 and thus, price pressures should also alleviate. However, certain tax policy measures scheduled to be taken in 2008 will somewhat postpone a perceptible slowdown in the growth rate of consumer prices.

- Notwithstanding the smooth slowdown of the economy, the factors endangering soft landing have not disappeared.



- The biggest threats lie in price developments in the local real estate market and real wages surging to considerably surpass labour productivity. Both are threats jeopardising Estonia's economic growth and not allowing inflation to decrease in the coming years. In order to minimise the risks related to falling competitiveness, it is important for both employers and employees to adjust their behaviour with a view to alleviating the differences between wage growth and productivity growth.

Sweden - Price stability requires a low and stable rate of inflation



Riksbanken – the Swedish Central Bank – has, as one of its main tasks to maintain a price stability objective. The Riksbank’s interpretation of the objective of price stability is that Swedish inflation should be kept at a low, stable rate equalling an increase in the consumer price index of 2% with a tolerance margin of plus/minus one percentage point around the target being specified.

- At a September 6th, 2007 meeting, the Riksbank decided to raise the Swedish repo rate by 0.25 percentage points to 3.75%. At the same time, the Riksbank made the assessment that the repo interest rate needs to be raised further in the future. This will contribute to keeping inflation close to the target of 2% and will also contribute to production and employment developing in a balanced manner, said the Riksbank in a press information.

The Riksbank’s primary instrument for influencing inflation is known as the repo rate – the interest rate the banks pay when borrowing from the Riksbank. The repo rate affects economic activity in Sweden and thereby the inflation rate. The Riksbank’s interest rate decisions are mainly based on a forecast of the path of inflation one to two years ahead. This forecast horizon is the time required for a change in the interest rate to make full impact on prices.

- The Swedish economy is continuing to develop strongly, continued the Riksbank. The signals from abroad have been mixed, but on the whole developments have been good. Swedish GDP growth during the second quarter 2007 was slightly higher than expected and the labour market has become tighter than the Riksbank anticipated in June 2007. Lending and house prices have increased rapidly.

- At the same time, cost pressures have been slightly higher than expected as productivity was unexpectedly low during the second quarter, concluded the Riksbank. Rising food prices also contribute to higher inflationary pressures than the Riksbank anticipated in June. At the same time, households and companies have adjusted their inflation expectations upwards for the coming year.

Riksbanken - The world’s oldest Central Bank

Founded in 1668, the Riksbank – Sweden’s Central Bank - is considered to be the oldest central bank in the world.

The Riksbank is an authority under the Riksdag - the Swedish parliament. According to the Sveriges Riksbank Act, the Riksbank is responsible for monetary policy with the objective to maintain price stability. The bank has also been given the task to promote a safe and efficient payment system. The main instrument for maintaining price



Photo: Riksbanken

Stefan Ingves – the Governor of the Riksbank.

stability is the repo rate and the responsibility for this rate has been with the Riksbank since 1999. The repo rate determines what the banks have to pay to borrow from the Riksbank. This rate affects interest rate costs for households and companies and thereby economic activity as a whole.

Over the past ten years the Riksbank has worked on making its operations more transparent and predictable. The transparency contributes to making it easier to assess the Riksbank’s activities and to creating confidence in monetary policy.

Some years of interest in the history of the Riksbank during the 20th century are the following:

1904

The Riksbank was granted a monopoly on issuing banknotes (the decision was actually taken in 1897). It was not until this decision had been made that the Riksbank could have monetary policy significance in the modern sense, as a monopoly on issuing banknotes is a necessary condition for controlling the monetary policy instruments. The monopoly was a result of the repeated request that the right to issue banknotes should be withdrawn from the private banks. It was considered that the profit made by the private banks on their banknotes, could go to the state instead.

The Swedish Budget Bill 2008

- The Swedish Government aims at creating clearer incentives to work and proposes further reductions in income taxes in the Budget Bill for 2008, said the minister of Finance, **Anders Borg**, as the Swedish Budget Bill 2008 was presented to the Parliament September 20th.



- Sweden's gross domestic product (GDP) is set to grow by 3.2 per cent in both 2007 and 2008, said the minister of Finance. Open unemployment is forecast to decline to 4.4 per cent in 2007 and 4.0 per cent in 2008. General government net lending is projected at 2.9 per cent of GDP in 2007 and 2.8 per cent of GDP in 2008.

- Global growth is set to taper off in 2007 and 2008. But the slowdown is likely to be relatively modest, and growth should remain high from an historical point of view. U.S. GDP is increasing more slowly in 2007 due to the weak housing market, but growth is expected to recover partially in 2008. In response to a more cautious investment climate, less vigorous growth is anticipated in the euro area in 2007 and 2008. Asian economies are still delivering very rapid growth. Recent turbulence in the financial markets has made the forecast more uncertain, but at present only limited impact on global economic growth is expected.

The Swedish labour market

- Demand for labour is strong, the number of newly reported vacancies is high and firms are planning to hire more people. As a result, employment is expected to continue rising in 2007 and 2008. Rapid expansion is anticipated in hours worked, particularly in 2007, leading to a slowdown in productivity growth. Labour supply is set to increase considerably in 2007, followed by more moderate growth. Substantial declines in open unemployment, as well as unemployment according to the definition of the International Labour Organization (ILO), are expected in 2007 and 2008.

- The percentage of firms reporting labour shortages has risen progressively in tandem with higher employment. Wages are set to grow faster in the next few years due to increasing resource utilisation and finalised collective agreements, which are accelerating inflationary pressure. The Riksbank is expected to respond by raising the repo rate to a maximum of 4.75 per cent in 2009. The cumulative impact is likely to dampen Swedish economic performance in 2009 and 2010. The reforms that the government has announced and adopted since taking office are set to considerably boost employment and GDP in the long run.



Anders Borg,
Sweden's minister of Finance.

Photo: Malin Andersson

1923

Hyperinflation in Germany. A United States dollar was worth one thousand billion (1,000,000,000,000) German marks. At the end of 1924 a new German mark was introduced, the Reichsmark, which was set equal to one trillion (one million millions) old marks.

1931

Sweden abandoned the gold standard after speculation against the krona. In just three months the foreign exchange reserve fell from a value of SEK 300 million to SEK 30 million. The defence of the Swedish krona proved unsuccessful. A floating exchange rate was adopted and the krona depreciated by 30%.

1933

Following a period of a more or less floating exchange rate, the krona was pegged to the British pound in 1933.

1939

Sweden chose to peg the krona to the dollar instead of the pound, because of the high inflation rate in the United Kingdom. Monetary policy continued to be aimed at price stability.

1946

Revaluation of the krona by 14.3%.

1949

Devaluation of the krona by 30.5% against the US dollar.

1951

Sweden joined the Bretton Woods system. After World War Two, almost all western countries' currencies were pegged to the United States dollar, which in turn had a fixed price against gold. The system came into force in 1944 and was called the Bretton Woods System. The system worked well as long as the countries followed the rules they had agreed on. However, when the inflation rate increased and the largest countries no longer coordinated their economic policy, the system collapsed in 1973. To avoid the uncertainty in world trading that arises when countries must exchange currencies with one another, various fixed exchange rate systems have succeeded one another.

1968

The Riksbank celebrates its 300th anniversary and makes a donation to the Nobel Foundation. This donation is used from 1969 for an annual prize in economic sciences "in memory of Alfred Nobel". The assessment of who should receive the prize follows the Nobel regulations and the prize money is the same as the Nobel prizes.

1973

Sweden joins the currency snake. The countries that were EC members and their associates set

► up a cooperation called the currency snake, a system with exchange rates fixed within a certain margin against other members, but floating towards the rest of the world. The Swedish krona was now strongly linked to the German D-mark, which dominated the cooperation. At the beginning of the 1970s, Sweden experienced substantial fluctuations in prices and wages, which resulted in a severe deterioration of its competitiveness. Sweden therefore wished to devalue the krona by 10%. The members of the currency snake would only accept 6 per cent. Sweden therefore left the currency snake in 1977.

1976

Devaluation of the krona by 3% against German D-mark.

1977

The krona was devalued twice; first by 6 per cent and later by 10 per cent. The Riksbank decided that the krona would in the future be linked to a currency basket composed of the most important trading currencies. Each currency in the basket was given greater or lesser weight depending on its role in foreign trade. The US dollar was the dominant currency.

1981

The krona was devalued by 10 per cent, to improve the current account balance so Sweden would not need to incur further debts.

1982

The krona was devalued again. This time by 16 %, to create a competitive advantage for the Swedish business sector.

1991

On May 17th the Riksbank decided to attach the krona to the European Currency Unit, the ecu. The link was unilateral. There was no agreement with the EC countries, and no obligation to maintain a particular exchange rate other than according to Sweden's wishes. To begin with, the ecu link appeared to provide increased confidence in the Swedish krona, but this proved temporary.

1992

A 500% marginal rate is not enough. It was not possible to defend the fixed exchange rate any longer and Sweden allowed the krona to float

1993

With a floating exchange rate, price stability becomes the overall target for Swedish monetary policy. The Riksbank specifies the target as 2% inflation +/- one percentage point.

1999

The Riksbank is formally granted an independent status. A new Executive Board is appointed to make decisions on monetary policy and the price stability objective is confirmed by law.

Note – For a background on Eesti Pank, please refer to focus 2/2007 [also available in downloadable .pdf-format at www.swedishchamber.ee].

Infrastructure and business taxes

- The Budget Bill 2008 proposes increased resources for infrastructure to reduce transport costs, increase reliability of supply and contribute to an enlarged labour market that supports increased labour force participation.
- The Government intends to simplify the rules for business tax status and reinforce priority rights for floating charges. The establishment of a regulatory council is announced as part of the work to limit administrative costs to businesses arising from government regulations.

Real estate tax

- The Swedish Government finds the present real estate tax unfair and lacking popular support and legitimacy. The current rules should be replaced by a local government charge of SEK 6 000 per single-family home, though no more than 0.75 per cent of the assessed value, and a charge of SEK 1 200 per housing unit in multi-dwelling buildings, though no more than 0.4 per cent of the assessed value, while the tax on capital gains from the sale of private homes should be raised from 20 to 22 per cent. Deferred capital gains will be subject to interest corresponding to 0.5 per cent of the amount deferred, with a ceiling of SEK 1.6 million on deferred capital gains. When the real estate tax is replaced by a local government charge, the present limitation rule, which normally limits real estate tax to 4 per cent of household income, will also disappear. However, an equivalent limitation rule will be retained for pensioners.



Photo: Melker Dahlstrand

Education

- Sweden must have an educational system of a high international standard. The Government proposes an extensive reading-writing-arithmetic initiative over the next three years to strengthen the promotion of knowledge in compulsory school. Establishing necessary reading, writing and arithmetic skills early can in the long run help reduce the number of compulsory school leavers with insufficient knowledge and incomplete grades. Increased resources to higher education are proposed to improve quality. Additionally, investments will be made in medical training.

Public finances

- The target of a one per cent surplus in general government net lending will be exceeded by a broad margin in the coming years. General government net lending in 2006 totalled SEK 67 billion, or 2.4 per cent of GDP. At the end of 2006, financial assets exceeded liabilities by SEK 444 billion, or 15.7 per cent of GDP. Consolidated gross debt was 47 per cent of GDP, well below the EU reference value of 60 per cent.
- Tax cuts previously adopted and currently proposed will substantially reduce tax receipts as a percentage of GDP in 2007 and 2008. Because

the reduction in expenditure as a percentage of GDP will be even greater, net lending will improve compared to 2006. The financial surpluses will continue to bolster the general government sector's net financial position. Consolidated gross debt is expected to be 24.5 per cent of GDP in 2010.

- Net lending and the structural balance are both expected to exceed 2 per cent of GDP in 2007-2010, ensuring an adequate margin to the surplus target of 1 per cent of GDP on average over a business cycle.

- Both the financial results and net lending of the local government sector are expected to continue showing surpluses in 2007-2010.

Debated

- Unfair, irresponsible and old-fashioned, said the Social Democrat Pär Nuder, supported by Vänsterpartiet (the Left Party) and Miljöpartiet (the Green Party), as the Budget Bill 2008 was debated in the Swedish Parliament. The Government is consequent in its unfair policy creating greater differences between the working and the unemployed, between the sick and the healthy.

- On the contrary, said Christer Nylander, Folkpartiet (the Liberal Party and one of the political parties forming the current Swedish Government). It is now that we will see the differences getting smaller as more people get a job.

- Rather well balanced, said Johan Schück, a national economy columnist in the Swedish national daily

newspaper Dagens Nyheter. The public finances will remain strong with a surplus equalling 3% of the GDP.

- Unemployed? Bad luck!, said Lena Melin in the Swedish tabloid Aftonbladet. The government's methods are close to brutal. Anders Borg counts on saving 4 billion SEK on the part time unemployed.

- Anders Borg is walking in the right direction, said Per Gudmundson in the editorial of Swedens other national daily newspaper, Svenska Dagbladet. Mexitegel-Svensson (appr.meaning: a rather average Swede living in a private house) wants to wake up in the same country where he went to bed. It is for him this government is working and it is in relation to his willingness to accept changes, the political reforms have to be balanced. This year he will be able to buy both a new washing machine and a new TV, see his neighbour go to work and take his kids to school without getting a pain in the stomach. These things alone form a big change.



DON'T STICK TO THE OLD IN ESTONIA!

- People are working in wrong sectors, doing the wrong things and are not producing enough added value. Don't stick to the old; be ready for new challenges,

said Estonia's Prime Minister Andrus Ansip at a September Äripäev-arranged seminar on the Estonian Business Plan 2008.

Reidi Strandberg - Associate Partner of Rödl & Partner OÜ, Tallinn and a member of the SCCE Council, reports from the seminar:



Reidi Strandberg

- **Prime Minister Ansip** advocated a future strategy where Estonian based businesses should have people work with their heads to a larger extent than with their hands. Commenting on the current Estonian rate of inflation, Andrus Ansip's approach focused on the internationalization and compared Estonia with, among other countries, Latvia and Finland where the inflation also is booming. Seen in that perspective, the Estonian inflation is not startling, according to Andrus Ansip. However, he refrained from comparing Estonia with Sweden as far as inflation was concerned.

- **Andres Sutt** - Deputy Governor of Eesti Pank (Bank of Estonia), said that the salary increases forms the major risk for the future Estonian economy, continues Reidi Strandberg. His point of view was strongly supported by ▶

► **Michael Stenner** - General Manager of Tallinn's Hotel Telegraaf and The Three Sisters Hotel; Originally our two hotels were calculating a 12 - 15% increase in the salary budgets, now we find ourselves facing a 25% increase.

- **Tiit Pruuli** of GoTravel said that the number of foreign visitors to Estonia has decreased during the first half of 2007. Compared to the same period last year Finnish tourism to Estonia is down with -6%, Russian - 20%, British -16%, Swedish -9% and German -4% while Latvia was reported to take more and more foreign tourism, to a large extent explained by a growing number of flights and airlines operating at Riga airport.

- Addressing the lack of labour situation, Tallinna Kaubamaja said that they, as well as other actors in retail shopping malls and supermarkets, are now working for a reduction of their staff. The solution to this equation - more sales, less personnel - lies in creating a higher degree of customer self service.

- National Governmental rules and EU rules were commented upon by representatives of the Estonian agricultural and forest trades. Their common problem is that the production potential is much larger than the currently allowed production quotas. As for the forest and wood trade they are currently allowed to use 6 millions cubic metres of Estonian wood per year, while the potential in the Estonian forests is the double, 12 million cubic metres. The trees in the forests are not like wine, said the forest trade representative; trees don't get better with age. This creates a need for import, where Russia is a main supplier on the market. Furthermore - trees have to be cutted at the right age. Leaving half of the potentially available forests to grow too old creates a limited market for this lower quality wood with lower sales prices per cubic meter as a final outcome.

- As a summary I can quote Andres Sutt of Eesti Pank, says Reidi Strandberg. He confirmed that the Estonian economy will not grow as rapidly as it has. But it will continue to grow and Eesti Pank now forecasts an economic growth of 8.4% for 2007, 6.5% for 2008, and 5.6% for 2009.

Text: Megazine - Tallinn

Cyber attacks on Estonia

April's turmoil in connection with the relocation of the Bronze Soldier statue in Tallinn gave echo around the world. Also echoed all around the world, were the further attacks on the Estonian society following the street riots - the cyber attacks.

It is hard to imagine a modern society functioning without the Internet nowadays. The smooth credit or cash card transaction in the shop requires a working Internet connection as you slip your card through the small terminal and enter your PIN-code. Paying the bills with cash at the bank or post office is more or less history today; it is Internet banking all over. E-mails dominate our written communication. Newspapers and magazines are put together at one location, the print file is sent via the Internet to the FTP-server of a print house located at an entirely different spot. On line and real time information from governmental institutions and media websites is a natural source for getting the information we need whenever we want.

But - the Internet is a vulnerable environment. Most of us have heard about and maybe even been hit by virus, spy ware and spam mails offering us a fortune if we assist in moving an impressive amount of money from one country to another - however a prepayment for covering some expenses connected to these money transfer transactions is usually demanded... Despite login demands and fire walls it is basically possible to penetrate any computer server. Even the most top secret content of Pentagon's highly protected intranet has been accessed by school children.

Being one of the leading nations in terms of Internet usage, Estonia is indeed vulnerable. People take a working Internet connection for granted and don't even notice it until it goes down.

The cyber attacks hit more than two hundred Estonian companies and official institutions as their computer systems were taken out for a short or longer period.

The first target for the cyber attacks was the server of the Estonian Reform Party as they, headed by Estonia's Prime Minister **Andrus Ansip**, gave a political face to the decision of relocating the Bronze Soldier. This first wave of cyber attacks also included the websites of the Estonian Government, the Estonian President and the commercial banks in Estonia.



Rein Lang



The second wave of cyber attacks seemed to include more randomly picked targets all over Estonia; commercial websites like the ones of the Estonian TV-channel Kanal 2 and the daily newspaper Postimees, local governments and even primary schools were hit. The main message was however the same – your society is vulnerable, we can hit you.

Cyber attacks are considered to be the model of future wars and terrorism. Interrupting the functionality of strategically important national computer servers, like blocking access to energy distribution IT-systems, can in reality put a whole nation to a very fast and complete stand still.

- We're inclined to view cyber attacks as acts of terror, said Estonia's Minister of Justice **Rein Lang** at a June news conference where he called upon the EU to define cyber attacks as acts of terror.

At the same news conference, Prime Minister Andrus Ansip reiterated accusations that computers in Kremlin had carried out a number of the cyber attacks launched on Estonian institutions following the turmoil on the relocation of the Bronze Soldier statue in Tallinn. Prime Minister Ansip called upon Russia to investigate the massive attacks on Estonia's Internet infrastructure and added that the attacks were well organised and, regardless of whether the Kremlin had knowledge of them, were a serious breach of security.

- If the Kremlin computers were used unintentionally, then that means there are computers in the Russian administration which may be used for criminal attacks, concluded Rein

Lang. It's clear that the cyber attacks were an organised offensive against the information systems of the Estonian state structures and against the infrastructure of the state in general.

Moscow has denied any involvement in the massive cyber attacks against Estonia which gave echo all around the world:

- This trigs us to focus even more on our existing intention to explore the possibility of setting up a CERT - Computer Emergency Response Team - for New Zealand, said **Richard Wood**, InternetNZ communications officer.

Following the cyberattacks NATO leaders gave a new priority to discussing issues of cyber defence, and the need for a solid legal framework in which to address it - debates in which Estonia's experience was of critical importance.

- Today, Estonia is an opinion leader. We now have to do a lot of work to move to being a leader in the field, said **Mihkel Tammet**, head of communications and IT at the Estonian Ministry of Defence. On a battlefield in which a handful of men in armchairs can play as great a role as a

tank brigade, NATO's third-smallest member could end up as one of its biggest players in the virtual arena.

In a concluding aftermath comment, Estonia's Defence Minister Mr. **Jaak Aaviksoo** said:

- The cyber attacks waged against Estonia this spring were malicious, systematic and organized. We must clearly recognize that we're dealing with a national and international issue of security policy which requires corresponding attention.

Text: Megazine – Tallinn

WHO DID IT?

The most correct answer seems to be: Many!

In a recent article in the Life in Estonia magazine, **Hillar Aarelaid**, Head of the department for handling information security incidents and CEO of the Estonian CERT (Computer Emergency Response Team), comments on the breakdown of the Estonian President's website:

- Anyone can post their messages on the home-page of our President. This opportunity, however, is not used very often. Suddenly the President's mailbox was so full that the server was unable to cope. But comments are quite easily traced and it is almost impossible to fake the sender. The computer can be asked who the real sender is, even if the comment comes from several intermediaries. Such an inquiry referred unambiguously to a computer in the Kremlin. We don't know whether it was used by some cleaner or a young irritated official who wanted to have some fun.

Further commenting on the cyber attacks, Hillar Aarelaid says:

- During the critical time, and perhaps even now, there was an invitation, 'Let's attack Estonian servers', in a server very well known by Russians. Next to it were detailed guidelines on how to do this. The instructions were written at a primary school level – press this key, then write your evil words, press next key... At one point the very highly connected north-eastern part of Estonia became very active. A whole series of attacks were launched from the computers of Estonian Russian-speaking schoolboys. The senders probably didn't know where the attacks were going and, possibly, didn't know what they were doing. There was a whole division of teenagers in Russia doing the same, according to the same scheme.

- We have held our fort so far and the cooperation with the Estonian police has become extremely tight, concludes Hillar Aarelaid the Life in Estonia article.

- It could have been worse, says **Erki Kullap**, web & IT solutions specialist at market communication management oü. The cyber attacks have so far been more quantitative than qualitative, seen from the evil perspective. Firewalls and anti-virus programs have done a good job and so has many devoted Estonian IT-specialists as well, by cleaning up the attacked servers and getting them to work properly again within a very short period of time. ▶

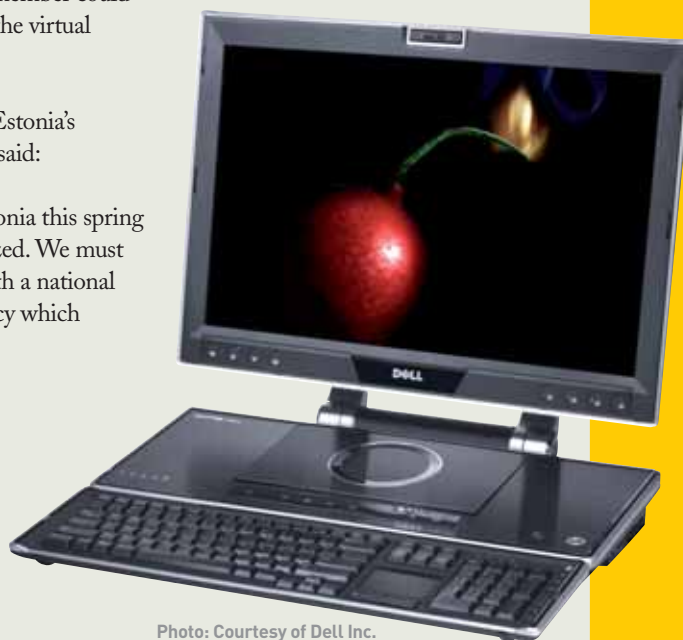


Photo: Courtesy of Dell Inc.

► Sweden

- If Sweden would be hit by large scale cyber attacks, a major portion of the society would be paralyzed within a few hours, writes **Roland Heickerö**, research manager at Totalförsvarets Forskningsinstitut (the Swedish Defense Research Agency) and **Dan Larsson**, information security specialist at Försvarets Radioanstalt (the Swedish National Defense Radio Establishment) in a recent article.

- More than 99% of the critical infrastructure in Sweden is depending on computers where internet is the bearer of information. In principle, the entire society is depending on a free flow of information without disturbances and interruptions. A crisis could be created within a very short period of time, from a few hours up to a few days depending on when and how the cyber attack is launched.

- Special sensitive areas for cyber attacks include civil aviation, mobile telephone systems, general computer traffic, GPS, railway and other surface transport networks. Also found in the risk zone are electronic systems used by hospitals, banks, energy distribution networks and communication equipment used by emergency services, police and military.

- A cyber attack can be initiated on the other side of the globe. The distance to the target is irrelevant, country borders can be ignored. Furthermore, cyber attacks represent a cheap way of making warfare. An antagonist, poor on resources, can attack a stronger part with small means resulting in a lot of harm.

- The cyber weapon can also be used for exercising political pressure and threats against single nations. A neighboring example is the hacker attack against Estonia during the spring this year.

- Following an increased awareness on cyber antagonism, demands will be put up on a more active control and a more protected handling of sensitive information systems. Security costs, but bad security costs even more.



Surviving the Estonian traffic

Despite public and private initiatives, campaigns and actions, the Estonian traffic safety level doesn't show any signs of improvement. The number of accidents continues to increase and the aftermath does not only include personal tragedies, it also includes substantial costs for the society.

focus has met **Indrek Madar** for a discussion on the topic. Indrek has a solid background in traffic safety issues from his years as a traffic police officer. Since some years back now he is working entirely proactive for an increased level of traffic safety in Estonia. He is CEO of Autosõit OÜ – a company focusing on safe driving trainings – and he is also operating the new Avariigrupp OÜ – a company assisting its clients with the formalities required after a traffic accident with a 24 hours service availability.



Indrek Madar

- Traffic safety seems to be connected to the economical development in general, says Indrek Madar. As the economy is booming so is the number of cars on the roads and unfortunately also the number of traffic accidents.

- What we see today is the result of a car boom that took off in the beginning of the 1990's. A quite modest number of Lada's and Moskvich's on the Estonian roads were changed more or less over night to an impressive number of imported cars.

Our infrastructure was of course not prepared for this increase and, maybe most essential - neither was people's mindset. Driving a fancy, western built car was simply out of the question during the Soviet time and unfortunately all the new cars now became status symbols instead of an effective and comfortable means of transportation – more

horse powers and higher speeds showed your success to the world.

- This is not only an Estonian phenomenon, continues Indrek. European statistics show that with blooming economy, the number of traffic accidents increase, while for example during the recession years in Finland, the number of traffic accidents decreased.

- A set back for Estonian traffic safety happened five years ago as the number of traffic police officers was reduced. To compensate for this current lack of traffic police, the criminal police are sent out on the roads today, an action that has not proved to be very effective. When you need a manicure, you cannot replace it with pedicure, criticizes Indrek.

It takes training, information and time to change a mindset

- While speeding and drunk driving continue to be major problems in our traffic, the real cause behind this and our poor level of traffic safety shouldn't be neglected; the driver's mindset, their ability of having the right attitude on a proper driving behavior, continues Indrek. Changes in traffic behavior do not happen overnight but that shouldn't stop us from making them happen and there is only one way of achieving this and that is training!

- We are organizing safety driving trainings on our own tracks in Tartu and Tallinn. Both tracks are unique in that respect that we can offer the participants the opportunity to train on a slippery track surface year round and we plan to open a third training track in Ida Virumaa next year.

- The purpose of our safety driving trainings is to create awareness and knowledge on the dangers in everyday traffic and to provide the skills needed to act correctly in critical situations to avoid the worst consequences.

A typical 1 or 2 days training program with us include, among many other topics, correct handling of the car when it has started to skid on a slippery road, braking techniques and realizing the real braking distance required to come to a full stop, avoiding obstacles with and without braking and correct driving techniques during the dark season.

You might be lucky but still end up in a nightmare

- Ending up from a traffic accident without any injuries is definitely a lucky outcome, says Indrek. However, the aftermath might become a nightmare if the immediate actions required are not handled in a correct way. In the midst of the shock following a traffic accident, you have to ▶



The number of traffic accidents continues to rise

Maanteeamet – the Estonian Road Administration – statistics for January – August 2007 shows an increased number of accidents, deaths and injured persons on the Estonian roads.

The number of traffic accidents have reached 1.742 (1.560 during the same period 2006) with single vehicle accidents topping the list (557 accidents 2007 compared to 447 January – August 2006).

140 persons lost their life in the traffic during the first eight months 2007 compared to 116 persons 2006 and 2.360 persons got injured compared to 2.143 in 2006.

Initiatives on traffic safety

- In my previous job as marketing manager for Goodyear Dunlop Tires in the Baltic States, traffic safety was an important part of our communication work towards consumers and retail, says **Kristiina Sikk**, SCCE Ombudsman. Coinciding with the World Health Organization's global campaign 'Traffic safety is no accident', we launched a Goodyear Baltic initiative on increased traffic safety in 2004 - the 'Staying Alive' campaign.

- We got a very good support and had an equally good cooperation on the initiative with authorities, organizations and companies involved in traffic issues and road transports. The same goes for the media – TV, radio, newspapers and magazines took an active part in our press conferences, seminars and trainings.

- As for truck and bus transports we additionally had a good cooperation with Autoettevõtete Liit – the Union of Estonian Automobile Enterprises – and their yearly competition 'Driver of the Year' where traffic safety applied on the drivers professional skills have a central part in selecting the winning truck or bus driver. ▶





agree with the other part or parts on the guilt, you have to go to the insurance office and fill in quite a lot of papers as well as arrange for your damaged car to be taken to the workshop.

- A new option, now available in Tallinn and its surrounding areas, is to call the Avariigrupp, tells Indrek. Me and my former colleagues from the traffic police has launched a service where we take care of all the formalities required in connection with a traffic accident. We have three Mercedes Vans available, all equipped with everything needed for completing the necessary documents on the accident site and bringing them to the insurance office the following morning.

If needed, we will organize for transporting damaged vehicles to workshops and provide a replacement car for our clients.

► - The work with the 'Staying Alive' campaign also took me behind the scenes, continues Kristiina. Among other places I got the opportunity to visit the Riga Children's Hospital where children injured in traffic accidents are rehabilitated. I saw the fantastic work the medical staff is doing and the patience they and their small patients have to show for a long, long time to come. At the same time, realizing that the cause of all this is basically due to careless driving made me frustrated and mad. It might do a lot of people good to see a small child, mobilizing all his will trying to take a few steps on legs that doesn't work as they used to do.

- Like so many other Estonians, I have also witnessed the aftermath of a traffic accident with a deadly outcome. Some very close friends of mine lost their 25-year old daughter the day before Christmas Eve last year. She was killed by a drunk driver, additionally not even possessing a driving licence since he wasn't 18 years of age.

- **focus** nr 2/2007 reported that traffic safety is a main priority for Scania Eesti AS and I really hope to see more initiatives like this in the very near future, concludes Kristiina. A substantially increased level of traffic safety is of vital importance for all of us – both in our private and professional life.

Change to winter tires now

- Every autumn we have a tendency to ignore that winter is around the corner, says **Marek Moorus**, Goodyear Dunlop Tires Baltic. This year Goodyear initiated a campaign for changing to winter tires in good time. We all know that before the arrival of the first snow almost nobody changes to winter tires and when the snow starts to come down it is impossible to find a tire service outlet that have free time for mounting our tires. And this means an increased possibility for traffic accidents. Non studded winter tires can be mounted very early in the season and studded winter tires are allowed on Estonian roads from October 1st. A good advice is to change your tires now.

The Goodyear traffic safety campaign on an early change to winter tires started in Tallinn October 2nd, continued to Riga and will be concluded in Vilnius towards mid-October.



Our service fee is 500 EEK + 150 EEK for calling our 24 hour help desk number 14401 and the maximum waiting time for our specialists to arrive is 30 minutes. Of course a service like this saves time for our clients but, above all, it makes sure that the formalities required after a traffic accident are handled in a correct way.

The future traffic safety level

- The big boom in the Estonian economy is over now, concludes Indrek. Hopefully that will have a positive effect on our traffic safety level but there are two key issues I would like to put up front immediately; More traffic police on our roads and more work with our schoolchildren!

- It is a well-known fact that a visible team of traffic police officers suddenly makes everybody drive in a lawful and orderly way. And, it is also a well-known fact that most of our attitudes and mindsets are shaped when we are kids and teenagers and the kids and teenagers of today are the future generation in our traffic system.

Text: Megazine – Tallinn

Photos: Kadi Asmer and Autosõit OÜ



The Economist's Big Mac Index

In the beginning of July, the Economist's Big Mac Index was published. It is based on the theory of purchasing-power parity (PPP), which says that exchange rates should equalise the price of a basket of goods in any two countries.

The Economist's basket contains just the Big Mac hamburger, a single representative purchase being available in 120 countries. The implied PPP, the Economist's hamburger standard, is the exchange rate that makes the dollar price of a burger the same in each country.

The July study revealed that China's currency is the cheapest. A Big Mac in China costs the equivalent to just USD 1.45 compared to the US base price of USD 3.41, which, in the Economist's model, means China's currency is undervalued by 58%. However, the price of a burger depends heavily on local inputs such as rent and wages, which are not easily arbitrated across borders and the PPP is therefore a better guide to currency misalignments between countries at a similar stage of economical and political development.

An Estonian Big Mac is priced at USD 2.61 in the Economist's July 2007 study resulting in a -23% under evaluation of the Estonian Kroon as per this model. Sweden ends up at USD 4.85, equalling a +42% over evaluation of the Swedish Krona. Corresponding findings for Latvia is USD 2.72 / -20% and for Lithuania USD 2.61 / -24%. The weighted average in the Euro area is USD 4.17 / +22% and the most over evaluated currency as per this model is found on Iceland where the Big Mac is priced at USD 7.61 / +123%.

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Stockholm	EEK 1055*	Dublin	EEK 1755*
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* One-way Internet fares for flights departing from Tallinn if booked via www.estonian-air.ee, inclusive of taxes and fees. Additional information on 6401 160. Number of seats is limited and fares are subject to change without notice.

newsflashes

Eurostat's comparison of Consumer Price Levels



Also published in July, EU's Eurostat office comes out with a comparison for a basket of comparable food and non-alcoholic beverages purchased within the EU27 area.

The study revealed that the price levels range from one to two and a half in the area. Putting the EU27 average to index 100, Denmark ended up as the most expensive country at a 142 level. Following Denmark, Ireland and Finland, Sweden ended up as number four at a 119 level. Estonia is on a 15th place at 75, Latvia is 17th at 69 followed by Lithuania as 18th at 64. The cheapest basket of comparable food and non-alcoholic beverages was found in Bulgaria with an index ending up at 56.

The Swedish share of investments in Estonia slightly declining

The Swedish share of the foreign direct investments in Estonia declined from 39,5% to 38,3% according to statistics from Eesti Pank comparing the figures from December 31st, 2006 and March 31st, 2007.

In absolute numbers the Swedish investments amounted to EEK 56.366.912.000.- during the first quarter 2007 compared

to EEK 59.413.346.- during the last quarter 2006.

To a substantial part connected to Swedbank's purchase of Hansabank, Sweden was noted for an all time high during 2005 with a 52,9% share of the foreign direct investments in Estonia.

Finland is following Sweden as number two on the top list among foreign investors in Estonia with a 27,4% share during the first quarter 2007.

Looking at the figures the other way around – Estonian investments abroad during the first quarter 2007– Latvia is on top with a 34% share, followed by Lithuania at 31,3%. Finland is noted for 4,5% while Estonian investments in Sweden amounts to a modest 0,2% share.



Eesti Statistika is looking for more babies to be born

In their recently published statistical yearbook 2007, Eesti Statistika is looking for more babies to be born in Estonia.

- Like many nations, Estonia has a birth rate considerably lower than the gross reproduction rate, says the yearbook. 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. We can say that the young generation in Estonia today, live on credit in demographic terms.

- The consistency of a generation can be evaluated by the gross reproduction rate showing the average number of daughters born alive per woman, concludes the yearbook. If this rate equals 1.0, it is possible to claim that the continuity of the generation is ensured. Estonia accounted for a 0,74 rate in 2006.



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newsflashes

The University of Tartu celebrates its 375th anniversary

Founded by the Swedish King Gustaf II Adolf 1632, the University of Tartu celebrates its 375th anniversary this year. Being one of the oldest universities in Europe the University of Tartu has developed to an important educational and research institution today enrolling close to 19.000 students.



The official anniversary celebration took place October 4 – 6 with HM Queen Silvia of Sweden participating. Information on the 2007 anniversary celebrations is available at www.ut.ee/ut375.

Back in the 1630's the University of Tartu was originally called Academia Gustaviana and the Swedish Governor-General of Livonia, Johan Skytte, had an important role in founding the university. A special memorial dedicated to him will be inaugurated during this year's anniversary celebrations.

Meriton Hotels launched the autumn season

Heinz M. Weisl



With an American Barbecue and Japanese specialties served from the Teppanyaki Grill, Villa Mary – located at the Viimsi peninsula and the venue of SCCE's summer party 2007 – hosted Meriton Hotels' launch of the autumn season.

Heinz M. Weisl, Meriton Hotels' General Manager, took the opportunity and introduced the new Meriton Conference & Spa Hotel which will open during the spring 2009. Located adjacent to Meriton Grand Hotel Tallinn, the new hotel will offer conference facilities for up to 600 seated participants, a Spa area and 301 guestrooms.

The Swedish minister for Employment, **Mr. Sven Otto Littorin**, visited Tallinn

The Swedish ambassador to Estonia, Mr. Dag Hartelius, invited representatives of the SCCE to participate at a lunch to discuss and compare employment issues with minister Sven Otto Littorin and his staff from the Swedish Ministry of Employment, September 4th.

Mr Littorin came to Estonia this time to meet with his Estonian counterpart, Maret Maripuu. From our discussions, we learned that Mr Littorin has visited Estonia many times before, the first time already in the end of the 1980's. As all those who have followed the progress of Estonia, he was very impressed with the result so far.

As for the situation in Sweden, he talked about the Swedish pensioners and explained that today there are approximately 500.000 Swedes in working age who are not working due to illness. This number must be made smaller as many studies have shown that if one person cannot cope with a certain type of job due to illness, that does not necessarily mean that such a person cannot work at all. It is also a question about including people in the society and not excluding, as the case has been during many years now, he explained. The government is working hard to get as many as possible into active employment. So far, the statistics are showing good progress in this area.

In addition, Mr Littorin mentioned that, if compared to other countries, there are very few conflicts on the labour market in Sweden. This means that the present government is not interested in changing the system with collective bargaining agreements since this system actually works to a large extent. However, the minister is still interested in trying to make the system work better and may consider smaller amendments in the legislation on this area.

The SCCE participants; Anders Näslund - Boomerang Subcontracting OÜ, Rein Leipalu - Ragn-Sells AS, Kurt Söderström - Advanced Interior Solutions OÜ and Karolina Ullman -MAQS Law Firm Advokaadibüroo OÜ, informed the minister about how employers work hard to attract employees in Estonia. Many are very active in trying to market themselves as good employers with a social responsibility agenda. Important is also the working environment and the management, not only the size of the salary, were some conclusions made.

The discussions were many around the table and the SCCE sends a special thanks to the ambassador and his chef for a very interesting and tasty lunch.

Text: Karolina Ullman on behalf of the SCCE participants



Photo: Pawel Flato

Mr. Sven Otto Littorin



Swedish Food Weeks in Estonia

Swedish food is a hot potato in Estonia, says Swedish Trade Council in a media information on the Swedish Food Weeks arranged in cooperation with Rimi.

Participating in the campaign are well known Swedish food and beverage producers like Annas Pepparkakor, Abba Sill, Arvid Nordquist, Findus, Friggs, Grilstad, Milko, Polarbröd, Sveico, Vin & Sprit, Waynes Coffee och Zeta, all now working for creating an increased interest among Estonians for Swedish food.

The campaign was duly launched with an official inauguration at Rimi's Tallinn-Ülemiste Hypermarket, September 18th, followed by an evening reception at Radisson SAS Madissoni Grill & Bar. **Dag Hartelius**, Sweden's ambassador to Estonia, hosted the reception where the guests could enjoy Swedish delicatessens cooked and presented by **Leif Mannerström** from Restaurant Sjömagasinet in Gothenburg, Sweden.

Leif Mannerström was flown in to Tallinn non-stop from Gothenburg by SCCE's member City Airline and **Magnus Löveråsen** - City Airline's Project Manager, reports that a considerable amount of fresh Swedish West Coast sea food was also flown in by them to Tallinn for the launch of the Swedish Food Weeks.



Johan Aschan - Radisson SAS Hotel Tallinn, Leif Mannerström - Restaurant Sjömagasinet and Helena Almqvist - Swedish Trade Council.

Photo: Swedish Trade Council



Hotel Telegraaf officially classified as a 5-star hotel

Tallinn's Hotel Telegraaf has gained a lot of international recognition since it's opening this year. After being chosen by ABC News amongst 9 of the best new hotels under 99 rooms in the world it is now officially classified as a 5-star hotel by The Estonian Classification System.

The magnificent building at Vene Street 9 where Hotel Telegraaf is situated was constructed towards the end of 19th century. In 1873 the Revaler Handelsbank bought the property and Peter Schreiber from St. Petersburg designed a 4-storied house, with the two topmost floors being added later. After the Republic of Estonia was established in 1918, the building was used as the post and telegraph centre.

Hotel Telegraaf offers 86 rooms and suites, Restaurant "Tchaikovsky – a symphony of Russian Cuisine", the Elemis-SPA, a generous lounge, conference facilities and an underground parking.

The first Wine Spectator Award to the Baltics

The Three Sisters Hotel in Tallinn's Old Town, has become the Baltic region's first-ever recipient of the prestigious Wine Spectator award. The 2007 awards were announced in the August issue of the Wine Spectator magazine and on the Wine Spectator website. Both the magazine and the website are recognized as leading authorities and resources on wine and dining worldwide.

The success of the wine program at The Three Sisters is due to the efforts of California-raised Hotel Sommelier **Jennifer Mitchell**.

- I began restocking our wine cellar and recreating our list the very first day I came to work in the beginning of 2006, explained Jennifer Mitchell. With so many wines that we have on offer, my number one concern has always been to present them in a user-friendly way. The award is of course gratifying to me personally as well, because it means that Wine Spectator recognizes what I am trying to do here.



Tantsud Tähtedega 2007



Photo: Kanal 2

Dag Hartelius, Sweden's Ambassador to Estonia and Kristina Tennokese forms one of the dance couples competing in this year's edition of Tantsud Tähtedega broadcasted in the Estonian TV-channel Kanal 2. Also competing is Estonia's former Minister of Foreign Affairs, Kristiina Ojuland.

Tantsud Tähtedega became a tremendous success as it had premiere in Estonia last year and this year's edition is a public success even before it has started. The original format - Strictly come dancing - was created by BBC in England and has run on BBC One since 2004. The Swedish TV-channel TV 4 picked up the format 2006, named it Let's Dance and experienced the same success as England and now Estonia as well as many other countries.

As focus goes to print, Dag Hartelius and Kristina Tennokese are in an intensive phase of training. Samba, Tango, Wiener Waltz, Rumba, Jive are some of the different dances on the competition programme and we wish the Swedish-Estonian dance couple the best of luck and great success in the competition.

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The Swedish Chamber of Commerce in Estonia

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focus takes an outlook in this first autumn issue. We have visited SCCE members in Pärnu and Kuressaare for a report on what's going on outside Tallinn and more reports from other SCCE members all over Estonia and abroad will follow in coming issues of **focus**. We have met Estonian Air for a talk on their further development in connecting Estonia to the world. Many companies are now working with their budgets for 2008 and **focus** provides input with an editorial block focusing on the outlook in terms of economic policies together with a report from Äripäev's September seminar on the theme; Business Plan 2008.

The aftermath following the April turmoil on the relocation of the Bronze Soldier statue in Tallinn has included waves of cyber attacks on Estonian IT-servers.

focus takes a look at this rather new type of warfare and our magazine also addresses another threat; the extremely low level of traffic safety on our Estonian roads and streets.

Karolina Ullman continues to keep us updated on legal issues and from the south side of the border Valters



Gencs, attorney-at-law and a board member of the Swedish Chamber of Commerce in Latvia, gives us a brief on real estate investments and related tax issues in Latvia.

Today's business environment is dynamic – what was valid a few months ago is not valid anymore. An internationalized economy is to a large extent depending on the global economical development. New rules, may they be issued on a national, EU or global level governs a considerable portion of available options for decisions and action plans. The Swedish Chamber of Commerce in Estonia is acting in today's business climate with a sharp outlook on the future. Our activities, seminars and the **focus** magazine give us an opportunity to take a closer look at current issues forming our day-to-day business environment.

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.

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