

3/2009



f focus



focus
met:

Bo Henriksson
Country Manager,
ABB Baltics

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Anders Hedman
Chairman
SCCE

Dear reader,

Wine...

This editorial was initially supposed to cover something different than economics and politics. My idea was to write about one of my hobbies; wine collecting.

Collecting wine is great because it is exciting, fun, potentially very profitable over time, and compared to stock exchange shares, you can always decide to have a great evening by opening a bottle and taste it together with friends. The likelihood of MASU (Estonian short work for economical crises) is very limited and occurs usually only if air comes in to the content inside the bottle due to cork deterioration, but I know people who have tasted delicious wines from vintages around the time of the French revolution, 1789, so you never know what kind of surprise you might find inside the bottle.



We, the **focus** Chief Editor and me, decided however to dedicate a separate permanent page in SCCE's magazine for wines and other drinks in the future.

Additionally, I would like to comment on some of the latest news in the World.

Obama...



I have written earlier about President Obama and the unrealistic hopes and expectations people are having on him. The decision lately of the Nobel Peace Prize committee in Norway to give him the Nobel Peace Prize just adds it up even more. I must say that I find this very embarrassing for the President and I honestly think that he himself found that this wasn't that smart and fair.

The US is still involved in wars in Iraq, Afghanistan and must also solve delicate issues like Iran and nuclear power, North Korea etc. There are many conflicts and potential conflicts which need to be addressed by the American President. By making him a Nobel Peace laureate, everybody will now demand that he stop all wars and conflicts and this is of course totally unrealistic to do within his four year term. I instead

Photo: Kadi Asmer

expect that people will start to use this Prize later on as an argument against him. How can you decide to send more soldiers to war in Afghanistan when you are a Nobel Peace Prize laureate? It would have been much smarter to give him this prize at the end of his term, when the results hopefully will be there.

Norwegians...

So why did they do this in Oslo? Well I have my traditionally Scandinavian brotherhood explanation; Look, Copenhagen has already had Obama's visiting them for the Olympic Games nominations and will host the International Environmental Conference. Now the Norwegians wanted to ensure to get Obama's to Oslo as well. So which Nordic Capital is now left hosting the EU Chairmanship, but being without an Obama visit?

Swedbank...



This leads me eastwards and back to Estonia. Here the last week's newspapers have been dominated by Swedbank and the PD Fund. Now a deal has been made between the Finance Inspection and Swedbank's top managers from

Sweden. This sounds like a fair deal and I am happy for this win-win outcome.

However, I must say that reading in the newspaper how an Italian man in his late 30's and a 27 year old Russian girl were responsible for the questionable PDF operations makes me uneasy.

Why? Lets be honest; In Estonia when the bank does something good, like delivers great results during the years 2004-2008, then it is of course thanks to the great Estonian management and no one wants to be reminded about the fact that the bank is Swedish.

When times goes bad, then nobody in Estonia speaks about responsibility of the Estonian former management under whose management these loans were handed out. Instead the newspaper stories are all along the line: Swedish bank with Italian and Russian employees screwing up Estonians and their pension money!

I am very happy that Swedbank in the Baltic now is managed by Håkan Berg, who is a Swede and a very competent and experienced banker! Welcome Håkan! I hope that Håkan will get more Swedes over here to ensure that the name Swedbank and the Swedish reputation is developed and managed by Swedes.

I would also like to point out the risk with the name Swedbank in a country where the national bank is called Eesti Pank. When Jan Lidén, Swedbank's former CEO, visited SCCE some years ago I told him that the name Hansabank would have been better for the whole Group. Jan agreed with me but said that it was not possible due to the Swedish insurance company Trygg Hansa. The names were to close to each other he said. OK, fine. Accepted. ▶▶

Publisher

focus is published by the Swedish Chamber of Commerce in Estonia - SCCE.

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Editorial content and articles

SCCE accepts editorial content and articles for the **focus** magazine promoting the commerce and trade between Estonia and Sweden primarily. The author of editorial texts and articles published is responsible for the content.

SCCE welcomes contributions to the **focus** magazine and reserves the right to refuse publishing of content not being in line with the Statutes of SCCE.

Advertising

The **focus** advertising pricelist is available at www.swedishchamber.ee.

Subscriptions and additional copies

The **focus** magazine is distributed free of charge to the members of the Swedish Chamber of Commerce in Estonia as well as Swedish Chambers of Commerce in Sweden, Latvia, Lithuania and several other countries around the world.

Companies not yet being members of the SCCE as well as private individuals can subscribe to **focus**.

SCCE also provides additional copies of **focus** for SCCE member's own distribution of the magazine to customers and business contacts to a net print cost.

Please contact SCCE's Ombudsman Kristiina Sikk for further information: kristiina@swedishchamber.ee

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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 120 member companies and organizations headquartered in Estonia, Sweden as well as other countries.

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

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

Following a SCCE initiative, FICE - Foreign Investors' Council in Estonia was founded in August 2008. FICE is a lobby group acting through contacts with the Estonian Government and Estonia's Governmental bodies. Together, the countries represented in FICE account for more than 80% of the foreign direct investments in Estonia.

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

The 2009 fee for basic membership in the Swedish Chamber of Commerce in Estonia is EEK 5.900,- per year and EEK 20.000,- per year for Royal Membership. 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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However, in general I do not consider it convenient to name neither a boat nor a private bank after a country, and then it doesn't matter if the name is Estonia or Sweden/Swed. Instead I think the right name for Swedbank would have been Eurobank. It would have been a perfect match for Estonia and the story would then maybe have given the Estonian Government some reason to think over their uncritical commitment for the Euro annexation!

Latvia...

While speaking about banks and politics, I must comment an idea which has popped up in Latvia and which now also have gotten some followers among the Estonian Centre Party and Social Democrats. This is the idea that loan takers should not be responsible for their loans anymore but only for the daily market value of the loan object. The rest is the problem of the lender!



I found this a funny form of Latvian logic. What if IMF would apply the same idea now on Latvia? Let's say that IMF only gives loans to countries where the national

debt isn't more than 30% of GDP. Then Latvia would now be without more support from IMF. Is this what Latvians want? I must say that I am amazed by such logic and interference into the market economy.

If it is something people must learn here after 50 years of Communism, it is to take personal responsibility. After all, that's what it's all about. If the Latvians and some Estonians are of the opinion that their citizens cannot take personal responsibility, then they are on a very dangerous path. Why didn't the politicians five years ago instead say that the banks are only allowed to borrow up to 30% of the value of the collateral? Of course, they didn't want to do that! Instead it was more like: Let's borrow as much as we can from the Swedish banks and later on when we have problems we just run away from it!

Dear Latvians, don't come and tell me that you never could predict that Latvia would have a crisis! There were many voices years back warning the Latvian, and also the Estonian politicians for what might happen. Now it has happened and now its time to pay. Running away from the receipt isn't working. You cannot go to a 3-star restaurant, eat Lobster and drink Chateau d'Yquem and when its time to pay, you start claiming that you only want to pay for the price of a Big Mac & Coca Cola? Give me a break!

Alsace...

Now I will end here and instead open a bottle of Sylvaner from Hauler (Alsace) and try my new Riedel glasses!



Enjoy reading **focus** nr 3, 2009!

Anders Hedman
Chairman SCCE

The Swedish EU-Presidency



• The Swedish EU-Presidency will take place under very special circumstances, said Ambassador Jan Palmstierna as he and his colleagues at the Swedish Embassy in Tallinn arranged a July 1st Swedish EU-Presidency Kick-Off in the Pirita Convent ruins. We face even more alarming reports about climate change, and we are in midst of the worst financial and economic crisis since the 1930's, a crisis that may soon become an employment crisis. Europe is facing some difficult challenges.



The Swedish Embassy's in Tallinn EU-Presidency Kick-Off

Economic crisis management is an overall priority for the Swedish July – December 2009 EU-Presidency, with the global climate change being the second overall priority.

Additionally, the Swedish Presidency also has a series of EU institutional changes to address; a newly elected European Parliament will begin its work and a new Commission will be appointed. There is also uncertainty as to whether the Treaty of Lisbon will be able to enter into force in the autumn.

Furthermore, Sweden hopes to develop an EU cooperation on justice and home affairs, by drawing up a Stockholm Programme as well as adopting an EU strategy that will strengthen the cooperation in the Baltic Sea region and a continued work to strengthen EU policies on relations with its neighboring countries to the south and east.

The Swedish Presidency will also continue EU's enlargement process and work for strengthening EU's role as a global actor with a clear agenda for peace, development, democracy and human rights.

• Europe and the Swedish Presidency are, as we can see, facing many challenges in the six months ahead, concluded Ambassador Jan Palmstierna his July 1st speech. In addition, we have to expect the unexpected. Handling the unforeseen is often the lasting memory of a Presidency.

“There is no contradiction between economy and eco-efficiency”

• There is no contradiction between economy and eco-efficiency and the EU has a golden opportunity to take the lead in the transition to an eco-efficient economy, said Sweden's Deputy Prime Minister and Minister for Enterprise and Energy Maud Olofsson as she summarized the July informal meeting on energy and environment in Åre, Sweden. It is not enough to be number two. The EU could have first-mover advantage on international markets.



The meeting took place in Åre, located in the geographical midst of Sweden and a busy ski resort during the winter season and offering a beautiful and mountainous nature year round

Being informal, the meeting was a preparation for the upcoming December 2009 United Nations' Climate Change Conference in Copenhagen, where a new global agreement should be reached.

• Eco-efficient economy means creating more wealth while using less natural resources and causing less negative impact on the environment, continued Maud Olofsson. At this informal meeting in Åre, the EU's environment and energy ministers confirmed that investment in energy efficiency, renewable resources and recycling is essential, both as a way to employment and growth and to reach the EU's climate and energy goals. The EU plays a leading role in the international negotiations and is keen to reach an ambitious climate change agreement at the upcoming December global climate change conference in Copenhagen.



Meeting in Åre; Einari Kisel, Deputy Secretary General at Estonia's Ministry of Economic Affairs and Maud Olofsson, Sweden's Deputy Prime Minister and Minister for Enterprise and Energy

• The future EU strategy on growth and employment, the successor to the Lisbon strategy, should have the transition to an eco-efficient economy at its core, summarized Andreas Carlgren, Sweden's Minister for the Environment. Green industries and resource-efficient technologies will

be cornerstones for EU growth and job creation in the years to come.

• EU countries' Heads of State and Governments have agreed that the EU will contribute with a 20% reduction in emissions by 2020 compared with 1990 levels, scaling up to 30% if other industrialized countries make comparable commitments and the rapidly growing economies commit to significant measures.



Leading the Åre-meeting; Maud Olofsson and Andreas Carlgren, Sweden's Minister for the Environment

• The EU's offer is not unconditional. We will use the increase from 20% to 30% as a lever to gain adequate offers from other countries, concluded Andreas Carlgren.

The EU's Baltic Sea Strategy

On September 17th - 18th, the EU Affairs Ministers from the EU's 27 Member States and representatives of the European Commission, the European Parliament and the European Investment Bank met in Stockholm to discuss the EU Baltic Sea Strategy and similar future macro-regional strategies.

The Strategy includes ways to cooperate to implement EU legislation and policy instruments in a coordinated way in all the countries of the Baltic Sea region. Among other things, it is a question of establishing a common programme for cross-border innovation and cluster areas, and of improving the opportunities for small and medium-sized enterprises (SME's) to use the Baltic Sea region as their domestic market.

• Five years after the major EU enlargement, and 20 years after the fall of the Berlin Wall, it is very pleasing that we can take yet another step forward in the process of European integration, said the chair of the meeting, Sweden's Minister for EU Affairs Cecilia Malmström.

Estonia's President Toomas Hendrik Ilves also took part in the meeting and said:

• Most of the countries around the Baltic Sea are small. If we want our universities, researchers and small business owners to survive and develop in a globalised world, and not least in competition with India, China and the USA, we must become better at working together more efficiently", said Toomas Ilves.



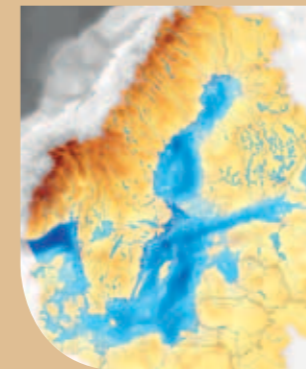
At the Baltic Sea Strategy meeting in Stockholm: Estonia's President Toomas Hendrik Ilves and Sweden's Minister for EU Affairs Cecilia Malmström

President Ilves also met Sweden's Minister for Foreign Affairs Carl Bildt who, in his

blog reminded his reader's that "several years ago Toomas Hendrik Ilves was one of the first to launch the thought of a common Baltic Sea Strategy".

In an interview with the Swedish daily newspaper Svenska Dagbladet, President Ilves addressed the EU's policy towards Russia; "The EU doesn't have any common foreign policy towards Russia", said President Ilves. "The reason is that some EU countries are depending on Russian gas and run their own foreign policy towards Russia".

The EU's official standpoint is that the Baltic Sea Strategy primarily concerns EU Member States in the Baltic Sea region; Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland and Sweden. However, it is essentially an opportunity for cooperation open to all 27 EU Member States and also to Russia. Russia plays a central role in many areas and is involved primarily through the 'Northern Dimension' neighborhood partnership, where Russia, along with Norway and other countries, takes part on an equal footing with the EU. In time, Russia will also be invited to cooperate in certain areas within the framework of the Baltic Sea Strategy.



• The Baltic Sea Strategy is one of the Swedish Presidency's main priorities, but the Strategy can only be successful if all those involved are really committed. We have seen clear signs of that commitment today, from the Member States and from the European Investment Bank, the European Parliament and the European Commission, said Sweden's Minister for EU Affairs Cecilia Malmström, in a concluding statement from the Ministerial conference.

The Baltic Sea Strategy will be followed up and updated each time a Baltic Sea country takes over the Presidency of the EU. The next opportunity will be during Poland's Presidency in 2011. After that, the Presidency falls to one of the Baltic Sea countries at intervals of two or three years; Lithuania in 2013, Latvia in 2015, Estonia in 2018 and Finland in 2020.

The Stockholm Programme



Every five years, the EU draws up a strategy for dealing with matters in the justice and home affairs sector. It provides a framework for EU work on police, border and customs cooperation, rescue services, justice issues, asylum, migration and visa policies. The foundations for the coming strategy, covering the period 2010 - 2014 and called the Stockholm Programme, are now being laid and the Programme is due for adoption during the Swedish EU-Presidency.

Towards an open and more secure Europe



Photo: Fredrik Persson
Beatrice Ask, Sweden's Minister for Justice

• The Swedish EU-Presidency will meet EU ministers for justice, home affairs and migration for discussions on how future cooperation in the area of justice and home affairs will be organized, said Beatrice Ask, Sweden's Minister for Justice and Tobias Billström, Sweden's Minister for Migration and Asylum, in a joint statement. This year it will be time to adopt the Stockholm Programme, forming the guidelines for 2010 - 2014. The ambition is for the conclusions to be approved by the EU Heads of State and Governments in December. If we succeed in this, we will have provided the roadmap for a safer and more open Europe.



Tobias Billström, Sweden's Minister for Migration and Asylum

• The fight against cross-border crime requires international cooperation and we want to draw up a long-term perspective for information exchange among Member States, continued the Ministers. Police and public prosecution services as well as judges from different countries in Europe need to benefit more from each others' experience and gain more understanding of each other. One exciting and tangible proposal is for one third of the police services and half of the public prosecutors and judges in Europe to take part in some form of course or exchange programme in another EU country over the next five years.

• We are working towards the EU putting a clearer focus on the individual, continued the Ministers. It is our hope that the rights and personal integrity of the individual in the EU will be strengthened through the Stockholm Programme.

• Europe has become rich through its openness and free trade, but also thanks to the free movement of people. Safeguarding these fundamental principles, also in the Stockholm Programme, is essential. Migration that is effectively handled can be positive for countries of origin, receiving countries and migrants alike. Migrants coming to the EU to work contribute to prosperity and growth at the same time as they realize their own dreams and life projects. Countries of origin benefit from the funds that are sent home and from the transfer of knowledge, both while the migrants are working in the EU and when they return to their countries of origin. The EU has an ageing popula-

tion and therefore needs a policy that meets this challenge, to which labour migration may be one of the solutions.

• In our view, it is particularly important in times of economic crisis and recession to stand up for openness vis-à-vis the rest of the world and not to succumb to protectionist tendencies, concluded the Ministers their launch statement on the Stockholm Programme.

“Growth without cycles of boom and bust”

At the recent G20-meeting in Pittsburgh, USA, September 24th – 25th, the EU was represented by Sweden’s Prime Minister Fredrik Reinfeldt in his position as the current President of the EU’s Council and José Manuel Barroso, President of the European Commission.



Photo: Gunnar Seibold

José Manuel Barroso and Fredrik Reinfeldt

created dangerous financial fragilities that contributed significantly to the current crisis. A return to the excessive risk taking prevalent in some countries before the crisis is not an option.

• Today, we reviewed the progress we have made since the London Summit in April [see **focus** 2/2009], continued the statement. Our national commitments to restore growth resulted in the largest and most coordinated fiscal and monetary stimulus ever undertaken.

• The process of recovery and repair remains incomplete. In many countries, unemployment remains unacceptably high. The conditions for a recovery of private demand are not yet fully in place. We cannot rest until the global economy is

restored to full health, and hard-working families the world over can find decent jobs.

• Today we agreed to make sure our regulatory system for banks and other financial firms reins in the excesses that led to the crisis, said the statement. Where reckless behavior and a lack of responsibility led to crisis, we will not allow a return to banking as usual. We need to shift from public to private sources of demand, establish a pattern of growth across countries that is more sustainable and balanced, and reduce development imbalances. We pledge to avoid destabilizing booms and busts in asset and credit prices and adopt macroeconomic policies, consistent with price stability, that promote adequate and balanced global demand.

The G20-meeting also addressed the transition to an eco-efficient economy:

• Today we also agreed to maintain our openness and move toward greener, more sustainable growth, concluded the G20 statement. We will spare no effort to reach an agreement at the upcoming December global climate change conference in Copenhagen.

Critics

The G20 has grown in global importance during the last 12 months and international security policy issues now have a tendency to turn up in addition to the G20’s basic role as a forum for cooperation and consultation on matters pertaining to the international financial system. At the concluding G20 press conference in Pittsburgh, the majority of the questions from the world’s media focused on Iran’s nuclear ambitions and the situation in Afghanistan.

A general opinion from commentators on the outcome of the G20’s Pittsburgh meeting was that there was a lack of figures, dates and sanctions connected to the G20’s ambitions on a regulatory system for banks and other financial firms.

• Without sanctions the G20’s agreement on a financial regulatory framework for banks and financial institutions means nothing, said Peter Morici, an economist at the University of Maryland, in a comment to The Wall Street Journal.

• You can’t get rid of greed through legislation and consequently a complete set of clear rules is needed for international and national financial systems, said Sweden’s Minister for Finance Anders Borg.

The G20-meeting’s outcome in terms of addressing the global climate change and an eco-efficient economy caused disappointment among the EU delegates.

• I can’t say that this issue has been brought forward at this meeting, said Sweden’s Prime Minister Fredrik Reinfeldt.

• We can only reach a full and sustainable recovery by also addressing the climate issues, agreed the President of the European Commission, José Manuel Barroso.

Research and text: Megazine, Tallinn

Baltic Development Forum 2009

The 2009 BDF Summit was held in Stockholm, October 5th – 6th. Carita Pettersson, Head of SCCE’s member The Nordic Council of Ministers’ Office in Estonia, participated and reports for focus:



Photo: Kadi Asme

Carita Pettersson, Head of The Nordic Council of Ministers’ Office in Estonia

• This was my 4th Baltic Development Forum and I must say that I have been positively surprised, each time. BDF really succeeds in keeping very high standards, the outcome being topical and very engaging.

• Baltic Development Forum 2009 in Stockholm focused upon the EU Strategy for the Baltic Sea Region [Edit: For more information on the Baltic Sea Strategy, see the article on The Swedish EU-Presidency in this issue of focus], the main prospects for it to succeed, in order for it not to become yet another strategy. The tricky question of how and by whom within the region it will be managed was touched upon, although few ready-made answers were delivered. It was largely agreed upon that the strategy will demand strong political steering and broad stakeholder participation.

• Climate change, energy solutions and how to combine them with economic growth was the second main theme of BDF 2009, with Jeremy Rifkin, President of the Foundation on Economic Trends, USA, presenting a vision for the region’s energy mix.

• Last but not least, the prospects for economic recovery in the region were debated by a handful of prominent actors on the stage and in the panels, but also among participants from a variety of organizations and strategic partners, as for instance the Nordic Council of Ministers. NCM is highly engaged to meet the challenges of globalization and has elaborated globalization strategies.

• According to the Nordic Innovation Monitor 2009 insufficient framework conditions hinder entrepreneurs to act and to provide innovation and growth. Low integration of entrepreneurship in the educational system is one of the barriers limiting entrepreneurial thinking and business development, according to the Monitor.

• Not everybody in the panel discussion on the entrepreneurial theme however agreed that entrepreneurship can be taught. Mere lack of capital is of course an important issue as well.

• The Estonian participant in the panel on “Entrepreneurship - showing the way out of recession”, Siim Raie, director of the Estonian Chamber of Commerce, was in fact rather pessimistic about the near future, whereas some

of his Nordic colleagues saw more light at the end of the tunnel, pointing at facts showing that it is possible to maintain and create growth in countries with a Nordic style tax policy, often due to the very fact that there is money to be spent on support strategies and measures.

• However, in a survey among the forum participants on important policy areas for increased long term economic growth in the Baltic Sea Region the introduction of the Euro scored highest, whereas national corporate tax policy was considered the least important factor out of seven. The Baltic Sea Strategy of the EU was considered very important for future economic growth as well, concludes Carita Pettersson.

BDF’s State of the Region Report

Following the 2009 Summit opening by Sweden’s Crown Princess Victoria, Dr. Christian Ketels, Principal Associate at Harvard Business School, presented this year’s edition of BDF’s State of the Region Report.

• The economic realities in the Region are this year overshadowed by the impact of the global crisis, says Dr. Ketels in a media statement. The Report tracks the way countries across the Region have been affected, and the way in which they have responded. The report also looks at the fundamental competitiveness of the Region to understand why the crisis hit this Region hard and what the likely dynamics are for the medium-term future.

Baltic Development Forum - BDF

Established in November 1998, BDF is an independent non-profit networking organization with members from large companies, major cities, institutional investors and business associations in the Baltic Sea Region.

The Forum works with a wide range of partners, including businesses, governments, regional organizations, research and media institutions.



Photo: Johannes Janson, norden.org

H.R.H. Crown Princess Victoria and BDF’s Chairman and Co-founder Uffe Ellemann-Jensen at the BDF Summit 2009

Chaired by Uffe Ellemann-Jensen, Minister for Foreign Affairs of Denmark 1982-1993 and also a co-founder of BDF and the Council of the Baltic Sea States, BDF’s network involves more than 5.000 decision makers from all over the region and beyond.

The mission of the Baltic Development Forum is to promote the Baltic Sea Region as an integrated, prosperous and internationally competitive growth region.



At the BDF Summit opening: Sweden's Prime Minister **Fredrik Reinfeldt**, Finland's Prime Minister **Matti Vanhanen**, Dr. **Christian Ketels**, H.R.H. **Crown Princess Victoria** and BDF's Chairman **Uffe Ellemann-Jensen**

Photo: Johannes Janson, norden.org

Key Messages of the 2009 State of the Region Report, prepared by Dr. Christian Ketels, include:

- The Baltic Sea Region has been hit disproportionately hard by the global crisis but is now expected to rebound quicker than others
- The impact of the crisis is going to widen the significant existing economic differences across the Region, ending a catch-up process that had become unsustainably rapid
- The level of regional collaboration remains strong, with innovation and environment as frequent themes and the EU Baltic Sea Region Strategy emerging as a coordinating mechanism
- The crisis has shifted the focus to policies controlled at the national level and led to a divergence of needs and perceptions across the Region; regional collaboration is becoming more difficult
- Despite the current drop in prosperity and productivity, the Region remains one of the most prosperous regions internationally with balanced positions on labour productivity and mobilization
- The significant heterogeneity of competitiveness levels and profiles across the Region is further increased by the crisis and the policy responses now under way
- The Baltic Sea Region remains Top of Europe on the Lisbon Agenda goals and has a significant contribution to make to the Agenda's post-2010 renewal
- The Region needs to continue deepening its integration, marching ahead on its way to an innovation-driven economy, and becoming better prepared to deal with economic shocks
- The EU Baltic Sea Region Strategy is an important step forward for regional collaboration; it now needs further actions within the Region to meet the high expectations created
- The EU Baltic Sea Region Strategy has the potential to become an important role model for a new approach towards European integration

The complete BDF 2009 State of the Region Report is available online at www.bdforum.org.

Research and text 'BDF's State of the Region Report': Magazine, Tallinn

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focus on legalities



Restructuring - beneficial for both the debtor and the creditor

by MAQS Law Firm's Partner Veikko Toomere and Associate Johan Maunsbach.



Veikko Toomere

Restructuring has recently been a topic of intense discussion in Estonian media as well as among Estonian companies. This article aims at giving some practical advice to companies which may consider carrying out restructuring and as well as to creditors to companies which are being restructured.



Johan Maunsbach

The Estonian Restructuring Act (or Reorganization Act, both terms are used when translated into English. In Swedish: "rekonstruktion", in Estonian "saneerimine".) entered into force in December 2008. Since then, dozens of Estonian companies have used restructuring as a new possibility to avoid bankruptcy and to continue the company's activities even in financially difficult times. Restructuring may somewhat simplified be described as a procedure where the creditors agree, or in some cases are forced to agree, to decrease or modify their claims against a company in order to help the indebted company to survive.

The working group which drafted the Restructuring Act estimated that the restructuring procedure would be used by five to ten companies per year during the first three years. However, already in the beginning of 2009, about 70 applications for restructuring were submitted to the Estonian courts.



The first restructuring plans have now already been approved and several companies have managed to avoid bankruptcy by restructuring.

The adoption of the Restructuring Act was an important milestone in Estonian financial policy in terms of improving the international competitiveness of the Estonian busi-

ness environment. The Restructuring Act does indeed encourage companies to initiate restructuring proceedings providing low criteria for companies to qualify for restructuring.

Which companies may qualify for restructuring?

The Act provides a general classification of companies which do, and which do not, qualify for restructuring. The fact that a company qualifies for restructuring does, however, not automatically mean that restructuring is possible. Restructuring is for instance not possible if the income base of the company has totally vanished due to the current market situation and the recovery of the income base is not depending on the company itself.

Many of the initiated restructuring proceedings have, however, ended with the company going into bankruptcy (see also the article by Väinu Rosenthal at www.ap3.ee, 11 September 2009, „Kilbiga väljunud vaid kaks firmat“). This has also been the experience in Scandinavia, where restructuring has been available for years. The most common reason that restructuring fails is that the procedure is initiated too late.

Restructuring is not likely to be successful if the company or the owners of the company already have run out of reserves to be used for the continuing operations of the company.



Therefore, a practical advice for entrepreneurs whose expenses exceed the income, but nevertheless see a potential future for the company, is not to wait with initiating restructuring proceedings.

This may also be applied to claims which have not yet become due (for instance, by restructuring it is possible to decrease the amount of costs such as rent, leasing and loan costs). During the restructuring, the company is also protected against bankruptcy petitions, enforcement of claims and accrual of interest on claims.

Despite the fact that both restructuring and bankruptcy are procedures categorized under insolvency law, they have very little in common. The purpose of restructuring is to help companies to survive in order to continue their activities. A consequence of a bankruptcy procedure is rather the end of that company's activities. Under restructuring, there are no separate management bodies as the case is under bankruptcy procedures. In case of restructuring, the company remains under the full control of the company's existing management. The role of the restructuring advisor is limited to supervising and advising the company.

The creditors' claims may be transformed under a restructuring procedure. **Transformation of claims** is a new instrument under Estonian insolvency law and in most cases it refers to decreasing the claims and/or to extending the payment terms. Each creditor's claim is assessed separately and described in a **restructuring plan** which is drafted by the restructuring advisor together with the management of the company. The restructuring plan is then presented to the creditors, who will vote for or against the adoption of the plan.

The possibility of decreasing the amount of a claim within a restructuring process makes the creditors suspicious towards restructuring, which in turn makes entrepreneurs cautious about starting the procedure. The management of the company to be restructured is afraid that its creditor's (often suppliers of the company) will suspend all business relations with the company. Such extreme reaction by a creditor is, even though it may seem contradictory, rather self-destructive.

For example, if a creditor stops delivering raw materials to a production company, the production will stop and the company may be forced into bankruptcy. If the company's assets are pledged to the benefit of a bank, the bank will enjoy the highest priority in the bankruptcy and the creditor that stopped delivering will be left without any compensation from the bankruptcy.

If the same situation were solved by restructuring, the supplying creditor may get its claim satisfied up to 100 %, though the payment terms may be longer. Thus, the creditor would in many cases benefit from continuing to deliver supplies to the debtor, even after initiation of restructuring proceedings.

This situation is common in Estonia today and creditors must carefully consider the alternatives before making decisions regarding its business relation with a debtor. In countries where the restructuring procedure has been

introduced years ago, creditors seem to be rather tolerant with regard to transformation of their claims.

Another important decision which has to be made by the creditors is whether or not to approve the restructuring plan. It is reasonable that creditors who have got their claims decreased with (for example) 30% are reluctant to approve a restructuring plan. Before rejecting a restructuring plan the creditors must, however, consider the consequences which may follow a decision to reject.

One apparent risk if the restructuring plan is rejected is that the debtor will be forced into bankruptcy. The creditor must therefore make a realistic assessment whether or not there is any possibility to receive proceeds from a bankruptcy procedure. If the creditor's claim is secured by a pledge or a guarantee, it is likely that the creditor will be compensated in one way or another (of course, the value of the pledged assets or the value of the guarantor's assets must first be analyzed in order to make a decision). However, if the creditor's claim is unsecured, it will most likely not be satisfied even partially if there are other creditors with secured claims. In addition, if the creditor's claim is secured, but the value of the security is less than the claim or if the financial situation of the guarantor is weak, the creditor is most likely to be left without any significant compensation in a bankruptcy procedure.



As a result, in many situations, the creditor will benefit from accepting a restructuring plan, even if it means that the amount of the claim is decreased. By restructuring, the creditors will at least get their claims partially satisfied.

The co-author of this article, Veikko Toomere, is appointed reconstruction advisor (Est: saneerimisnõustaja) by the court in the reconstruction proceedings of Väätsa Agro AS, one of the largest milk producers in Estonia.

WELCOME TO SCANDIC HOTELS

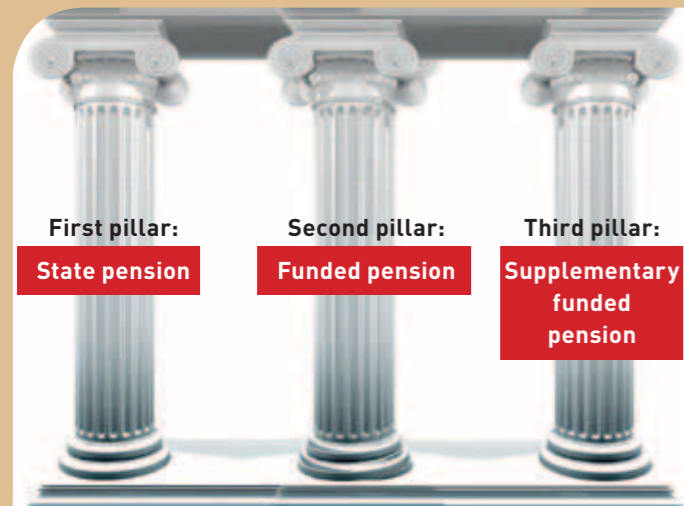
Welcome to the largest hotel chain in the Nordics. Stay with us to recharge and to find convenient solutions. A large breakfast buffet, free internet access and the possibility to work out in modern gyms are always included in the price.

In Estonia Scandic welcomes you to Scandic Palace hotel in Tallinn and Scandic Rannahotell in Pärnu.

Estonia's three pillars pension system

• As the financial markets have deteriorated for more than a year by now, so has the value of security funds including those intended for our pensions, says Reidi Strandberg, Associate Partner and Head of Business Process Outsourcing at Rödl & Partner Baltics. I will not go into any analysis of the stock- and bond-portfolios forming the backbone of these funds, but instead give a general description of the current Estonian pension system.

The current Estonian pension system consists of three pillars:



The first pillar - the State pension - is based on redistribution of income; people working today pay social tax to cover the pensions of today's pensioners.

The State pension is paid out of the social tax; employers pay 33% of the salary of each employee in social tax, where 13% goes to health insurance and 20% to the pensions of today's pensioners.

There are two kinds of State pension; pensions depending on the work contribution (old-age pension, pension for incapacity to work and survivor's pension) and the National pension.

A person is entitled to the State old-age pension if his or her length of employment in Estonia is at least fifteen years, while the National pension procures minimum pension to those who are not entitled to pension depending on work contribution and have lived in Estonia for at least five years before applying for pension.

Funded pension - the second pillar - is the main support to the State pension and provides a supplementary income when retiring.

The funded pension is based on preliminary financing - a working person saves for his or her pension. Up until May 30th this

year, the second pillar fund was built up by the employee paying 2% of the gross salary to the pension fund and the Estonian State added 4% out of the current social tax paid by the employee.

However, the second pillar funded pension State payments are temporarily stopped from June 1st, 2009 until December 31st, 2010.

Persons who have subscribed to the second pillar have the possibility to continue their contributions starting from year 2010 by submitting an application between October 1st and November 30th, 2009. Further information on this application is available at www.pensionikeskus.ee (choose "My account" in the menu). Please note that an application submitted cannot be taken back and make sure that you want to continue with the payments in 2010, as the state doesn't contribute its share that year but picks up its payments again starting from year 2011. An exception is however valid for those born before the 1954 and having submitted an application as mentioned above. For these persons the state will add its share of 4% starting already in 2010.

Persons who do not submit the application this year, and are content with the situation that there will be no 2010 second pillar funds State payments, don't have to submit an application for continuing the payments in 2011 - they will continue automatically for all who have joined the second pillar funds.

By December 2009, employers must check if any of their employees have applied for the continuation of their funded pension payments from January 1st, 2010.

This check can be made as a simple query at www.pensionikeskus.ee. Another possibility for companies and organizations with a large number of employees is a mass query. This requires an application to be submitted to The Estonian Central Depository for Securities (Estonian CDS). The application form and connected service fees are available at www.pensionikeskus.ee (choose "Subscription queries" in the menu).

Based on the results of this query, the employer has two options:

- If employees have submitted an application, the employer withholds 2% funded pension on payments starting from January 2010.
- If the employee has not submitted any application, the employer doesn't withhold funded pension on payments made in 2010.

Funded pension contributions shall be continued in 2011 for the employees who have not submitted the application.

The third pillar - the supplementary funded pension - is based



on each individual's voluntary decision to start saving, either by contributions to a voluntary pension fund or by entering into a respective insurance contract on the supplementary funded pension with a life insurance company with the respective activity license.

A person can freely choose between different pension insurance products and make his or her contributions simultaneously to several different pension funds or enter into insurance contracts on the supplementary funded pension with one or several insurers.

Payments of this pension will start at the time agreed upon in the insurance contract or in the agreement concluded with a pension fund, but not earlier than at attainment of the age of 55. Consequently, while compared with the second pillar, a person has much more freedom in choosing his or her retirement age with the third pillar. A person will also be entitled to payments after he or she has become permanently and completely incapable for work.

A mid-October report from the Estonian National Audit Office said that the pension reserves are in a critical condition and that the National pension reserves will be emptied before the end of next year if the current deficit increases in the same speed. This will however not affect pension payments, said the Ministry of Finance in a comment; the forecasted deficit will be EEK 3.5 bln, which is to be covered from other incomes and/or the stabilization reserve.



In another mid-October report, the Estonian Central Register for Securities said that nearly 100.000 persons have decided to continue with their payments to the second pension pillar - the funded pension. The Register suggests that each individual makes a review of his or her investments, and compare different pension funds and their yields.

More information on Estonia's three pillar pension system can be found at www.pensionikeskus.ee.

Changes

• This summer saw some changes being made in Estonia's tax system and in the rules for benefits related to our daily businesses, continues Reidi Strandberg. Some of the changes are well known by now, while others are not and here follows a short summary.

Unemployment insurance tax

From August 1st until the end of this year the unemployment insurance tax rate is 2,8% for the employee and 1,4% for the employer (the previous rates were 2% and 1%).

Sickness benefits



From July 1st the employer is liable to pay sickness benefits for the employee from the 4th until the 8th day and is liable to do so based on a certificate of sick leave. The employee bears the costs for the first three days.

The sickness benefit is 70% of the employee's average wage calculated and based on the sixth month average wage before the month when this calculation is made.

Income tax applies on the sickness benefit but social tax and unemployment insurance tax is not applicable for sickness benefits not exceeding the average wage calculated as per above.

VAT

It is well known by now that the Estonian VAT was raised from 18% to 20% July 1st. Maybe not so well known is the fact that whenever giving a tender to the Estonian State, the VAT should always be included in the price (as the State can not deduct the VAT).

Business trip expenses

Daily allowances for domestic business trips are not paid from July 1st. If the employer still should pay a daily allowance the amount should be taxed as an ordinary wage.

For business trips abroad the daily tax free allowance is up to EEK 500.- per day. A requirement is that the foreign destination is at least 50 kilometers from the location where the place of employment is situated.

This means that regardless whether our destination is Örebro in Sweden or Tokyo in Japan it is max. EEK 500.- tax free per day. As a comparison, the tax free daily allowance in Sweden for a business trip to Tartu is SEK 504.- per day (appr. EEK 755.-) and for a business trip to Tokyo the daily amount is SEK 1,259.- (appr. EEK 1.900.-). Swedish tax authorities are basing their daily tax free allowances on the different costs of living in different countries.



Other expenses related to business trips from Estonia to abroad can be covered up 100% from July 1st, provided that documents proving the expenses exist (previously there was a limit for these expenses equaling 35% of the daily allowance amount).

Text: Reidi Strandberg - Associate Partner and Head of Business Process Outsourcing, Rödl & Partner Baltics



All waste management services from one company

Domestic and biodegradable wastes

- Collection and transport of domestic and biodegradable wastes
- Rental of collection containers

Packaging and paper wastes

- Collection and transport of packaging and paper wastes
- Follow-up sorting and routing to recycling
- Counselling related to manufacturer liability, reporting
- Disposal of documents and goods
- Waste-related consultations

Industrial, construction and large wastes

- Collection and transport of industrial, construction, large and liquid wastes
- Routing wastes to recycling

Hazardous wastes and problematic products

- Collection and transport of hazardous and problematic wastes
- Treatment of polluted soil
- Producing waste fuel from hazardous liquid wastes



Bo Henriksson

- At an October 20th ceremony, ABB Baltic's Country Manager Bo Henriksson was presented yet another prize for ABB. This time it was the Swedish Business Award in the category Corporate Social Responsibility and it was the first time this award was presented in Estonia.



ABB Baltic's Country Manager Bo Henriksson was presented the Swedish Business Award by Sweden's Minister for trade Ewa Björling

The Swedish Business Awards event is covered in the newsflash section of this issue of **focus**, and **focus** had the opportunity to meet Bo Henriksson a couple of weeks before the prize ceremony for a talk on electrical energy – a vital commodity in our daily professional and private lives.

- It's not only a question about generators, energy to drive them, cables and plugs when you put electrical energy in an economic and environmental context, said Bo Henriksson.

- It is also a question about how you distribute and consume the electrical energy produced. In ABB our business focus on technologies, products and services providing efficiency from power plant to plug.



Photo: ABB

- As for power plants we can supply all the electric and automation equipment needed, except for turbines and boilers. Our systems are developed to improve the efficiency of fuel combustion, boiler operations and energy consumption in support operations and help our customers to produce and deliver more goods and power for each unit of energy they use.

- The distribution of electrical energy can also be made more efficient, continued Bo Henriksson. Electricity is sent through transmission and distribution systems to end users often being far away. Energy losses here typically range from 6 to 8 percent, but can be as high as 10 percent. Our current technology can save substantial amounts of electricity and increase the capacity of transmission and distribution networks, so that more power can reach consumers over existing networks instead of building new transmission lines and power plants.

ABB Baltics

Today's ABB was formed as the Swedish and Swiss corporations ASEA and BBC Brown, Boveri & Cie merged in 1988. Thus, ABB's history goes back to the late 19th century as ASEA was incorporated in 1883 and Brown, Boveri & Cie was formed in 1891.

ABB started its operations in Estonia 1992 and in 2002 the Baltic organization streamlined its business structure and focused on power and automation technologies.

ABB Baltics has four plants in Estonia. Two plants are located to Jüri, where one manufactures wind mill generators and the second builds low voltage drives. A third factory in Keila produces low voltage systems and a fourth plant in Maardu builds Compact Secondary Substations (CSS).

The 2009 Swedish Business Award is not the first prize for ABB Baltics. Recently the company received Estonia's 'Foreign Investor of the Year' award for the third consecutive year!



Estonia's President Toomas Hendrik Ilves presenting ABB Baltics Country Manager Bo Henriksson the Enterprise of the Year Award 2008

Additionally ABB Baltics has also received Estonia's 'Enterprise of the Year Award' 2007 and 2008.

- On a global basis the International Energy Agency estimates that 42 percent of all electricity generated is consumed by industries, 38 percent by commercial and residential buildings and the remaining 20 percent by other sectors like agriculture, transports, commercial and public services.

- Our industrial product range improves energy savings by helping factories run more productively with state-of-the-art control systems, automation products and electrical equipment. ABB's key technologies include controls, enterprise software, instrumentation, low-voltage products, drives, motors, robots and turbochargers.

- Lighting, heating, cooling and powering electric appliances are other areas of consumption involving not only industries, but also our private individual energy consumption. Our product line here includes equipment and systems for adjusting the heating temperature, lighting and the energy consumption of electric appliances to the actual requirements. This offers a substantial energy-saving potential without compromising comfort or quality of life.

Estonian priorities

- The refurbishing of the oil shale fuelled power plants and the construction of Estlink 2 are already on Estonia's agenda and should have highest priority, said Bo Henriksson. Oil shale fuelled power plants in the current shape are not an option from year 2016 and unrefurbished production units at the two Narva Electrical Power Plants will be closed from that year according to current plans. This is indeed a challenge for Estonia and makes the issue a top priority.



- Launched in December 2006, only 19 months after ABB was awarded the contract, Estlink has become a success. It is a transmission system rated at 350 MW of active power in either direction between the Harku converter station outside Tallinn and the Espoo converter station near Helsinki. The link interconnects the national grids of Estonia and Finland, and enabled the exchange of electric power between the Baltic States and the Nordel electric system for the first time.

- Estlink 2 is now planned for contracting 2010 and launch in 2014, told Bo Henriksson. It will be a 650 MW undersea cable from the Püssi substation in Estonia to the Anttila

substation in Finland with a total length of 165 km, including a 140 km long offshore cable. The technology to be used, HVDC (High-Voltage Direct Current), is the same as for the first Estlink. In addition to the possibility to switch the distribution of the power in either direction instantly, further HVDC advantages include the ability to transmit large amounts of power over long distances with lower capital costs and with lower losses than AC (Alternating Current).

- In this context it should also be mentioned that a memorandum of understanding was signed this summer between Lithuania's Lietuvos Energija, Latvia's Latvenergo and Sweden's Svenska Kraftnät on the NordBalt project, said Bo Henriksson. It is a planned submarine HVDC power cable between Sweden and Lithuania with a capacity of 700 - 1.000 MW. However, no legal body for the contracting and future operation has yet been founded.
- Wind power has grown in importance around the world and in Estonia as



ABB's wind power generator factory in Jüri

well. Our factory in Jüri builds wind power generators and ABB is actually the world's largest producer of wind generators. Despite the interest for this source of energy,

Estonian energy



- The share of renewable energy in Estonia's electricity production is still small, said Eesti Statistika (Statistics Estonia) in a mid-September report. However, electricity production from renewable sources has slowly increased in Estonia since 1995 and accounted for 1,5% percent of the total output in 2008 (0,9% in 2007).

1.5 times more wind power and 1/3 more hydro power generated energy was produced in 2008 compared to 2007 and ended up at 133 GWh of wind power and 28 GWh of hydro power during 2008.

Estonian power plants also continued the refurbishing to environmentally cleaner Combined Heat and Power (CHP) generation. In 2008, Estonia had 17 CHP plants producing some 9% of the total electricity output and 30% of the thermal energy. Compared to 2007, the CHP electricity production increased with 5%.

The economic decline reduced Estonia's total domestic energy consumption with 4% in 2008 compared to 2007 and the financial crisis also had an impact on Estonia's export of energy products. Exports of electricity decreased 16%, mainly as a result of an almost twofold 2008 drop in exports to Latvia. As a comparison, 2008 imports of motor fuels to Estonia decreased with 20% and imports of natural gas decreased with 4% compared to 2007.

we have noticed the effect of the global economical crisis as demand for these products has decreased with 50 percent.

- There are ongoing discussions on a smaller nuclear power plant to be built in Estonia. However, I believe it will take some time before we might see such a project realized here. The lead time from decision to launch is 20 years at least and the capital investments involved are impressive.

- We were one of the early birds on the Baltic market as we started our operations in Estonia 1992, told Bo Henriksson. Our workforce the first year totaled 10 people. Today we are some 900 people in the Baltics and of those some 700 are working here in Estonia and we have now become one of Estonia's largest foreign investors and exporters.

- As for our own, internal ABB Baltics priorities and wishes, I had the opportunity to present a couple of them to President Toomas Hendrik Ilves as he visited our Jüri factories in May this year, concluded Bo Henriksson. Though export comprises over 90 percent of our production, we still expect the Estonian Government to provide even greater support for and promotion of export. Additionally we expect the Government to make a greater contribution to education in the field of technical engineering.

Text: Megazine - Tallinn



Estonia's President Toomas Hendrik Ilves visiting ABB's wind power generator factory in Jüri

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focus on the **ECONOMY**

Is the downturn leveling out?

“This is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning.”

The quote is from Winston Churchill's November 10th, 1942 speech where he expressed his feelings following the Allied victory at the second battle of El Alamein. As for the current global economic crisis, international corporate executives and economic analysts have now started to express themselves in a somewhat similar manner.

IMF on the economic recovery process



• The recovery has started, and the challenge is to sustain it, says IMF, the International Monetary Fund in their mid-October World Economic Outlook.

Slovakia, Turkey and Ukraine are on top of IMF's international economic recovery top list, while Sweden is found as number 11, Estonia as number 36 and Latvia and Lithuania as number 39 and 40 respectively.

• Slovakia is to a large extent depending on its automotive industry and weakening demand in this segment squeezed the country's economy hard during the first part of this year, say Swedish economic analysts. However, automotive giants like Volkswagen, Peugeot and Kia continue with their huge investments in Slovakia and that is an important contributor to the country's economic recovery.

Sweden's 11th place makes it the second best West-European recovered economy after Norway in IMF's prognosis.

• Swedish exports are partly surfing on Slovakia's recovery, comment Swedish analysts. The Swedish building construction company Skanska signed a half-a-billion SEK contract for a Slovakian railroad tunnel in September and the Swedish fashion retail chain Kapp-Ahl has pointed out Slovakia as its next international market.



The lower recovery positions of Estonia, Latvia and Lithuania are explained by the aftermath of these countries punctured real estate bubble and a continued tight access to credits, says the IMF Outlook.

IMF's Economic Outlook – GDP growth (%)

	IMF's prognosis		Actual
	2010	2009	2008
1. Slovakia	3,7	-4,7	6,4
2. Turkey	3,7	-6,5	0,9
3. Ukraine	2,7	-14,0	2,1
9. Norway	1,3	-1,9	2,1
11. Sweden	1,2	-4,8	-0,2
12. Finland	0,9	-6,4	1,0
14. Denmark	0,9	-2,4	-1,2
34. Iceland	-2,0	-8,5	1,3
35. Estonia	-2,6	-14,0	-3,6
39. Latvia	-4,0	-18,0	-4,6
40. Lithuania	-4,0	-18,5	3,0

Riksbanken – the Swedish Central Bank

• Since April, several signs have emerged that the downturn in economic activity abroad has slowed down, said Riksbanken's Governor Stefan Ingves in a monetary policy meeting. It will take a while, however, before the entire global economy can return to positive growth. This is partly because different countries and markets entered the



downward cycle at different times and because some are now recovering more quickly than others.

• As far as Sweden is concerned, the position of Europe in the economic cycle and how the imbalances are handled in the European countries will be of particular importance. In this context, the problems of the Baltic countries do not perhaps play such an important role in an economic sense, but handling the problems in the Baltic countries effectively will provide an important signal as this will affect the state of the Swedish financial sector.

• The negative development of the GDP in Sweden is mainly a result of weak economic development abroad. However, a number of positive signs have also emerged; the decline in economic activity is leveling out and a number of indicators point to a slight improvement in certain areas.

• When the global turnaround comes, Swedish investments and exports will increase once again, concluded Stefan Ingves.



When Sweden and Finland recover, so will Estonia

While Riksbanken's Governor Stefan Ingves relies on a global turnaround for Swedish investments and exports to increase, Ülo Kaasik, Eesti Pank's (Estonia's Central Bank's) Head of the Monetary Policy Department, relies on Sweden and Finland for Estonia's economic recovery.

• When Sweden and Finland recover, so will Estonia, said Ülo Kaasik earlier this year at a presentation at Eesti Pank for members of the Swedish and other foreign Chambers of Commerce in Estonia.

Given Stefan Ingves' hopes for a global turnaround and Ülo Kaasik's hopes for a Swedish economic recovery, focus has taken a look at some CEO comments lately, which to



some extent, might be signs of a change for the better.

• It is an unsafe world out there and considering that, we have made a good result, commented Ericsson's CEO Carl-Henrik Svanberg.

• I am very pleased that despite a challenging macroeconomic environment in the second quarter, we reported among the highest EBITDA, excluding non-recurring items, in the company's history, said Lars Nyberg, Telia Sonera's President and CEO.



Photo: Gripen International

• Saab Defence, Aviation & Space has received several important orders in key areas despite the financial turmoil and changes in the Swedish defence structure, said CEO Åke Svensson. The continued sales growth demonstrates our ability to meet project milestones and deliver advanced systems, products and services according to contractual plans.

• In a difficult market situation, Trelleborg has successfully managed to generate a continued strong cash flow and improved our operating margin compared with the first quarter of 2009 and we continued improving our market positions during the quarter, said CEO Peter Nilsson.



• The global financial markets continued to stabilize during the third quarter, even if the recession and the financial crisis is far from over. Ukraine and the Baltic countries,

“A Lutheran budget”



Anders Borg



Carl B. Hamilton



Martin Luther

Headlined “Working Sweden out of the crisis” the Swedish Government's budget proposition for

►►► 2010 was recently presented to Riksdagen (the Parliament) by Sweden's Minister for Finance Anders Borg.

Folkpartiet's (the Liberal Party and one of the political parties forming Sweden's current coalition Government; Alliance for Sweden) economic spokesman Carl B. Hamilton supported the budget bill and called it "a budget that could have been put forth by Martin Luther". Hamilton referred to Luther's thesis that 'work promotes health and wealth, and prevents many occasions to commit sins'.

The Swedish budget bill for 2010 contains further measures to tackle the recession following the financial crisis. A total of SEK 32 billion is being put into new measures for 2010 and SEK 24 billion for 2011 aiming to moderate the decline in employment, prevent unemployment from becoming entrenched, defend core welfare services, encourage more business starts and business growth, and protect the climate.

• The Swedish economy, being dependent on exports, has been severely impacted by the sharp downturn in the global economy, said the Minister for Finance, Anders Borg. It is estimated that Sweden's GDP will fall by 5,2% during 2009, which is the weakest growth performance in a single year since the Second World War. In tandem with this, unemployment is expected to continue to rise, reaching 11,6% in 2011 before starting to decline.

The Swedish political opposition called the budget bill irresponsible. "This is the third consecutive budget bill where the Government adjusts the prognoses for unemployment upwards and for job opportunities downwards – and still they do not change their policy. It is still only the same old tax reductions being carried through", said Thomas Östros, the Social Democrats economic spokesman.

primarily Latvia, continue to show a deep fall in GDP which leads to difficulties for the bank's customers to pay interest and amortization. In Estonia, the first signs of macro economic stabilization can be seen, said Michael Wolf, President and CEO of Swedbank, as he commented the bank's interim report for January - September 2009.



• With the recovery of equity and debt markets during the last six months and the return of credit spreads to levels seen before Lehman Brothers defaulted, we are approaching an end to the acute phase of the financial crisis. Global growth in the real economy is subdued and the recovery will not be free from setbacks – it is still dependent on both central bank liquidity measures and government stimulus packages, wrote SEB's President and Group Chief Executive Annika Falkengren in her comments to SEB's third quarter report 2009.

• The economic situation in the Baltic countries remains challenging but we are beginning to see signs of stabilization. The slowing trend in new past due volumes first seen in the second quarter can now be confirmed, added Annika Falkengren.

• We have a portfolio of well managed companies that are well positioned in their respective markets; positions that in several cases have grown stronger during the past year, comments the investment company Industrivärden's CEO Anders Nyrén.



Anders Nyrén
CEO Industrivärden

• During the spring it became increasingly clear that the financial markets are gradually working better after the collapse that came in the wake of the Lehman Brothers liquidation in September 2008, continued Anders Nyrén. There is therefore reason to believe that investors are beginning to regain their risk appetite.

• We are now seeing signs of greater economic activity, albeit with major differences between the major economic areas. We are also seeing a clear upswing in Asia, led by China, as well as some signs of a recovery in the U.S., while the EU region is lagging after.

• There are signs that Stockholm can see the economic downturn leveling out, says Stockholmsbarometern, a report on the economical situation in the greater Stockholm area published by the Stockholm Chamber of Commerce. Business has picked up and the order books of Stockholm based companies show a gradual increase. However, the construction sector is still weak and IT service companies have started to downsize their staff.

• Overall there are however several signs that Stockholm now can see the economic downturn leveling out, commented Peter Egardt, President and CEO of the Stockholm Chamber of Commerce.

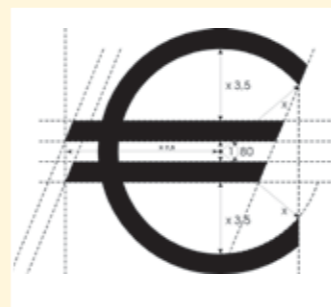
• There are indications that the global economy is beginning to stabilize, said Anders Borg to the Swedish Parliament. The situation in the financial markets has stabilized, improving opportunities for households and businesses to obtain loans. This reduces the risk of further negative repercussions on the economy and public finances. In the wake of the financial crisis, many people risk protracted and destructive economic and social exclusion after having lost their jobs. We are trying to limit damage from the crisis by taking forceful action to promote jobs and enterprise and by providing support to everyone who has been severely hit by unemployment so as to enable them to recover more quickly. We are making it possible to keep up the standard of education and care services despite the tough years ahead.

• An innovative and dynamic business sector that is well able to adapt is of central importance for economic growth, concluded Anders Borg. In this Bill, the Government therefore proposes a range of measures to strengthen incentives to start up, run and develop businesses in Sweden. These measures will make entrepreneurs more secure; make it less risky to start new businesses and lower costs for many businesses. They include reduced social security contributions for self-employed people to improve growth and development opportunities for small enterprises.



Peter Egardt
President and CEO of the Stockholm Chamber of Commerce

Estonia



Eesti Pank (Estonia's Central Bank) refrains from talking too much about eventual signs of the economic downturn leveling out. Joining the Euro area and risks to the Estonian financial system stability remains on top of Eesti Pank's agenda.

• The main preconditions for a rapid recovery of a steady Estonian economic growth are the clear perspectives of joining the Euro area in the near future and restoring fiscal balance and surpluses in the years ahead, says Eesti Pank. With the inflation rate declining, Estonia will have all the chances for meeting the Maastricht criteria at the end of 2009. This will make it possible to accede to the Euro area on 1 January 2011 at the latest.

• Fiscal policy plays the main role here, since the rapid economic downturn has resulted in an unprecedented deterioration in the Estonian general government's fiscal position. Therefore it is necessary to restore the short-term and long-term sustainability of our fiscal policy with the priority goal being to lower the deficit below 3% of the GDP. The measures taken so far represent an extensive correction compared to initial plans, but do not yet ensure that the consolidated budget deficit will drop below 3% of GDP either in 2009 or in 2010.

• Although the measures taken by governments and central banks have helped the financing environment of the banks being active in Estonia to stabilize, growing loan losses may start to reduce their liquidity buffers. With the banking sector closely integrated, it is important to consider the assessments and activities made with a view to ensuring capitalization by the central banks and supervisory bodies in the home countries of the banks here. Cross-border cooperation helps keep up the functioning of the Estonian banking sector.



Governments and central banks have indeed taking an active part in supporting shaky financial markets around the world. Sweden's government and central bank, Riksbanken, are no exceptions and

Swedish financial support packages have not only included Estonia but also Iceland, Latvia, the European Central Bank (ECB), the International Monetary Fund (IMF) as well as other financial markets and bodies.

• Central banks around the world have implemented extensive measures to counteract the effects of the financial crisis, wrote Peter Sellin, Riksbanken's Monetary Policy Department, in a recent economic comment. In many cases, the same type of extraordinary measures have been used; these include providing loans to the counterparties at longer maturities, providing loans in USD, approving a wider

range of securities as collateral for loans and increasing the circle of monetary policy counterparties.

• In some cases, however, the central banks have chosen to take different measures to counteract the effects of the financial crisis in their respective countries. This is due to differences in the structure of the financial sector in the various countries. One such important difference is that the financial markets are more developed in the USA than they are in Europe. The US Central Bank has therefore used more measures that are intended to directly support various financial markets. In Sweden and the Euro area, on the other hand, the companies are more dependent on the banks for the funding of their operations.

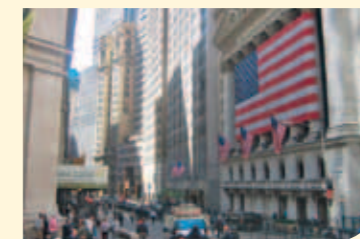
• Main focus of the measures taken by the Riksbank and the ECB has therefore been to support the banking system, concluded Peter Sellin.

• The banks operating in Estonia have enough capital to cover possible loan losses induced by the difficult economic environment, should the loan portfolio quality deteriorate further. In addition to reserves accumulated on account of previous years' profits, banks are also able to use their capital buffers that were created as a result of the measures taken to alleviate earlier cyclical fluctuations in the economy.



In the current economic situation it is natural that capital buffers decrease, but when the cycle turns upwards, the capital stock will have to be restored.

USA



As the collapse of the US subprime market and the September 15th, 2008 fall of the US based investment bank Lehman Brothers (see focus 4/08) are considered to be two of the main triggers of the

current global economic crisis, reports on the US economic development are scrutinized by financial communities around the world.

A recent report shows that the US GDP is still decreasing but, not as much as expected.

• We can see that the US economy has reached the bottom, says Torbjörn Isaksson, a macro economic analyst at Nordea, Sweden. The order volume for US industry is increasing and the wheels have started to roll again.

• There are signs for a US economical growth during the second half of this year, but it will be a toilsome recovery. A main priority for USA right now is to get private consumption up again, concluded Torbjörn Isaksson.

SCCE's Council met with a delegation from the Swedish Parliament's Finance Committee

On September 18th, the SCCE's Council was invited to the Swedish Embassy to meet with a delegation from Riksdagens Finansutskott (the Swedish Parliament's Finance Committee). SCCE's Vice Chairman Karolina Ullman reports:



The delegation from Riksdagens Finansutskott (the Swedish Parliament's Finance Committee) was welcomed to Tallinn by Ambassador Jan Palmstierna (far right)

- A long Q&A session followed and we who represented the SCCE Council - Anders Hedman, Rein Leipalu, Anders Näslund, Katrin Luhaäär, Janar Sutt and Karolina Ullman - hopefully managed to shed some light on the current business situation in Estonia.
- As a conclusion, it seemed to SCCE as it was indeed a good idea for the delegation to come over and experience the financial crisis in Estonia instead of only reading about it in the media.
- The Finance Committee delegation was visiting Estonia on a two-day programme to learn more about the financial situation and had split up in two groups; one group went to Latvia and one to Estonia.
- The delegation had a busy two-day schedule in Tallinn including meetings with Ambassador Jan Palmstierna and the Swedish Embassy's Counsellor and Deputy Head of Mission Victoria Forslund Bellas as well as Estonia's Minister of Finance Jürgen Lidi, representatives of the Estonian Parliament's Financial Committee and the Estonian Central Bank. The delegation also met with SCCE's members Håkan Berg, Head of Swedbank's Baltic Banking and Johannes Kjellgren, Managing Director, Volvo Trucks Estonia.
- The delegation was interested in getting the employers' view on the recent situation as well as the perspective of a foreign investor into Estonia. They seemed a bit surprised of the fact that the SCCE Council was skeptical about how the Estonian State will manage the large numbers of unemployed once the unemployment fund support ends - which normally happens after 9 months of unemployment.

For the SCCE Council, Karolina Ullman



The Swedish Parliamentary Committees

Sweden has 15 Riksdagsutskott (Parliamentary Committees), all with the task of ensuring that all items of Parliamentary business are considered thoroughly before any decisions are taken. In addition, the Riksdag also has a Committee on European Union Affairs.

Each Committee has 17 members representing the parties in proportion to their relative strengths in the Riksdag.



272 Members of the Swedish Riksdag (out of a total of 349 MPs) are also members of a Parliamentary Committee

The Committees cover areas connected to Civil Affairs, the Constitution, Cultural Affairs, Defence, Education, Environment and Agriculture, Finance, Foreign Affairs, Health and Welfare, Industry and Trade, Justice, Labour Market, Social Insurance, Taxation, Transport and Communications, and European Union Affairs.

In general terms the Committee on Finance prepares matters concerning guidelines for financial policy, adoption of the central government budget and matters concerning the activities of the Riksbank (the Swedish Central Bank). It also prepares matters concerning expenditure limits and estimates of State revenue.



Devaluation options

With a focus on an eventual Latvian devaluation, Gunnar Örn - a macro economic journalist at Sweden's business newspaper Dagens Industri, recently listed some optional lines of action. In several respects his options are applicable on any country having its currency pegged to the Euro.

• A compromise could be to let the Lat float within a certain interval, said Gunnar Örn. The current peg of the Lat to the Euro has a possible variation of 1%. Creating a wider interval, for example 15% which is allowed within the European Exchange Rate Mechanism System (ERM), would create a certain flexibility. In such a scenario an upper and lower limit would exist in terms of the exchange rate of the Lat to the Euro.

• Another option is to devalue and then introduce the Euro. This is however less likely for Latvia since EU's Monetary Union (EMU) has firm demands on countries wanting to introduce the Euro.

• Despite this there is a hypothetical possibility not to care about the EMU rules, continued Gunnar Örn. Just as Panama and Ecuador, Latvia can simply abolish the Lat or having the Lat working as a parallel currency to a bigger. Contrary to these Latin-American countries who have adopted US Dollars, Latvia could introduce the Euro as its currency without an EU approval. This means of course an obvious risk for a conflict with the European Central Bank and Latvia would not be included in the future decision making on the Euro.

• Latvia could also devalue to a new peg to the Euro. This option requires that the Latvian Central Bank has resources to defend the new exchange rate against currency speculations.

• A final option is to abolish the peg totally, let the currency float and let the market decide



The Big Taboo



• The Estonian Kroon must be devalued by 15% immediately, said an article headlined '18 ideas to save Estonia from the economic crises' and published by Eesti Ekspress this summer. The devaluation issue was on top of the list of ideas.

• A devaluation is necessary to give the Estonian currency its actual value, continued the article where several experts shared their ideas with Eesti Ekspress' readers. It is important that the devaluation stays below 20% since this is a psychologically important limit. Following a 15% devaluation the Estonian Central Bank shouldn't allow the EEK to float freely. A Euro currency peg should be kept and after a

15% devaluation 1 EUR would cost EEK 18.4 compared to today's EEK 15.65.

While official Estonia declares devaluation as a none existing alternative and more or less considers the issue as a big taboo, several debaters and entrepreneurs now express their point of view on an Estonian devaluation in articles as well as in the public debate.

Anders Näslund: Deflation or devaluation and what to do!



Anders Näslund Partner at Boomerang Distribution OÜ and a member of SCCE's Council

• Estonia's inflation and lack of productivity have been debated among foreign managers for a long time by now, says Anders Näslund, Partner at Boomerang Distribution OÜ and a member of SCCE's Council. These problems have now developed into a debate about deflation or devaluation and last year this question became part of the general discussion on what should be done about Estonia's economical situation.

• At the moment it looks like

the world crisis is leveling out but it will probably take until Christmas before we know if it just was a flat shelf or if this is the turnaround, continues Anders Näslund. For Estonia it is a bit more challenging as the productivity problem will remain when world economy improves.

• It was an important step for Estonia to enter the European Union 2004 and it was followed by a period of rapid economic growth but also high inflation and an incredible increase of wages and other costs. Estonia lost its earlier low cost advantage, especially as the productivity didn't increase. The main driving force for this 'growth' was the building of offices and private houses financed by banks that didn't see the difference between inflation and economical development.

• As private entrepreneurs we have to accept the macro economics and just do the best we can when times changes for better or worse.



the exchange rate. This is the way Sweden chose in the afternoon of November 19th, 1992.

• Latvia could carry out a controlled devaluation and still re-establish market confidence in the country's economy, Erkki Raasuke, Swedbank's former Head of Baltic Banking and nowadays Swedbank's Chief Financial Officer, was quoted saying in a mid-October report from Reuters.



Erkki Raasuke

• An uncontrolled Latvian devaluation would be likely to have a devastating effect, while a devaluation of the Lat within the limits set by the ERM2 currency grid would be easier to handle, continued the quote.

• If we believe that Latvia can carry out its reforms and eventually decides to devalue by 15%, this would be within the confines of the ERM2 framework. In order to re-establish investor confidence, this could be done with help from the IMF and support from the Nordic countries and the EU in a good and well-planned process.





Erkki Raasuke was also quoted as repeating the line taken by the Swedish banks that a devaluation would lead to more short term pain though the total losses would still end up at roughly the same levels as if Latvia would keep its peg to the Euro.

• As far as Swedbank is concerned, I think this would initially trig some of the larger credit losses, but we estimate that the outcome in total would be at the same level, concluded the Reuters quote of Erkki Raasuke.

• As for Boomerang Distribution OÜ we provide distribution and packing services to mail-order companies, media groups and retailers in the Nordic countries, says Anders Näslund. Every year we pack more than 25 million items that are distributed to customers in Northern Europe.

• Our clients are mainly Swedish companies and that is not an easy market as the Swedish Krona fell 20 – 25% and our clients consequently have lost value of their money. Our contracts with Swedish clients are drawn up in either SEK or Euro and an agreed price in SEK means that Boomerang Distribution receives less income even if we do the same work, and when our prices are agreed in Euro our Swedish clients get a higher cost for same service. The risk that they order less services from us is both obvious and serious.

• When the global financial crises occurred, international demand decreased and exchange rates started to change. The rapidly braking world economy brought harder times for Estonia's export industry and for Boomerang it has been especially problematic since we have to compete with Polish companies and the Polish Zloty has weakened even more than SEK.

• Even Estonian companies with good productivity have problems to compete internationally, as their sub-suppliers with low productivity still create too high costs. For some companies it has become too expensive to purchase products and services in Estonia.

• The current exchange rate of EEK is problematic for a lot of export companies and devaluation would be an immediate benefit for most Estonian exporting companies, says Anders Näslund.

• World market demand has been low this year, but even during times of low demand Boomerang Distribution and other Estonian export companies makes business proposals and offer services. Many of these offers are based on higher costs than the international competition can offer and this result in a long term negative effect. High prices decreases demand from us and push our clients to find other solutions and suppliers for the future, even if our clients have no immediate demand for our services. If the export markets learn that Estonia is an expensive country they might not even send tenders to Estonian companies when times get better.

• Deflation works if prices shrink faster than the contraction of transaction volumes, but until now statistics show that Estonia's production volume and GDP shrinks faster than salary costs, consumer prices and production prices resulting in high unemployment. We just have to hope that deflation doesn't stall the domestic economy as consumers wait for lower price offers next month, or following months.

• One major macro economical difference between deflation and devaluation is that it takes longer time for deflation to reach the right price levels. Slow Estonian price adjustments result in less transactions and additional unemployment as companies here can't offer competitive prices on the international market.

• **Deflation versus devaluation is a political issue and if deflation works, then deflation and devaluation will provide the same cost levels in some year's time, concludes Anders Näslund. It is up to the politicians to decide based on what is best for the country. But, politics is based on votes and keeping the voters happy - political decisions tend to depend on who earns on what. As for an Estonian deflation, most people with euro loans will benefit most - as long as they can keep their income.**

Text: Anders Näslund
Partner at Boomerang Distribution OÜ
Member of SCCE's Council

Yield Management

As Madonna gave her Tallinn concert August 4th, Baltic News Service reported that Tallinn hotel rooms in connection with the concert were available from EUR 142 up to EUR 256 per night. BNS compared it to Tallinn's average room rate of EUR 38 per night and the phenomenon is a classical example of supply-demand pricing for maximizing the yield.



Yield Management, or revenue management, is defined as the process of understanding, anticipating and influencing consumer behavior in order to maximize revenue or profits from a fixed, perishable resource. The challenge is to sell the right product or service to the right customer at the right time and for the right price.

May it be good or bad times, Yield Management has developed to a large revenue generator for several major industries; Robert Crandall, former Chairman and CEO of American Airlines, called yield management "the single most important technical development in transportation management."

Yield Management has significantly altered the travel and hospitality industry since its inception in the mid 1980s. It has in many respects evolved from the system airlines invented as a response to deregulation and quickly spread to hotels, car rental firms, cruise lines, media, and energy to name a few.

Its effectiveness in generating incremental revenues from an existing operation and customer base has made it particularly attractive to business leaders that prefer to generate return from revenue growth and enhanced capability rather than downsizing and cost cutting.

There are three essential conditions for revenue management to be applicable:

1. That there is a fixed amount of resources available for sale.
2. That the resources sold are perishable. This means that there is a time limit to selling the resources, after which they cease to be of value.
3. That different customers are willing to pay a different price for using the same amount of resources.



When a flight departs, unsold seats cannot generate any revenue and thus can be said to have perished. Airlines use special software to monitor how seats are being reserved and react accordingly, for example by offering discounts when it appears that seats will remain unsold.

Hotels use Yield Management in largely the same way; calculating rates and restrictions on sales in order to best maximize the revenue. Constrained and unconstrained demand are measured along with pace to gauge which restrictions; eg. length of stay and non refundable rates.

Revenue managers in the hotel industry have evolved tremendously over the last 10 years and in this global trade targeting the



right distribution channels, controlling costs, and having the right market mix plays an important role in Yield Management. Professional revenue management in hotels is selling rooms and services at the right price, at the right time, to the right people.

In the car rental industry, yield management mostly deals with incremental sales; sale of optional insurance, damage waivers and vehicle upgrades.

These sales account for a major portion of the rental company's profitability, and is monitored on a daily basis. Constrained and unconstrained demand is also monitored with price segmentation as the final outcome.



Food and grocery stores are obviously a bit more physical in their approach to revenue management. The aim is to make us shop a bit more and a bit different than what we have on the purchase list. Swedish studies have shown that only 10% of us manage to stick to our purchase list.

The shop area closest to the entrance is usually used for products appealing to our senses of appearance and smell like fruit, vegetables, freshly baked bread or flowers. As much shelf space as possible is dedicated to best selling brands. The trade calls them 'faces' and many 'faces' next to each other increases our willingness to buy. The rows of shelves are often quite long and don't give us any opportunity to escape before we have been exposed to the products on display. Basic foodstuff like potatoes, milk, and packaged bread are usually found in the far end of the store while candies have a tendency to appear next to the cashier's desks. Exactly where on a shelf a product is placed is also important and the golden position is a bit under our eyes – to be more exact, some 15 degrees below the eyes of the average customer. It isn't uncommon that brands exposed here have paid for it.



Professional Revenue Management should be capable of answering the question: "Given our operating constraints, what is the best mix of products or services for us to produce and sell in the period, and at what prices, to generate the highest expected revenue?"

Research and text: Megazine - Tallinn

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FOCUS ON TOUR



“During crises past as well as during the current crisis, export has been and is a life buoy for Sweden,” said Jan Palmstierna, Sweden's Ambassador to Estonia, at a seminar this spring.

Export is indeed crucial for Estonia as well, and the general opinion among macro economic analysts is that Estonia's key to success lies in export oriented small and medium sized enterprises (SME's).

To find out more, **focus** went to Aruküla, just south of Tallinn, and met Hillar Lauri, Export Director at Falkonet Metall OÜ.



Hillar Lauri,
Export Director, Falkonet Metall OÜ

Export

• Our export has developed over the years and today 70% of our production is delivered to customers abroad, said Hillar Lauri. We design, produce, sell and install a wide range of industrial metal furniture with lockers and cupboards accounting for the majority of our sales. Additional products include shelves, movable archive shelves, benches, clothes racks and tool cabinets.

• When the company was founded 1999, production of security doors was the main business but rather soon the production was diversified to include industrial furniture. By 2002 the demand for our metal furniture had grown considerably and Falkonet Metall invested in new production equipment. New high-tech machinery was installed and enabled us to increase both productivity and reach an even higher degree of precision, quality and speed in our manufacturing processes.

• 2003 marked an important change as a decision was made to put all our efforts on sales and production of in-

dustrial metal furniture, continued Hillar Lauri. Our first important export customers were located in Finland, and Finland is actually our biggest export market today as we have managed to work our way up to a 20% share of market in this country.

• We offer a standard line of metal furniture products, but a considerable part of our production involves specially designed and customized solutions to meet the needs of any client. Our major customers are found among construction companies like PEAB, NCC, Skanska, YIT, Ramirent and Cramo. Additional customer groups include factories, schools, hotels, sports clubs, spas, health care centers as well as border guard and military installations.



• Our business strategy is straightforward, said Hillar Lauri. We provide quality metal furniture at the right price with an optimized blend of high-tech CAD/CAM supported CNC-machinery and skilled craftsmen in our manufacturing pro-

Estonia's export and import

From an export point of view, Estonia has a good location at the heart of the Baltic Sea Region, a market with more than 90 million inhabitants. Main Estonian export products include machinery, industrial equipment, wood, paper products, textiles, food stuff, furniture, metals and chemical products.

The Nordic countries, especially Sweden and Finland, account for a prominent position among Estonia's export markets. Other main markets include Germany, Great Britain and Holland as well as Estonia's neighbors Latvia and Lithuania.

According to Eesti Pank (Estonia's Central Bank) Estonia's export 2008 totaled EUR 8.463,6 mln. As imports accounted for EUR 10.895,3 mln, the year ended with a 28,7% negative foreign trade balance. ▶▶▶



The global economic crisis was mirrored in Eesti Pank's export/import figures for the 2nd quarter 2009. Estonia's export ended up at EUR 1.608,1 mln, -27.6% compared to the 2nd quarter 2008. On the other hand imports decreased as well and totaled EUR 1.774,2 mln, -37.6% compared to the same period last year.

Commenting the 2009, 2nd quarter figures, Andres Saarniit, an advisor at Eesti Pank's monetary policy department, said:

- Compared to the first quarter this year, Estonia's export increased with 10% and due to our current low domestic demand imports remained at the same low level that we saw during the first quarter. Though the negative foreign trade balance decreased, I don't see this as a sustainable situation. However, it decreases Estonia's vulnerability during the current global financial and economic crisis.

esses. Our quality concept also means that only the best raw material from major Nordic suppliers is used. Environmental concern is important to us and as a member of the Estonian Recycling Organization we strive to ensure that our policy and business activities favor a sustainable environmental development.



• Given our success in Finland we have now decided to further increase our sales efforts to Sweden, told Hillar Lauri. We are currently mapping the market and are in the process of producing sales and marketing material specially adapted to the Swedish marketplace. Our membership in the Swedish Chamber of Commerce in Estonia has given us a contact with solid Swedish-origin expertise now supporting us in this work. We also hope that our membership in the Estonian-Swedish Chamber of Commerce in Sweden will provide additional contacts and support.

• **Falconet Metall is not only based in Estonia, we are also a fully Estonian owned company with a substantial international outlook and a straight forward Nordic business model, concluded Hillar Lauri. We have 50 employees and our sales grew to Euro 4,5 million last year. As we remain profitable, even during the current recessionary environment, I guess you can say that we belong to the group of successful Estonian export oriented SME's and we look forward to continue to be a part of Estonia's success story as it takes off again.**

Text: Megazine - Tallinn

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The first 91 years

Tallinn's Freedom Square is taking new shape



Tallinn's Vabaduse Väljak (Freedom Square) has, and still is changing shape. The former parking lot has been moved underground and a column in memory of the Estonian War of Independence is completed with the ancient towers and walls of the Old Town and Toompea in the background.



Tallinn's Vabaduse Väljak as seen from the top floor of Scandic Palace Hotel

expanded on the account of the current parking lots, extending along the bastion wall up to Tallinn's Toompea Street.

The upper part of the column is depicting the Estonian Cross of Liberty (Vabadusrist), established February 24th, 1919 by then Prime Minister Konstantin Päts to honor people for their services during the Estonian War of Independence.

As excavations went on for the new underground parking, additional parts of Tallinn's medieval city wall were discovered. Some of these are now visible through displays on the square and the locations of those parts of the wall not being visible are marked with special granite tiles on the square.



The excavations also revealed signs of human activity dating 5.000 years back in time and suggest that the lower part of Tallinn has a history being several thousand year's older than previously thought. It is believed that the findings show a seasonal Stone Age fishermen's and seal hunter's settlement site near the present Tallinn city government building. The items found, as well as visual material about the Stone Age settlement and the excavations will be displayed in the atrium of the pedestrian area of the renovated square.

The column in memory of the War of Independence was officially inaugurated June 22nd, coinciding with Võidupüha (Victory Day), the victory of Estonian troops over the German Freikorps at Võnnu (Cesis, Latvia) 90 years ago.

Vabaduse Väljak will now become an active recreational area and the venue for representative events of the Estonian State. In the future, the square will be further

Vabadusrist



Vabadusrist (The Estonian Cross of Liberty) was established by then Prime Minister of Estonia, Konstantin Päts, February 24th, 1919 to honor people for their services during the Estonian War of Independence.

It was conferred in three divisions; I Division, White - for military services, II Division, Black - for bravery in combat and III Division, Blue - for civilian services. Each was conferred in three ranks.

The 1. rank of the II Division was never conferred and bestowal of the Cross of Liberty was terminated June 19th, 1925.

September 28th, 1994

Built in 1980 and having sailed the Baltic Sea as MS Viking Sally, MS Silja Star and MS Wasa King, MS Estonia was well known to Swedish and Finnish ferry passengers as she was put into traffic between Tallinn and Stockholm in February, 1993.

Operated by EstLine, jointly owned by the Estonian State and the Swedish shipping company Nordström & Thulin, MS Estonia was the largest ship of the



140 years ago

1869, at the height of the period of the Estonian national awaken-





time sailing under Estonian flag and she became a symbol of Estonia's regained independence. She also provided a welcomed transport capacity for the rapidly growing Swedish-Estonian commerce, trade and tourism. During the first six months 1994, MS Estonia had carried 168.000 passengers on the Stockholm - Tallinn route and EstLine was planning for an October 1994 launch of a second ferry on the route.

At 01.31am, September 28th, 1994, TT - Tidningarnas Telegrambyrå, a major Swedish news agency, sent out a flash telegram:

"The ferry Estonia is feared to have sunken south of Finnish Utö. According to the sea rescue central in Turku, Finland, who got the alarm around half past midnight Swedish time, the ferry has probably capsized in the prevailing hard weather. Another ferry, Mariella, who just arrived at the accident site, has only seen life vests in the sea."



Viking Line's MS Mariella was soon joined by Silja Line's MS Silja Europa at the accident site for rescue efforts, and later on additional ferries, cargo ships, and rescue helicopters from Sweden, Finland and Denmark joined.

• It is totally dark, stormy and rainy, and the waves are around six meters high, said a Swedish rescue helicopter pilot as he and his crew made a short mainland stop for refuelling before carrying on their rescue efforts. We have seen some 40 life rafts out there, most of them unfortunately empty. We managed to locate and save one young Estonian lady and another helicopter close to us managed to pick



ing, the tradition of the Estonian Song Festivals (Laulupidu) started.



As Runbjarn, the Ruhnu Jahta, arrived in the Admiralty Basin of the Port of Tallinn with the Festival Flame of the 2009 Estonian Song and Dance Festival, it marked the first time ever the flame arrived by sea. Under the motto 'Uheshingamine' (To Breathe as One) 26.430 singers and musicians and more than 8.700 dancers took part in this year's Festival.

90 years ago

1919, the Estonian War of Independence went on with full power. Following some



Konstantin Päts
Born in Tahkuranna (Pärnu County) February 23rd, 1874. Deported by the Soviets and died in Kalinin (nowadays Tver) January 18th, 1956.

The first 91 years

successful Estonian counterattacks during the winter, Estonian forces and volunteers managed to drive the 7th Red Army out of the boundaries of Estonia and, for a while, the battle front followed the historic Estonian settlement area.

Just a few days before President Konstantin Päts established the Estonian Cross of Liberty, February 24th, 1919, the 7th Red Army started a Soviet counteroffensive to recapture Estonia. The Soviets failed and in November 1919 peace talks started resulting in a peace treaty concluded on December 31st, 1919, signed a couple of months later, and known as 'The Peace Treaty of Tartu', February 2nd, 1920.

70 years ago

The fate of Estonia during World War II was decided by the Molotov-Ribbentrop Pact and its Secret Additional Protocol of August 23rd, 1939.

Just a week later, World War II broke out on September 1st, as Nazi Germany attacked Poland. On September 2^{4th}, warships of the Red Navy appeared off Estonian ports and Soviet bombers began patrolling over Tallinn and the nearby countryside. The Estonian government was forced to give their assent to an agreement which allowed the USSR to establish military bases and station troops on Estonian soil for 'mutual defence'.



The Molotov-Ribbentrop Pact.
The Soviet Union's People's Commissar for Foreign Affairs, Vyacheslav Mikhailovich Molotov signing the Pact. Behind him and next to Stalin, Nazi Germany's Foreign Minister Joachim von Ribbentrop.

September 1st, 2009, a solemn event was arranged in Poland marking the outbreak of the war. Estonia's Prime Minister Andrus Ansip and Sweden's Prime Minister Fredrik Reinfeldt attended together with, among others, the German Chancellor Angela Merkel, and Russia's Prime Minister Vladimir Putin. The main memorial event took place on Westerplatte near Gdansk being the site where the Nazi German warship Schleswig-Holstein attacked and thus considered the start of World War II.

20 years ago

By 1989 Estonia's Singing Revolution was well under way and on February 24th this year the Estonian flag was once again raised at Pikk Hermann [Tall Hermann] in Tallinn. Pikk Hermann had waited for this event almost 45 years.

The first 91 years



Balti Kett, 1989

On August 23rd, 1989 the world's media focused their interest on Estonia, Latvia and Lithuania as a more than 600 km long human chain was formed across the three Baltic States. More than 2 million people held hands and formed Balti Kett (Baltic Chain) from Tallinn via Riga to Vilnius. The date marked that 50 years had passed since the Molotov-Ribbentrop Pact and its secret protocol was signed August 23rd, 1939.

Named 'Hearts beating for the Baltics' a relay race started from Tallinn and Vilnius Saturday, August 22nd, 2009. As the runners met in Riga Sunday August 23rd in this memorial race of the Baltic Chain twenty years earlier, Sixten Sild, Chairman of the Estonian Orienteering Association, said: "I wanted to run because 20 years ago I stood in the Baltic Chain together with my parents".



Hearts beating for the Baltics, 2009

Footage and photos of the Baltic Chain was earlier 2009 inscribed in UNESCO's Memory of the World Register, a list of 193 moments of global significance.

10 years ago

In December 1999 Estonia's Foreign Minister, and since 2006 the President of Estonia, Toomas Hendrik Ilves delivered a speech entitled "Estonia as a Nordic Country" to the Swedish Institute for International Affairs in Stockholm.

In 2009 Estonia's Nordic approach was highlighted again during a three-day conference arranged by Esto-

nia's Ministry of Foreign Affairs. One of the main messages was that Estonia wants to be identified as Estonia, instead of being perceived as an anonymous area up towards the north in the Baltics. If any reference involving Estonia would be made to a bigger geographical area, Estonia would in that case prefer to be identified as a European country with a Nordic touch [see the ps.-column in focus 2/09].

The Ruble Crisis hit Estonia hard in 1999 and that year became the worst so far in economical terms since the regained independence 1991. However, Estonia looked forward and joined the World Trade Organization in November 1999.

Speaking in Vilnius, Lithuania at the ceremony of the lighting of the Baltic Freedom Flame, August 23rd, 2009, Estonia's Prime Minister Andrus Ansip commented on the current economic crisis: "Today's worries, the present economic fall which has hit us as well, will be just a scrap in the history books twenty years from now. We should take the main things from times past; together and in cooperation with our partners there are always opportunities of success."

Research and text:
Megazine - Tallinn



up two men. The rough weather makes it more or less impossible to rescue survivors from the sea directly to the ships being on the site.

Despite all joint rescue efforts only 137 persons from MS Estonia survived the catastrophe.



Sweden's national MS Estonia memorial at Stockholm's Galärkyrkogården

852 persons perished this September night fifteen years ago - 501 from Sweden, 285 from Estonia, and the remaining 66 victims came from Latvia, Finland, Belarus, Canada, France, the Netherlands, Nigeria, Ukraine, United Kingdom, Morocco, Lithuania, Denmark, Norway, Germany and Russia.



The MS Estonia memorial close to the Tahkuna lighthouse on Hiiumaa (Dagö). This is the spot on Estonian soil being closest to the site where MS Estonia went down. When the wind grows strong enough, the bell starts to move and toll.

The official accident report blamed the MS Estonia catastrophe on the failure of locks on her bow visor that broke under the strain of the waves. When the visor broke off the ship, it damaged the ramp that covered the opening to the car deck behind the visor. This allowed water into the car deck, which destabilized the ship and began the catastrophic chain of events.

Chambers of Commerce Cooperation



Ivar Veskiöja, Kadri Land and Peeter Aspe from Estnisk-Svenska Handelskammaren in Sweden

Inaugurated at the Estonian Embassy in Stockholm in May 2008, Estnisk-Svenska Handelskammaren (the Estonian-Swedish Chamber of Commerce) has now been active in Sweden for a bit more than a year.

Representatives of the Board of the Estonian-Swedish Chamber of Commerce and the Council of the Swedish Chamber of Commerce in Estonia recently met in Tallinn for a discussion on closer connections between the two Chambers and a mutually beneficial cooperation for the two Chambers' members.

A Chamber of Commerce is the sum of its members and it was natural that the two Chambers agreed to get their respective networks in Estonia and Sweden connected. Consequently, companies and organizations looking for information on the business environment and possibilities as well as business contacts in our two countries will now have two locally established Chambers' of Commerce networks at their disposal.



SCCE's Karolina Ullman, Kristiina Sikk and Anders Hedman

Easy information access for the two Chambers' members on seminars, business lunches and events arranged in Estonia and Sweden was another topic ranked high on the discussion agenda. Thus, SCCE's members can take part in activities arranged by the Estonian Swedish Chamber of Commerce in Sweden and members of that Chamber can take part in SCCE arranged activities whenever their business or private travel itinerary permits.

More information on the Estonian-Swedish Chamber of Commerce is available at www.estochamber.se and a direct link to this Chamber is also up at SCCE's website www.swedishchamber.ee.

newsflashes

Swedish Business Awards



At an October 20th afternoon event, focusing on global business climate changes, Sweden's Ambassador to Estonia Jan Palmstierna and Sweden's Minister for Trade Ewa Björling presented the prizes to The Swedish Business Awards winners in three categories; Fastest growing Swedish owned company in Estonia, Innovator of the year and Corporate Social Responsibility.



Ambassador Jan Palmstierna hosted The Swedish Business Awards event

The Swedish Business Award for the fastest growing Swedish owned company in Estonia went to Netlead – a leading net strategy and communication company helping their clients to improve their website so it will be more easily found on the internet.

Competing for the prize in this category as final nominees were AQ Lasertool and Trelleborg MC Estonia.



At The Swedish Business Awards event in Tallinn's Kumu Art Museum: Gunnar Andersson – Nordic Lint, Kristiina Sikk – SCCE, Anna Valve – Swedish Embassy and Henrik Avasalu – Swedish Trade Council

newsflashes

Reklaamilahenduse OÜ won the Swedish Business Award as the Innovator of the year. It was a very happy Indrek Kaing, founder of the company, who now realized that the idea of putting old traditional Estonian folk costume patterns into modern life not only became a sales success but also rendered the company this award.



Indrek Kaing – Reklaamilahenduse

Final nominees for this prize also included SAVEnergy and Baltic Tickets.

ABB Baltics' cooperation within development of robotics with Tallinn University of Technology gave the company the Swedish Business Award for Corporate Social Responsibility.

In this award category Microsoft Estonia and Sorainen Law Office were included as final nominees, and more on ABB and ABB Baltics Country Manager Bo Henriksen is found in the 'focus met' section in this issue of focus.

This was the first time The Swedish Business Awards were presented in Estonia. Established by the Embassy of Sweden and the Swedish Trade Council together with the founding partner Swedbank, the awards have the aim to provide positive examples of international establishments and business development by emphasizing innovativeness, outstanding business achievements and the importance of contributions to society.

Nordistica Tartuensia

The Department of Scandinavian Studies is an academic unit at the University of Tartu. The teaching of Scandinavian languages was re-initiated at the University in 1991, as a Swedish lectureship was established and the first students of Swedish philology were admitted.

Since 1997 the department has published books and booklets on Nordic-related topics in its own publication series, *Nordistica Tartuensia*. As an example, the newest Swedish-Estonian dictionary comprising more than 100.000 lexical items was published in 2004 as volume no. 10 in the series.

This year, volume no. 18 in the *Nordistica Tartuensia* series was published and the book is titled 'Historia kring godset Sadjerw' (The history on the Sadjerw/Saadjärve mansion).



In the preface to the book, Professor Stig Örjan Ohlsson tells the story on how he and Saadjärve Mansion's owner Gunnar Bergström met at a Tartu meeting arranged by

the Swedish Chamber of Commerce in Estonia some years back. They became friends and the book is now published based on an idea by Stig Örjan Ohlsson, written by M.A. Kalle Kroon and financed by Gunnar Bergström.



Photo: Siiri Tomingas-Joandi

Sadjerw/Saadjärve mansion

The book tells, in Swedish and Estonian languages, the fascinating story of Sadjerw/Saadjärve from the 13th century up until our days.



Photo: Siiri Tomingas-Joandi

Gunnar Bergström – owner of Sadjerw/Saadjärve mansion and President of HSF Group, main owner of SCCE's member AS Hanza Tarkon in Tartu

More information on the book and the Nordistica Tartuensia series is available at www.fl.ut.ee/104052.

Global Competitiveness

World Economic Forum's Global Competitiveness Report puts Sweden as nr 4 and Estonia as nr 35 in the 2009 – 2010 edition.



The rankings are calculated from both publicly available data and the Executive Opinion Survey, a comprehensive annual survey conducted by the World Economic Forum together with its network of Partner Institutes (leading research institutes and business organizations) in the countries covered by the Report.

newsflashes

Rank 2009-2010	Score	Rank 2008-2009
1. Switzerland	5.60	2
2. USA	5.59	1
3. Singapore	5.55	5
4. Sweden	5.51	4
5. Denmark	5.46	3
6. Finland	5.43	6
14. Norway	5.17	15
26. Iceland	4.80	20
35. Estonia	4.56	32
53. Lithuania	4.30	44
68. Latvia	4.06	54

Estonia loses some ground and backs down from last years 32nd position to 35th this year. The report cites the deteriorating macroeconomic environment following the economic crisis as the main cause. However, says the report, Estonia continues to be characterized by efficient institutions, well-functioning markets, and strong uptake of new technologies. Similarly, Latvia and Lithuania are down 14 and 9 places to 68th and 53rd, respectively.

Sweden continues to hold a 4th position and, just as for Finland and Denmark, the report cites macroeconomic stability, healthy budget surpluses through 2008, low levels of public indebtedness, high national savings, and narrow interest rate spreads as the main reasons for the three countries' positions on the list.

Additionally, says the report, Sweden, Finland and Denmark also continue to occupy the top three positions in the area of higher education and training. This being the result of a strong focus on education over recent decades providing the workforce with the skills needed to adapt rapidly to a changing environment and laying the ground for high levels of technological adoption and innovation - a crucial issue for countries at their advanced stage of economic development.

However, says the report, labor market flexibility marks a difference between the three countries. Denmark continues to distinguish itself as having one of the most flexible and efficient labor markets internationally, while in Sweden and Finland, companies have less flexibility in setting wages and firing, and therefore hiring workers is deemed expensive, although cooperation in labor-employer relations is good in all three countries.

The most problematic factors for doing business

In the global Executive Opinion Survey, forming one of the bases for the Global Competitiveness Report, respondents are also asked rank the most problematic factors for doing business in countries around the world.

The results are weighted and ranked, and show some different outcomes when comparing Estonia and Sweden.

Problematic business factors	
Rank	Weight
Estonia	
1. Access to financing.....	21.7
2. Inadequately educated workforce.....	11.3
3. Inefficient government bureaucracy.....	10.5
4. Tax regulations	10.5
5. Restrictive labor regulations.....	9.6
6. Tax rates	6.9
7. Inadequate supply of infrastructure	6.8
8. Inflation	6.6
9. Poor work ethic in national labor force.....	5.7
10. Policy instability.....	4.5
11. Corruption.....	2.4
12. Poor public health.....	1.4
13. Government instability.....	1.2
14. Foreign currency regulations.....	0.7
15. Crime and theft	0.3
Sweden	
1. Restrictive labor regulations.....	22.2
2. Tax rates	22.2
3. Access to financing.....	19.0
4. Tax regulations	13.8
5. Inadequately educated workforce.....	5.4
6. Inadequate supply of infrastructure	4.1
7. Foreign currency regulations.....	3.2
8. Policy instability.....	2.6
9. Inefficient government bureaucracy.....	2.4
10. Poor work ethic in national labor force	2.2
11. Crime and theft	1.1
12. Government instability.....	0.9
13. Poor public health.....	0.6
14. Inflation	0.2
15. Corruption.....	0.0



The full 492 pages Global Competitiveness Report 2009 - 2010 is available online at www.weforum.org.

newsflashes

Budget cuts instead of raised taxes

Raising taxes is obviously not a first hand option in Estonia, according to a recent survey made by the independent research company Turu-uuringute.

Some 39% Estonians prefer further state budget cuts to other measures such as raising taxes, taking loans or draining the country's financial reserves, says the survey.

Only 7% of the Estonian respondents saw higher taxes as an option for balancing the State budget. 11% opted for using the State's financial reserves, 6% preferred foreign loans, and 4% suggested sales of State property and State owned companies.

As for the State budget cuts, 24% opted for defense spendings to be cut, 7% preferred cutting parental benefits and spendings on culture, while 3% were in favor of pension cuts and 1% favored reducing child benefits, public health spending and costs for education and science. None of the 981 respondents was in favor of cutting the salaries for teachers, police and emergency service personnel.

A smoother Stockholm traffic flow

Arriving at Stockholm-Arlanda with the morning flight from Tallinn and taking a car to Stockholm often results in more time spent on this car ride than spent for the flight across the Baltic Sea. And, getting off the Tallinn ferry by car soon ends up with a standstill in a downtown Stockholm traffic jam.



A main reason is that traffic passing through Stockholm for other destinations is mixed with local traffic to and from Sweden's capital city.

Now it seems that two huge infrastructure projects will make a change for the better. One was recently approved by the Swedish Government and one is already in progress.

The Stockholm bypass link



The planned Stockholm bypass link
Ill.: Vägverket

Recently approved by the Government, the Stockholm bypass link will take care of the traffic passing Stockholm from north to south or vice versa so this traffic volume no longer has to pass through the city.

In the future people going by car from Stockholm-Arlanda airport to Stockholm will note that a considerable amount of trucks and cars will leave the highway at Häggvik, north of Stockholm. The new Stockholm bypass link will take this traffic to Kungens Kurva, south of Stockholm and this new motorway link will be 21 km long with 17 km built in tunnels.

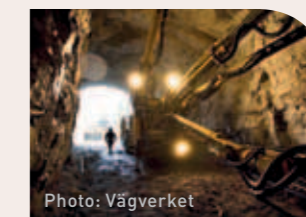
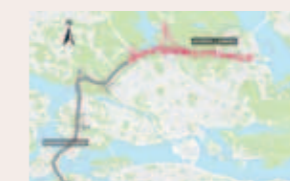


Photo: Vägverket

The new Stockholm bypass link is well needed considering the already existing and considerable congestions on the approaches to Stockholm City Centre. The last major infrastructure project intended to improve the traffic flow through Stockholm was Essingeleden, which was inaugurated in 1966. It was planned for 80.000 vehicles per day, but is today used by 160.000 vehicles on ordinary weekdays and this traffic volume is constantly increasing.

Following the Swedish Government's approval, the construction is planned to start in 2012, but this depends on further decisions and approvals by local public authorities concerned along the route. The construction time is estimated to eight years and the total cost is calculated to 27 billion SEK.

The Stockholm northern link



The Stockholm northern link
Ill.: Vägverket

Already under construction, the Stockholm northern link will handle traffic from and to the ports of Stockholm; Värtahamnen and Frihamnen.

The final part of the link is now being built in tunnels and consequently trucks and cars will no longer have to use downtown Stockholm city streets for getting to or from the Stockholm seaport, which is Sweden's most important port for cargo and passenger traffic to Estonia and the Baltic States as well as Finland and Russia.

It is estimated that the total traffic volume on Stockholm city streets currently used for the seaport traffic, will decrease with 50% when the tunnel link opens in its full length.

The Stockholm northern link is partly opened already, and the last 4 km all the way to the seaport will open for traffic in 2015. The total cost of the northern link project is estimated to 11,6 billion SEK.

Right in the midst of the business

ABB AS 3STEPIT ACG NYSTRÖM EESTI ADVISIBLE ADVOKAADIBÜROO
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LINT NORDKALK ORIFLAME EESTI OUTOKUMPU BALTIC PERNOD RICARD EESTI
POSTEN LOGISTIC SCM OY EESTI FILIAAL PRIMUS EESTI PROEKSPERT PROPARTS
PÖHJAMAAD EESTI MINISTRITE NÕUKOGU PÖLTSAMAA FELIX PÖYRY RADISSON HOTEL
RAGN-SELLS RAPLA PLAST REVAL HOTELS RIMI EESTI RMCONSULTING AB &
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TARKON TEDER GLIKMAN JA PARTNERID TELEGRAAF HOTEL TELIA SONERA TIETO
EESTI WAHLQUIST VARAMIESPALVELU VEINIPOOD WENDRE WIGEN SINDI VIKING
KINNISVARA VIKING MOTORS WINDAK VOGLERS EESTI VOLVO ESTONIA VÄVAR



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ps.

Maybe I am conservative, but when it is time for an election, I actually like to go and place my vote personally at my local polling station. Or, maybe I'm old enough to appreciate that an election nowadays gives us an opportunity to choose between more than one political option and simply want to go and get that special polling station feeling.



At the recent municipal election, I was joined by a Swedish friend. Being an EU-citizen and an Estonian resident, he was entitled to vote and we came to talk about the Estonian and Swedish election systems.

While Estonia has two years between municipal and parliament elections, Swedes vote for the parliament, the community governments and the county administrative boards at the same day every fourth year. Maybe that is the reason why the Swedish people's participation in their latest 2006 elections reached 79,4% as far as their community election was concerned, while Estonia's participation figure ended up at 60,3% for this October's municipal election.

On the other hand, both Estonia and Sweden has elections for the EU Parliament in between the national and local elections. The participation figures was quite similar between our two countries when these elections took place earlier this year; Estonia 43,9% and Sweden 45,5%.

Swedes also vote for the local government of the Swedish Church. These elections takes place every fourth year and at the latest September 20th elections 2009, 11,8% of the Swedes being members of the Swedish Church and thus entitled to vote, took part in these elections.



My Swedish friend and I agreed that living in a democracy gives you both rights and obligations and in terms of taking part in elections, I have now learned two additional Swedish words; 'soffliggare' and 'politikerförakt'.

The first word, 'soffliggare' is used for people simply not caring about elections and maybe not for politics as a whole – they stay at home, lying on their sofa instead of voting. The other word however, 'politikerförakt', designates a certain awareness of politics, but in this case focused on exposed scandals and corruptions with politicians involved. This creates a despise for, not only politicians but also for the political establishment to such an extent that people having this emotional feeling simply doesn't vote more or less as a protest.

Personally I hope that not all of the 39,7% of the Estonian voters that didn't take part in the October 18th elections belong to neither 'soffliggare' nor 'politikerföraktare' but had other reasons for their absence.

Recent economical prognosis forecast an Estonian deflation this year. I have seen estimates ranging from -0,1% to -0,5% which should be a small but contributing positive factor for Estonia's export.



However, going from a 10,4% inflation in 2008 to a forecasted deflation this year is obviously not a linear function. The occasional long queues preceding a price increase at my nearby gasoline station, tell me that prices on commodities like petrol and diesel follow somewhat separate economical laws.

As the Estonian real estate bubble burst, most of us have read and seen that building and construction works have come to a more or less total standstill.

A neighbor of mine has however another viewpoint on the current situation; as labour is available and costs for both material and labour are low or at least lower, now is the time build! He started his building project earlier on this summer and he has no reason to rush the things. Consequently he can bring the project forward step by step, negotiate the terms and prices for each separate part of the construction works and take his time to reach a favorable outcome both in terms of quality and costs.

As I write this, October has already reached its second half and SCCE has had a good start of the autumn. The upcoming time before Christmas and New Year is equally busy with several interesting seminars, business lunches and events coming up. I look forward to seeing you, both old, new and members to be, at our upcoming activities.



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

Sincerely,

Kristiina Sikk
SCCE Ombudsman

Contributions to **focus** from the members of SCCE, both in terms of editorial content and advertising, are welcomed. **focus'** advertising opportunities including sizes, prices and technical requirements are available at our website: www.swedishchamber.ee

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.

Latest news on SCCE events to come and fresh reports on events passed are always found at www.swedishchamber.ee and you can reach me for further information at email: kristiina@swedishchamber.ee or by phone: (+372) 501 9813.



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