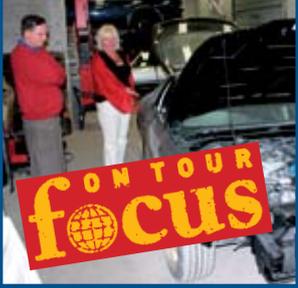
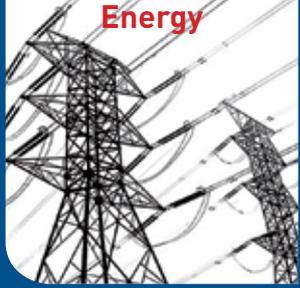


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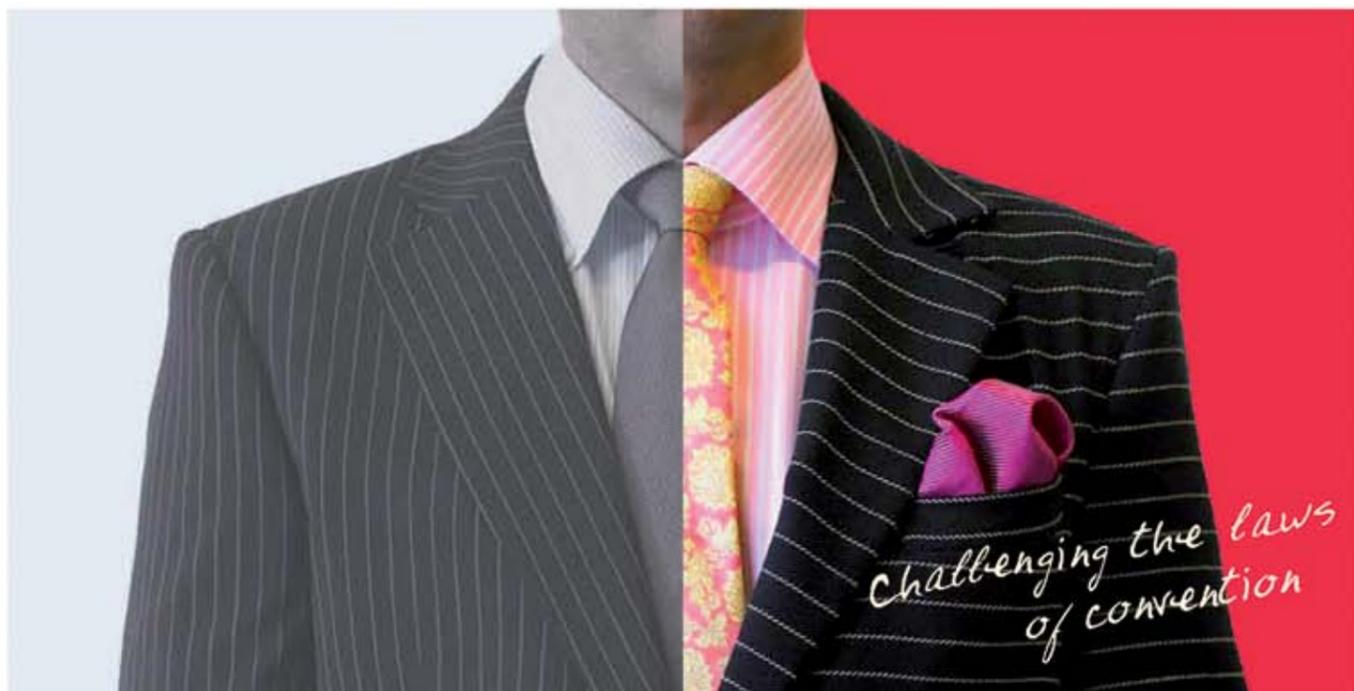
f focus



**focus
met:**

Marina Kaljurand
Ambassador
Chief Negotiator
and Undersecretary

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Anders Hedman
Chairman
SCCE

Photo: Kadi Asmer

Dear reader,

Is it OK to criticize Estonia?

I have soon lived ten years in Estonia and I have all the time been wondering if it is ok to criticize Estonia, Estonians and all what is taking place here or should we foreigners keep our mouth shut and only come out on the BBN chat site with our opinions?



Some weeks ago I participated in a breakfast at the Swedish Embassy. The speaker was a prominent Swedish-Estonian who I personally liked very much. Now he was not happy. He started by showing us an article about Estonian economy from Svenska Dagbladet. He did not like it. He considered it very bad. SvD should simply not write such articles because it damages the reputation of the country and thus potential FDI's. Here I do not agree with him.

I think it is very painful indeed for many Swedish-Estonians when their friends in Sweden read about the bad Estonian economy and the possible devaluation of the Estonian currency. Then it's not fun to go to dinners among friends in Sweden. Especially as the Swedes tax money might be needed to cover up for the bubble economy's crazy luxury consumption during the last 5 years. I understand that it is not so pleasant especially as most Swedish-Estonians usually behave more modest than most of the locals.

It was for sure funnier three years ago, when you heard people with similar background describing the Estonian success story and telling that Estonia had most Jeeps per capita in the world and hearing PM Ansip stating that salary increases of 30% yearly was good for the economy and low salaries bad for Estonia. Even funnier today was the statement by Ansip that Estonia was soon going to be the richest country in Europe! Comical you might say now, but it was Estonian reality anno 2007!

One Estonian who recently has had to feel the cold wind from Swedish media is Mr. Erkki Raasuke who recently became the

CFO of Swedbank and moved to Stockholm. In Estonian papers he became a hero, when he got his new top job in Sweden. In Aftonbladet he was recently pictured under the title: The face of the finance crises doesn't smile! Now, Estonians are not famous for smiling, but I guess that Erkki Raasuke also had no real reasons to smile, especially when later reading the article.

I must say that I feel sorry for many Estonians. We must however understand that the ones who criticize are usually our friends, who care about you and want you to improve. What are then the usual reactions to criticism here on the street? I have always met two reactions here. First is; Go home if you do not like it here! Second one; You must be working for KGB!

These reactions are quite primitive, even if they are understandable to some extent. However I would recommend people to take a more mature approach. There is the old saying from Jeppe på berget [*edit: Jeppe on the mountain, a comedy written by Ludvig Holberg, a Norwegian-Danish author*]; We all know that Jeppe is drinking, but no one knows why Jeppe is drinking! This applies also here. Ask yourselves why the Swedish papers are criticizing. From that analysis comes the enlightenment which later on will show the way to the future solutions and improvements.

The other topic is responsibility. Again back to the breakfast speaker. I asked him about the responsibility of PM Ansip. He answered that we should not discuss who is guilty or responsible, but instead look forward. Things were not that bad in Estonia. He did not want to say that he was worried, but just a little bit concerned. He was again mostly concerned about the Swedish newspapers description of Estonia.

Here again I disagree with him. First, if someone is in charge, which I think it is difficult to say that the PM is not, the PM has to take his responsibility and the consequences of his mismanagement. But responsibility is unfortunately still a quite negotiable thing in Estonia. A famous Mayor was selling passports to a Russian some 15 years ago.

A former minister was recently found guilty of corruption and got two years probational sentence by the court, just to appear a few days later in the media as a possible candidate to fill out the government.

After Watergate old Dick Nixon was politically dead for life time. In Estonia he would possibly have been back on stage again in the next election. All forgotten and forgiven!

My suggestion now is; Let's listen to the critics and learn from it and lets take responsibility for our mess and lets start building the real Estonian wonder! This time not based on luxury consumption and real estate bubble based on borrowed Swedish money, but on high productivity, competitive salaries, qualitative production, investments in infrastructure and exports!

The old bubble Estonia is dead, long live the new Estonia!

Enjoy reading **focus** nr 2, 2009!

Anders Hedman
Chairman SCCE

Publisher

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The Swedish Chamber of Commerce in Estonia

The Swedish Chamber of Commerce in Estonia – SCCE – is a non-profit association registered in Estonia. Since its foundation 1991 the SCCE has grown considerably and today the Chamber unite 120 member companies and organizations headquartered in Estonia, Sweden as well as in other countries.

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

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

Following a SCCE initiative, FICE - Foreign Investors' Council in Estonia was founded in August 2008. FICE is a lobby group acting through contacts with the Estonian Government and Estonia's Governmental bodies. Together, the nine countries represented 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 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 (2009). 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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Estonia's Employment Contracts Act, Business Ethics and Taxes on top of FICE's agenda

FICE

Foreign Investors' Council
in Estonia

Estonia's new Employment Contracts Act became an issue for hot discussions both in the Government and in the Parliament this spring. FICE, the Foreign Investors' Council in Estonia, addressed the issue already in December and urged the Legal Affairs Committee of Riigikogu to work for a resolute and fast implementation of the new Act.



During the spring this year, SCCE and other members of FICE have followed up on the progress of the new Act and now (May 2009) it seems like the Act, however partly revised, will be passed in the Parliament and come into effect July 1st.

At FICE's April 23rd Board Meeting, Martin Breuer was elected as FICE's new Chairman. Following FICE's intention to rotate the Chairmanship among its members consisting of the foreign Chambers of Commerce and Business Clubs in Estonia, Martin Breuer succeeded FICE's first and pioneering Chairman Jens Christiansen. Martin Breuer is also Chairman of the Holland Business Club in Estonia and General Manager of Pädaste Manor on Muhu Island.

In a first April 27th press information with Martin Breuer as Chairman, FICE said:

"Circumstances have dramatically changed since the FICE initiative was born in August last year. The six main issues and priorities that were identified by FICE last autumn are however each still very much valid to foreign investors in Estonia; the Tax System, Energy and Environment, Administrative Reforms, Export and Education. This year FICE will add a seventh issue to the agenda; Business Ethics. The current stress on companies is a serious challenge to Business Ethics. Tax discipline, payment behavior, business moral and default procedures are being put to a test now."

Closely following the intensive and sometimes upset discussions on taxes in the Estonian Government, FICE found good reasons to go out with a May 13th article on the subject. Head-

lined "Raising taxes is not the solution", the article made front page news and continued:

"Recently various sides have made a call to raise income taxes. Also the Minister of Finance has proposed such direction to solve the budget problem of the government. The Foreign Investors Council in Estonia (FICE) finds these ideas very alarming. Going that direction would destroy the unique niche of light government, light bureaucracy and light taxes that Estonia has carved out for itself over the last 17 years".

Continuing its contacts with Estonia's Government and Governmental bodies, a second FICE meeting with the Prime Minister is now planned to take place in June.

Information and contacts

Realizing a growing need for fast and swiftly distributed information on FICE's activities and statements, the internet domain fice.ee was registered towards the end of April. This was followed by the launch of FICE's own website www.fice.ee in mid May. The set up also included a launch of a FICE E-mail system and FICE's Chairman and Secretary can now be reached as follows:



**FICE Chairman
Martin Breuer**
Tel: (+372) 56 358 747
E-mail: chairman@fice.ee



**FICE Secretary
Kristiina Sikk**
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Report: Kristiina Sikk – SCCE Ombudsman and FICE Secretary



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LEXTAL



Banks' authority to terminate credit agreements

by MAQS Law Firm's Partner Evelin Pärn-Lee and Associate Johan Maunsbach



Evelin Pärn-Lee

Swedbank and SEB recently announced their intention to place non-performing assets into special-purpose vehicles in order to avoid a financial disaster in the Baltics. Such special-purpose vehicles were also used in Sweden during the crises resulting from the real-estate meltdown the early 1990's. With this background, one might find it interesting to analyze which other measures and actions were taken by the Swedish banks in Sweden back in the 1990's.

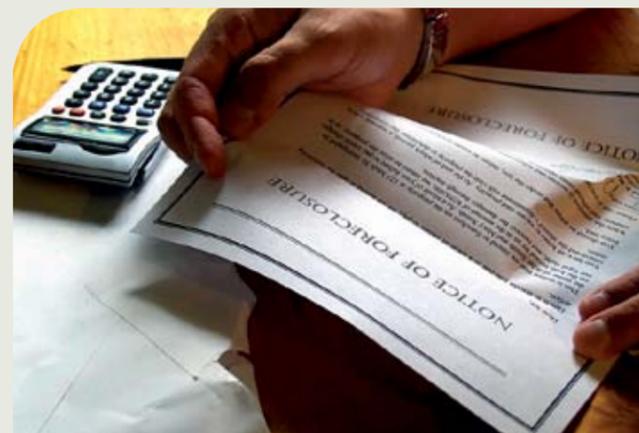
The terms and conditions are written by and in favor of the banks and may include e.g. provisions enabling the banks to terminate the credit agreements if the security granted for the credit has dropped in value. In a situation where most market values are decreasing, such provisions naturally give the banks a far-reaching possibility to terminate credit agreements.

Furthermore, provisions in some general terms and conditions give the banks the right to terminate credit agreements if new circumstances occur. This may, for instance, mean that the mere occurrence of financial crises gives banks a unilateral right to terminate credits.

Allegedly, during the crises in the 1990's, Swedish banks used the favorable provisions in the general terms and conditions to get rid of unprofitable or otherwise unwanted clients. The termination of credit agreements was many times experienced as arbitrary and unfair. Therefore, voices have been raised in Sweden to call for new legislation which will protect especially smaller companies against unreasonably unfavorable provisions in credit agreements. So far it has however not resulted in any action from the Swedish legislator.

Considering that the current financial situation resembles the one in Sweden in the 1990's and that Swedish banks dominate the Estonian banking market, it is interesting to analyze the scope of banks' authority to terminate credit agreements under Estonian Law.

Not surprisingly, conditions similar to the Swedish ones also apply here in Estonia. There are some mandatory provisions in the Law of Obligations Act which protect consumers against banks' termination of credit agreements e.g. due to late payments. However, those protective provisions do not



In the early 1990's, Sweden experienced a financial crisis which in many respects is similar to the current global financial crises. Tens of thousands of Swedish companies went into bankruptcy. In many cases, it was the general economical downturn that caused companies' financial problems which resulted in bankruptcies. It has however been claimed that also plenty of healthy companies were forced into bankruptcy as a result of banks' unilateral and arbitrary termination of credit agreements.



Johan Maunsbach

A survey among Swedish auditors shows that according to the auditors' point of view, only in the year of 1991 about 3000 companies were forced into bankruptcy due to terminated credits, even though these companies had good chances of surviving the crises. The corresponding number of unnecessary bankruptcies for the consecutive years ought to be even greater.



The banks' unilateral and arbitrary termination of companies' credits was – and still is – possible in Sweden due to provisions in the banks' general terms and conditions of credit agreements. Such termination is therefore possible even though the borrowing company has not failed to make any payment under the credit agreement.

apply to credits given to businesses.

The Estonian Law of Obligation Act Section 399 provides rules on extraordinary cancellation of credit agreements, according to which the lender is entitled to cancel a credit agreement and demand immediate repayment of the loan if the borrower delays the repayment or if the borrower fails to perform the obligation to pay interest. Also, termination is possible if the borrower violates the requirement to use the loan only for a certain specified purpose.

However, these rules are dispositive, meaning that the banks can deviate from them, and this is also being done. For example, according to Swedbank's Standard Loan Agreement Terms and Conditions (applicable as of 17 March 2009), Swedbank is entitled to cancel a credit agreement for instance if the value of the security granted for the credit decreases in such a way that it is not sufficient enough for satisfying the bank's claims arising from the credit agreement. Furthermore, Swedbank is according to its general terms and conditions entitled to cancel a credit agreement if any events occur which jeopardize due performance of the credit agreement by the borrower.

Of course, when cancelling the credit agreement based on the above reasons, the bank bears the burden of proof that the grounds justifying the cancellation exist. However, after a termination of a credit agreement, the borrowing company is most likely to be bankrupt. It is therefore most unlikely that the company would turn to court to claim damages, because of the relatively high costs related to litigation, starting with high state duty and ending with legal fees. Thus, if banks unilaterally and arbitrarily decide to terminate credit agreements, the matter will generally not be tried by a court.



In the present situation, many companies in Estonia are experiencing financial difficulties. Every bankruptcy leads to unemployment which puts further pressure on the Estonian economy. At the same time the banks urgently try to increase their margin. In the following months it shall be seen how the banks choose to handle their credits. As discussed in this article, the Estonian legislation does not stop the banks from handling the credits to businesses in the same way as was done in Sweden in the 1990's. If so, we might be expecting to see plenty companies forced into bankruptcy due to the banks' unilateral and arbitrary termination of loan agreements during the years to come.



Marina Kaljurand

• I promote Estonia as a diplomat, said Marina Kaljurand as focus met her for a talk about Estonia's image abroad and her assignments at Estonia's Ministry of Foreign Affairs.

Marina Kaljurand is currently Undersecretary for Foreign Economic Relations and Development Aid, and she is also Estonia's Chief Negotiator on accession to OECD as well as Estonia's Ambassador, non-resident, to Kazakhstan.



- Diplomacy as a mean of promoting your country has several dimensions, said Marina Kaljurand. Representing your country through, for example, culture and sports shouldn't be forgotten. Estonian personalities like Eri Klas, Arvo Pärt and Gerd Kanter, just to mention a few, are achieving wonders internationally in creating a positive awareness and image of Estonia.

- Much remains to be done and for a small country like Estonia it must be an ongoing job. Research show that 22% Englishmen and 11% Germans have no awareness of Estonia!



Marina Kaljurand

Small, smooth, swift and transparent

- I happened to talk to an Egyptian diplomatic colleague some time ago, and we naturally talked about our two countries. As I told her that 1,3 million inhabitants make the size of our population she said; 'Wow, that's the size of a Cairo street!'

- Estonia is a small country and that gives us a set of added values to offer investor's and business enterprises, continued Marina Kaljurand. We are informal and transparent to deal with. Companies can be formed via the web and the bureaucracy connected to running a company is kept to a transparent and easy-to-handle level.

- Confidence for the country is a key issue for investors and entrepreneurs before they enter a foreign market financially. Responding to this, key issues for Estonia include a stable political system, a Government operating swiftly and fulfill-

ment of the Maastricht criteria for adopting the Euro.

International priorities

- Finland and Sweden are Estonia's two most important trade partners and when these two countries are doing good, so will Estonia, said Marina Kaljurand. In a further international perspective it is important to note that Estonia joined the EU to find European allies. We are one nation among others there, sharing the same basic identity, values and culture. Just like a Chamber of Commerce, the EU is the sum of its members and pulling together in the EU is of special importance right now.

- Estonia has a conservative macroeconomic policy and we are the only country among the three Baltic States having been invited to join the OECD, the Organization for Economic Co-operation and Development, told Marina Kaljurand. I am the Chief Negotiator on Estonia's accession to OECD since August last year and I expect us to become a member next year.

- Being a small country Estonia has to make priorities on the international scene, continued Marina Kaljurand. I focus my efforts on countries that are important to Estonia and so does 'Made in Estonia'. It is a concept aiming to promote Estonian exports and attract foreign investments to us and ten countries, among them Sweden, have been listed as our prime target markets. As for business sectors, 'Made in Estonia' focus on energy technology, bio technology and manufacturing. In the latter sector it is the complete manufacturing process, including research and development that is of special importance and interest to us, especially in the shape of innovative, small and medium sized enterprises.



- Getting through with our messages and creating an impact on our prime markets are of course of major importance for us. Estonia has put up several headlines for itself during the years, among them; 'Estonia - Nordic with a twist', 'Estonia - Positively transforming' and 'Estonia - Positively surprising'. I don't see any contradictions between these slogans, but I would like to emphasize the need for using more communication channels in addition to the traditional ones. Networking, for example through Chambers of Commerce, is very important in this context. So is of course also the web and websites like Second Life where Estonia, just like Sweden, has a virtual embassy.

Estonia's young and coming generation

- I have a very firm confidence in our young and coming generation, said Marina Kaljurand. Seeing the youth, both in the audience and on stage, and experience their spirit at the Song Celebrations in Tallinn gives a hint on what I mean. Most of them were too young, or not even born, as the process of Estonia's regained independence took place, but the spirit they show for Estonia is indeed reassuring for the future.



- Media created trends have an influence on young people, said Marina Kaljurand. I think that the TV-series Ally McBeal, totally popular here and broadcasted towards the end of the 1990's and the beginning of the 2000's, inspired many young people to go for a legal or business administration education. But, a Government can set trends as well. It is a question of getting the message through by using the modern media channels available to us and packing the message in an equally modern and straightforward way.

Marina Kaljurand

- No, I don't want to talk about the situation in Moscow during the spring 2007, said Marina Kaljurand. I think that



enough has been written about those days that occurred during my posting as Estonia's Ambassador to Russia 2005 - 2008.



Mart Laar



Carl Bildt



Johan Molander

- Instead I would like to mention three gentlemen who gave me a good introduction to Russia and Moscow, and also a continued support to my life as Estonia's Ambassador there. One of the gentlemen was Mart Laar and the other two were Carl Bildt, Sweden's Minister for Foreign Affairs since 2006 and Johan Molander, Sweden's Ambassador to Russia 2004 - 2008. We had many frank talks and it almost felt like we were a think tank.

- I am a lawyer and a graduate from Tartu University with additional studies in law and diplomacy at the Estonian School of Diplomacy and at Tufts University - Fletcher School of Law and Diplomacy. I joined the Ministry of Foreign Affairs in 1991 and had several different posts in the Ministry before being appointed Estonia's Ambassador to Israel 2004.

- My current appointment as Estonia's Ambassador to Kazakhstan is non-resident, which means that I can work from my office at the Ministry at Tallinn's Islandi Väljak with my other assignments as Undersecretary as well as Chief Negotiator on Estonia's accession to OECD. It is indeed an intensive period, not only in Estonia's but also in the world's history, going on right now. But, I do find time to spend with my family as well as my hobbies; international law, badminton, aerobics, gardening and dogs, concluded Marina Kaljurand.

Text: Megazine - Tallinn
Interview-photos: Lea Tammik

Estonia's electrical energy sector requires massive investments



Estonia is facing major changes on the electricity market as well as in its electricity production. By 2013 the national electricity market will be liberalized and by 2016 the un-refurbished production units at the two Narva Electrical Power Plants will be closed.

Estonia's future energy sector strategy has been in preparation by the Ministry of Economic Affairs and Communications since January 2008. The final strategy draft was approved by the Government in February this year and is now (May 2009) up for discussions and final approval in the Parliament.

Einari Kisel, Deputy Secretary General for Energy at Estonia's Ministry of Economic Affairs and Communications, gave a brief on the upcoming energy strategy in connection with SCCE's recent study tour to Eesti Elektriijaam, just outside Narva:



Einari Kisel

- Oil shale fuelled power plants in the current shape are not an option in Estonia from year 2016 and onwards, but it is a firm intention in our energy strategy that Estonia still must be able to cover its power needs with local capacities, said Einari Kisel. Furthermore our strategy calls for establishing fair competition in the national power market and diversity and balance among the energy resources must be encouraged.

- Our calculations show that Estonia's electricity production will require at least EEK 50 billions investments within the next 15 years, and Estonia's energy sector, including heat production, networks, energy efficiency, power grids and transport fuels, will require an additional investment of at least EEK 100 billions over the same period of time, continued Einari Kisel.

- As for alternatives to the current oil shale based energy production, Estonia is evaluating other options both practically and as planned projects, said Einari Kisel. We are currently testing woodchips as fuel at some power plant units and just recently Estonia went into the Top 10 list of EU countries producing wind power generated electrical energy. An additional option now studied includes the construction of a small nuclear power plant in Estonia. This latter option would produce 600 MW and could be ready by year 2023 earliest.



- The liberalization of the electricity market by 2013 calls for the start up of a market place exchange for electrical energy with the aim of guaranteeing fair competition. The basic set up could very well be like it already is in Sweden, with one provider of the national grid and several actors producing and/or selling electrical energy via these power lines.



It was at the turn of 1995/96 that the Swedish electricity market was reformed so that the production and sale of electricity was separated from the transmission of electricity (the network operation). Electricity production and trading were exposed to competition while the network operation was retained as a natural monopoly. Consequently the Swedish electricity market consists of many independent players; producers, network owners, consumers, traders in the role of suppliers and/or balance providers, market places - primarily the power exchange Nord Pool - and one system operator (Svenska Kraftnät).

- A liberalized set up also calls for matching electrical energy consumption with generation and a network communication device for this, the Smart Meter, is already available on the international market. We expect one third of all Estonian elec-

trical consumers to have a Smart Meter installed by the end of 2010 and by the end of 2013 all will have this meter installed, concluded Einari Kisel.

Electrical energy – not a national internal affair

An agreement on the foundation of an Estonian, Latvian and Lithuanian Transmission System Cooperation Organization was signed in 2006. Named BALTSO, Estonia is represented by OÜ Põhivõrk, the national transmission system operator, in this Baltic cooperation.



On a Nordic level, NORDEL is the collaboration organization of the Transmission System Operators of Denmark, Finland, Iceland, Norway and Sweden. NORDEL was founded in 1963 and today Svenska Kraftnät, the Swedish electricity network and system operator, represents Sweden in this organization.

Estonia and BALTSO took an important step towards NORDEL as Estlink was inaugurated in December 2006. Designed, built and installed by ABB, Estlink is a 105 kilometer underground and underwater electrical power link between Estonia and Finland (see focus 1/2007).

A second electrical power link between Estonia and Finland is planned and on April 27th this year the Prime Ministers of Estonia, Latvia and Lithuania agreed on a third power link. Named Swedlink this project includes an impressive 350 kilometer long underwater cable between Sweden and Lithuania functioning as an additional connection between BALTSO and NORDEL. An official from the Swedish partner Svenska Kraftnät said that this underwater cable link is likely to be completed by 2016.

BALTSO and NORDEL are also discussing the possibilities of a power link from Lithuania to Poland. The aim and purpose of this project is to develop a coordinated extension plan of inter-connections from the Baltic States to Poland and Central Europe in addition to the BALTSO - NORDEL links.

As for trading electrical energy, the Nordic power market is internationally renowned and regarded as an excellent example of a well-functioning electricity market totally opened for fair competition and most of the trade is done at Nord Pool.



Photo: Nord Pool Spot AS

Nord Pool, the Nordic Power Exchange, is the single power market for Norway, Denmark, Sweden and Finland. Established in 1996 it was the world's first multinational exchange for trading electric power and as of 2008, Nord Pool is the largest

power derivatives exchange and the second largest exchange in European Union emission allowances (EUAs) and global certified emission reductions (CERs) trading. The head office is located to Oslo and there are also offices in Stockholm, Helsinki, Frederica in Denmark and Berlin.

The Nordic system price is set in Nord Pool's physical market for the following day, hour by hour. This is based on registered offers/bids from generators and distributors respectively. The price is determined by Nord Pool's trading system, which matches offers/bids with the Nordic transmission capacity. The electricity price is basically the same across the whole region, but with certain regional differences which reflect transmission bottlenecks. Prices paid by consumers can vary from country to country, primarily because of different tax levels and competition in the Nordic consumer market. Variations in the wholesale (spot price) for each country also play a minor role. In the financial market, the same buyers and sellers conclude forward contracts/futures for power. This is because they want to hedge against price changes, which also provides a measure of predictability for consumers.

As the Baltic States now are intensifying the work on building up electrical power links with the Nordic markets through Sweden and Finland, there is a high probability that we will see a system for trading electrical energy similar to that of Nord Pool to appear here in the next few years.

It is believed that billing customers by how much is consumed and at what time of day, will force consumers to adjust their consumption habits to be more responsive to market prices. Regulatory and market design agencies hope these "price signals" will delay the construction of additional generation or at least the purchase of energy from higher priced sources, thereby controlling the steady and rapid increase of electricity prices.

Text: Magazine - Tallinn

Smart Meters



Since the inception of electricity deregulation and market-driven pricing throughout the world, government regulators have been looking for a means to match consumption with generation.

Traditional electrical meters only measure total consumption and as such provide no information of when the energy was consumed. Smart Meters however provide an economical way of measuring this information, allowing price setting agencies to introduce different prices for consumption based on the time of day and the season.

Electricity pricing usually peaks at certain predictable times of the day and the season. In particular, if generation is constrained, prices can rise significantly during these times as more expensive sources of power are purchased from other jurisdictions or more costly generation is brought online.

It is believed that billing customers by how much is consumed and at what time of day, will force consumers to adjust their consumption habits to be more responsive to market prices. Regulatory and market design agencies hope these "price signals" will delay the construction of additional generation or at least the purchase of energy from higher priced sources, thereby controlling the steady and rapid increase of electricity prices.

When the flag went up and the wall broke down



During the Nazi-German occupation 1941 - 1944, the flag was accepted as the ethnic flag of Estonians, but not as Estonia's national flag. For a few days in September 1944, after the Nazi-German retreat, Pikk Hermann could carry Estonia's flag again but, on September 22nd, 1944 the tricolor disappeared from the tower as Estonia became occupied by the Soviet Union. Pikk Hermann had to wait almost 45 years before he could carry the flag again.

Having begun in 1987 as a cycle of mass demonstrations including spontaneous singing of strictly forbidden national songs and hymns, the Estonian Singing Revolution was well underway as Pikk Hermann welcomed the flag again this February day 1989.

Simultaneously, a wind of change was noted in Europe as well.

The Communist Party of Poland voted to legalize Solidarity in January 1989. Solidarity won the Polish June elections and when Tadeusz Mazowiecki was nominated as Prime Minister, he became Poland's first non-communist leader in 42 years.



On May 2nd, 1989 the first crack in the infamous Iron Curtain could be noted as Hungary dismantled 240 km of barbed wire fencing along the border with Austria. A few months later, in August, Hungary removed the border restrictions with Austria and in September the Hungarian Government opened the country's western border to refugees from the communist-ruled East Germany. Ultimately the Hungarian Republic was officially declared by President Mátyás Szűrös October 23rd, 1989, thereby replacing the former Hungarian People's Republic.

Twenty years ago, February 24th, 1989, the Estonian flag was once again raised at Pikk Hermann [Tall Hermann] in Tallinn.

The first time *Sinimustvalge* (literally "blue-black-white") was seen atop Pikk Hermann was on December 12th, 1918 and the flag stayed there until it was banned in connection with the Soviet Union's first occupation of Estonia in June 1940.

To Breathe as One



Estonia's Singing Revolution was in many ways based on the Song Celebration tradition.

The first Song Celebration took place in 1869, a time when Estonia was in the beginning of a National Awakening and the event became important for Estonia's national movement.

This year's Song Celebration will take place July 2 - 5 and has been named 'To Breathe as One'. In their invitation, the organizers say:

"This celebration unites us with those who sang and danced before us, as well as with our contemporaries whose soul may go unnoticed in the everyday rat race. When you breathe with others as one, your soul is there. It is time for a nation to breathe as one again. Welcome to the Song and Dance Celebration in Tallinn 2009!"

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The Iron Curtain



The term Iron Curtain is most commonly attributed to Winston Churchill. In his famous March 5th, 1946 'Sinews of peace' speech, often regarded as the public start of the cold war, at Westminster College, Fulton, Missouri, he said:

"From Stettin in the Baltic to Trieste in the Adriatic, an iron curtain has descended across the Continent".

There are however various earlier usages of the term iron curtain pre-dating Churchill.

The origin of the term goes back to the 5th century and the Babylonian Talmud, where a 'mechitza shel barzel' [an iron barrier or divider] is mentioned.

In Swedish language, iron curtain is translated as järnidå and in 1923 Per-Emil Brusewitz published a book named 'Bakom Rysslands järnidå' [Behind Russia's iron curtain].



Photo and graphic: Postimees

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. Named *Balti Kett* in Estonian language [Baltic Chain] Reuters News reported that about 700.000 Estonians, 500.000 Latvians, and 1.000.000 Lithuanians took part in this massive pan-Baltic manifestation.

The Baltic Chain manifestation marked that 50 years had passed since August 23rd, 1939, when the Soviet Union and Nazi-Germany in the secret protocol of the Molotov-Ribbentrop Pact divided spheres of interest in Eastern Europe. A week before the manifestation, the Soviet Union had admitted the existence of the secret protocol but still insisted that Estonia, Latvia and Lithuania had joined the union voluntarily.

During the autumn of 1989 the European wind of change con-

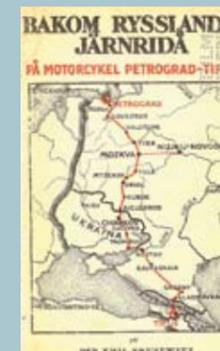
tinued to blow and increased in intensity.

In November the Bulgarian Communist Party leader Todor Zhivkov is replaced by Foreign Minister Petar Mladenov, who changes the party's name to the Bulgarian Socialist Party.

A peaceful November student demonstration in Prague is severely beaten back by riot police. This sparks the Velvet Revolution aimed at overthrowing the communist government which ultimately succeeds on December 29th and Václav Havel is elected President of Czechoslovakia.

In Timișoara, a December uprising begins against the Romanian communist regime. After a week of bloody demonstrations, Ion Iliescu takes over as President and the former Romanian leader Nicolae Ceaușescu and his wife Elena are executed.

Protest demonstrations broke out all over East Germany in September 1989 and the wave



Per-Emil Brusewitz was a Swedish social democrat working at the Swedish Legation in Moscow for some periods during the 1910's and 1920's.

The Swedish social democrats have had a somewhat complicated relation with the Soviet Union during the years.

Socialism should be based on democracy said the Swedish social democratic party. At the same time, some of the party's members had a conciliatory attitude to the new Soviet Union's communistic approach to socialism.

Brusewitz belonged to this latter group. His book 'Bakom Ryslands järnidå' is a mostly positive travel report from the Soviet Union based on a long tour he made on a motorbike in the beginning of the 1920's.



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The first 91 years

of refugees leaving East Germany for the West had increased. The longtime leader of East Germany, Erich Honecker, resigned on October 18th, 1989, and was replaced by Egon Krenz a few days later.



Honecker had predicted in January the same year, that the Berlin wall would stand for a "hundred more years" if the conditions which had caused its construction did not change.

The East German politburo, now led by Krenz, decided on November 9th, 1989 to allow refugees to exit directly through crossing points between East Germany and West Germany, including West Berlin.

Günter Schabowski, the East German Minister of Propaganda, had the task of announcing this, however he had been on vacation prior to this decision and had not been fully updated.

Shortly before a press conference on November 9th, he was handed a note that said that East Berliners would be allowed to cross the border with proper permission. These regulations had only been completed a few hours earlier and were to take effect the following day to allow time to inform the border guards. However, nobody had informed Schabowski about this timing.

He read the note out loud at the press conference and asked when the regulations would come into effect, he replied "As far as I know they are effective immediately, without delay". After further questions from journalists he confirmed that the regulations included the border crossings towards West Berlin, which he had not mentioned until then.



Tens of thousands of East Berliners heard Schabowski's statement live on East German television and flooded the Berlin Wall checkpoints demanding entry into West Berlin. In face of the growing crowd, the

East German border guards finally opened the checkpoints and allowed people through.

East Berliners were soon greeted by West Berliners on the other side in a highly celebratory atmosphere. November 9th, 1989 is thus considered the date the Berlin Wall fell and became the first step toward German reunification, which was formally concluded on October 3rd, 1990.

The events of 1989 inspired Klaus Meine, lead singer in the German band Scorpions, to compose and write the lyrics to a ballad which he called 'Wind of Change'. Scorpions released it in 1990 and by early 1991 it was a world hit;

*I follow the Moskva
Down to Gorky Park
Listening to the wind
of change*

Text: Megazine – Tallinn

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focus on the ECONOMY

The world's biggest stimulation package

As the G-20 meeting ended in London April 2nd, the participating international leaders agreed on the following final communiqué:

„The agreements we have reached today, to treble resources available to the IMF to \$750 billion, to support a new SDR allocation of \$250 billion, to support at least \$100 billion of additional lending by the MDBs, to ensure \$250 billion of support for trade finance, and to use the additional resources from agreed IMF gold sales for concessional finance for the poorest countries, constitute an additional \$1.1 trillion programme of support to restore credit, growth and jobs in the world economy. Together with the measures we have each taken nationally, this constitutes a global plan for recovery on an unprecedented scale.”

• This is the biggest macro economic stimulation package the world has ever seen, said Great Britain's Prime Minister Gordon Brown.

don Brown. The package also represents a historical global consensus on fighting the financial crisis, a consensus that wouldn't have been possible just a couple of years ago. We are witnessing a new global agenda taking shape.

The G-20 meeting also agreed on sharpening the regulations and the supervision of the international financial sector. The former Financial Stability Board, a rather loosely formed forum based in Basle, will now be reorganized, renamed the Financial Stability Board, and its member base will be widened to include all G-20 members.

Tax paradises will face tougher times as the G-20 meeting agreed on sanctions against them if they do not comply with an increased demand for accurate and precise information.

• The times of bank secrecy and tax havens are over, said the President of France, Nicolas Sarkozy. We must have an opportunity to exchange information on taxes and will take all possible and legal means available to us for achieving this.

• G-20's final communiqué is sound and reasonable, said the Chancellor of Germany, Angela Merkel. It represents an important step towards a firm order on the global financial markets.

In an editorial comment to the G-20 meeting, the Swedish daily newspaper Svenska Dagbladet said: "Most important right now is to get rid of the rotten credits acting like plugs in the financial system and to ratify solid rules that moderates risk taking without exterminating the good market."

• The G-20 agreement means that there are now bigger re-



Anders Borg

sources available for handling East European countries with economical problems, said Anders Borg, Sweden's Minister for Finance. As for Sweden, an economical stabilization in the Baltic States is of special importance.

focus on the ECONOMY

A second stimulation package and a potential grease for the economy



a saving, or a stimulation and grease for the world economy, worth some 1.500 billion USD!

The world market price on oil has fallen from an all time high USD 145 per barrel in the beginning of July last year to an all time low, so far 2009, USD 35 per barrel noted in February.

The oil importing countries' organization IEA, International Energy Agency, calculates the world's oil consumption to equal some 83,2 million barrels per day. Considering that the extreme oil price levels only lasted for a couple of summer weeks last year, the price fall anyhow mean

Svenska Petroleuminstitutet, the Swedish Petroleum Institute, has looked at the net effect for Sweden and calculates the oil bill to be some USD 2.9 billion cheaper this year.

"All countries are of course not winners in this situation", wrote Gunnar Örn, a journalist at the Swedish business newspaper Dagens Industri. "Countries like Saudi Arabia and Norway have no problems to meet these decreased export incomes. But countries like Russia, Venezuela and Iran will face troubles in balancing their State's budgets. And the power bases for rulers like Vladimir Putin, Hugo Chávez and Mahmoud Ahmadinejad will weaken. This is however not a cause for grieving", ended Gunnar Örn his article.

The Estonian Government saw the lower oil prices as an opportunity to create more incomes for the State and the excise duty on fuel will now increase with 5% effective July 1st.

Adaption

• The Estonian labor market has adapted rapidly to the conditions of the declining economy, said Estonia's Central Bank, Eesti Pank, in a recent statement. Putting the economy back on growth track again requires an increased production per employee.



Eesti Pank's statement referred to the realities that Estonia's private sector is facing right now.

As for the Estonian State's payroll, the Ministry of Justice recently proposed to cut the salaries for all public servants with 10%. The proposal also suggests a stop for the current possibility of paying public servants holiday benefits and extra remunerations not stipulated by law.

The Ministry's of Justice proposal were by many commented as a powerful move to trim the State's payroll and adapt to the current economical situation.

However, the powerfulness of the Ministry's of Justice proposal became somewhat moderated by a simultaneously released report from Estonia's Ministry of Finance.



• The public sector salaries in Estonia 2008 were 18% higher compared to 2007, said the Ministry of Finance in the report. The average salaries grew most in the State Inspectorates, where the rate of increase was 26%, and the smallest increase took place in County Governments with an 8% average increase.

The Ministry's of Finance analysis also showed that the share of public servants employed has dropped in relation to all employed in Estonia. The Estonian ratio of public servants employed is 20% which can be compared to the 23,5% EU average ratio.

• Planned expenditures for public servants are 6% smaller this year compared to 2008, said Tiina Tamm, Deputy State Secretary at the Ministry of Finance, in a comment to the report. The Government has also decided that Ministries must cut a further 4% off their annual budgeted payrolls.

The Ministry's of Finance report noted that the average rate of wages and salaries increases in the Estonian private sector was 17% in 2008.

G-20



The G-20 was established in 1999 and is a forum for cooperation and consultation on matters pertaining to the international financial system. It is more formally known as the "Group of Twenty Finance Ministers and Central Bank Governors".

G-20 member nations include Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, UK and USA. The EU, who is represented by the rotating Council Presidency and the European Central Bank, is the 20th member of the G-20.

The last two G-20 meetings, in November 2008 and April 2009, have been carried out on a Heads-of-Government and Heads-of-State level.

Collectively, the G-20 economies comprise 85% of the global GDP, 80% of the world trade (including EU intra-trade) and two-thirds of the world's population.



Gordon Brown



Angela Merkel



Nicolas Sarkozy

focus on the ECONOMY

Lessons learned from crises past?

History has a tendency to repeat itself and at a speech last autumn, Seppo Honkapohja, a Member of the Board of the Bank of Finland looked back to and reflected over the financial crises of the 1990's.



Seppo Honkapohja

- The current financial turmoil has now lasted well over a year, said Seppo Honkapohja in his autumn 2008 speech. In the postwar period, the current crisis is the 19th in advanced economies and the first one during the 21st century. Prevention of a systemic financial crisis should, in my view, be the first priority even if improved efficiency and faster economic growth can eventually occur after the crisis.

- Financial liberalization was a big regime change in the Nordic economies during the 1990's and preventive measures were politically unpopular and could not be pushed through during boom times, concluded Seppo Honkapohja. It is likely that both resistance of special interest groups and lack of understanding of the changing economic environment contributed to oppose preventive reforms. For natural reasons this resistance disappeared during the crises and, more generally, improved willingness to reforms seems to prevail after the economies had become more open internationally.



focus has taken a look at some of the economic crises that occurred during the 1990's and found out that it is obviously hard to recall lessons that should have been learned during good times - the economic history seems to have repeated itself a number of times since the 1630's.

[For a look back at the Great Depression during the 1930's, please refer to focus nr 4/2008.]

Sweden's economic crisis 1990 - 1994



Photo: Ludvig Hertzberg

Sweden's economic crisis during the first years of the 1990's was basically composed of three crises; it was a bank-, finance- and real estate-crisis and the aftermath included a radical restructuring of the Swedish bank sector as well as the Swedish real estate sector.

Similar to today's global economic crisis, Sweden's 1990's bank crisis started to form years before it broke out. At the so called November-revolution 1985, Riksbanken, Sweden's Central Bank, decided to deregulate the Swedish credit market. Basically the deregulation meant that banks and finance institutions now could lend out as much money as they wanted.

The banks started to lend money to a fast growing number of finance companies, who in their turn lend money to an equally fast growing number of real estate companies. The total credit volume increased very fast with more than 50%.



During the 1980's the fundamental positive factors for investing in commercial real estate had improved considerably in Sweden. Rents increased, leading to higher real estate market values. In Stockholm rents for office localities increased with 260% from 1980 to 1989 and Stockholm real estate prices increased with 790% during the same period.

A first sign of a crisis came as a Swedish real estate company collapsed in 1990. This led to a collapse of a major Swedish finance company and finally the losses ended up at one Swedish bank. The losses in this single event totalled SEK 3 billion for this bank alone.

The confidence now fell rapidly on the market for real estate. As much of the credits had been given to almost 100% of the previous market value, the collapse of the Swedish real estate market accelerated.

An additional blow to the real estate market came in connection with the Swedish tax reform 1990/91. Suddenly only 30% on real estate interests paid could be deducted from the tax. Previously it had been 50%.

Nearly one thousand real estate companies went into bankruptcy during the crisis and Swedish banks found themselves as owners of big real estate portfolios through securities and mortgages.

According to Professor Johan Lybeck, the Swedish banks' total losses during the crisis amounted to SEK 179 billion, where the Swedish tax payers covered SEK 65 billion. The banks' owners had to cover SEK 50 billion through lower yields and the banks' customers had to cover the rest through lower interests on savings and higher interests on loans. The average Swedish loan interest rate to households was 15% 1992/93.



In the middle of this economic crisis, the Swedish currency became an object for massive speculation. To defend the fixed currency exchange rate, the Swedish Central Bank momentarily increased the policy interest rate to 500%. The increase was decided in the evening of September 16th, 1992 and lasted for a couple of days.



The Swedish Central Bank continued to support the Swedish Krona by purchasing impressive amounts of Swedish currency, but as the speculations continued, they finally gave up and since the afternoon of November 19th, 1992, the Swedish currency has a floating exchange rate.

The 1990 - 1994 economic crises in Sweden resulted in a sharp fall in domestic consumption and unemployment rose to record levels. Sweden was not alone in the world having economic difficulties during these years, but economic analysts agree that this Swedish crisis could be classified as close to a depression.

Estonia and the Ruble Crisis 1998 - 1999

Following the regained Independence 1991, Estonia launched a number of economical and structural reforms. The world started to talk about a tiger economy taking off.

A simple and liberal tax system including a flat rate income taxation was introduced. The Ruble was exchanged for Eesti Kroon in June 1992. First pegged to the Deutsch Mark, the Estonian currency later became pegged to the Euro as Germany joined the Euro zone. Estonian State companies



were privatized and some public services, previously handled by the State or the Communities, were put up for privatization. The labor market was deregulated. Education and health care got bigger resources than it had during the Soviet occupation. The average life length of Estonian men rose with three years and the pension age-limit was increased. Infant mortality decreased from 16 per thousand born in 1992 to 9 per thousand in 1998. Foreign direct investments increased. As 1997 ended, the number of cars registered in Estonia had doubled compared to 1992, and the 1997 Estonian GDP growth ended on a 11,1% level.

However - Estonia's export incomes were still to a high degree depending on commerce and trade with Russia and the 1998 - 99 Russian Ruble crisis hit Estonia hard.



The Ruble crisis is considered to have been triggered by the Asian financial crisis which started in July 1997. Countries heavily dependent on raw material exports were most severely hit and at this time petroleum, natural gas, metals and timber accounted for more than 80% of Russian exports. Oil was also a major source of Russia's tax revenues and by the end of 1997, the situation with the tax receipts was very tense, leading to a negative effect on the financing of major Russian budget items like pensions, community utilities and transportation.

The Russian stock, bond and currency markets collapsed August 13th, 1998, as a result of investor fears that the government would devalue the ruble, default on domestic debt, or both. When the stock market closed this day, it was down 65 percent and from January to August the stock market had lost more than 75 percent of its value.



The ruble continued to steadily depreciate and on September 2nd the Central Bank of the Russian Federation decided to abandon the former floating RUR/USD peg policy and float the Ruble totally freely. By the end of September the Ruble had lost two thirds of its value compared to less than a month earlier.

Facing this de facto devaluation of the Ruble, Estonia's export incomes from Russia more or less diminished. Estonia's GDP growth went down from its 11,1 % level in 1997 to 4,4% 1998 and 0,3% 1999.

Russia recovered from the August 1998 financial crash surprisingly fast. One of the reasons was that world oil prices rapidly rose during 1999-2000 and another reason was that domestic industries, such as food processing, had benefited

from the de facto devaluation, which caused a steep increase in the prices of imported goods. Additionally, Russia's economy at this time was operating to a large extent on barter and other non-monetary instruments of exchange. This resulted in the financial collapse to have far less of an impact than it would had if the economy had been totally dependent on a traditional banking system.

Estonia's tiger economy recovered quite fast from the Ruble crisis too. Estonia joined the World Trade Organization 1999 and started to focus the commerce and trade efforts towards the European Union. EU supported Estonia financially and as Estonia's domestic demand increased substantially and very fast, the Estonian GDP growth went up very steep and reached 10,8% year 2000.



These new IT-companies became attractive objects for investors from the very beginning. Their business ideas should be realized as soon as possible to be the first on their niche on the market; the first mover's advantage is the top of mind level he will reach among potential customers. As Internet technologies developed rapidly it was considered as a necessity to over-invest in both hard- and software; the platforms should be capable of handling real-time video and audio, even if those services were not available at that time. And, if a business idea was really good, Internet made it possible to launch it in several countries simultaneously – adding up considerable overhead-costs for this purpose was not considered as a problem.

This business model relied on harnessing network effects by operating at a sustained net loss to build market share or mind share. The dot-com companies expected that they could build enough brand awareness to charge profitable rates for their services later. Get Big Fast was the motto of the day.



During the loss period the companies relied on venture capital and initial public offerings of stock to pay their expenses. The novelty of these stocks, combined with the lack of conservative valuing of the companies, took the stock prices sky high on the markets.

The dot-com companies were basically consultants capable of giving their customers strategic advice on The New IT Economy and they were also capable of building the solutions and platforms needed for The New IT Age. The investors and the customers however, knew nothing or very little of the technologies behind the dot-com companies' businesses. And the dot-com companies knew nothing or very little or didn't care about basic business economy.



The dot-com race continued and billion-dollar venture capital (VC) deals in buying up and merging dot-com companies further added to their value on the stock exchanges.

Companies were seeing their stock prices shoot up if they simply added an e-prefix to their name and/or a .com to the end - one author called these tactics prefix investing.

Looking at the real substance values of these companies was forgotten and it was instead expectations of future dot-com profits that ruled the stock markets pricing. The bubble began to get bigger, more and more people got employed in the dot-com business, several of them with quite spectacular employment contracts.

Most financial bubbles occur when speculators note a fast increase in stock prices and decide to buy in anticipation of further rises, rather than because the shares are un-

The dot-com bubble 1995 - 2001

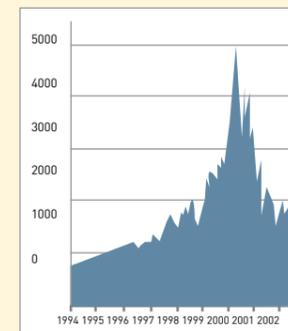


In the mid 1990's, Internet started to build a reputation as a new tool which would radically change prevailing business models and classic business logic. More and more users got connected to the Internet all over the world, the online communication speed increased, Internet connection costs decreased, soft- and hardware got better and simpler to use. Business opportunities on Internet seemed to be endless and nothing was impossible.

The resulting dot-com bubble is considered to have taken off August 9th, 1995, as the web-browser provider Netscape was introduced on the NASDAQ stock exchange in New York. Selling books, music and films via Internet and using a good web-browser combined with user-friendly websites had already become success stories. Many IT-talents all over the world now started to form companies to further develop The New and Coming IT Economy.



derpriced. Typically many companies thus become grossly overvalued and when the bubble finally bursts, the share prices fall dramatically, companies go out of business and people lose their jobs.



The dot-com bubble peaked and started to burst within just a couple of days. On March 10th, 2000, the technology heavy NASDAQ Composite index peaked at 5,048.62, which was more than double its value just a year before. This peak was followed by a massive batch of sell orders of dot-com stocks March 13th and this triggered a chain reaction of selling that fed itself as investors, funds and institutions liquidated their positions. In just six days, NASDAQ lost nearly nine percent, falling from roughly 5,050 on March 10th to 4,580 on March 15th.

By 2001 the bubble was deflating at full speed. A majority of the dot-coms ceased trading, many having never made a net profit.

The dot-com bubble is now regarded as a market-psychological phenomenon, a spiral of valuing companies well above their real substance values. It was not the first time the economic history could account for a phenomenon like this, it has happened many times before with the first documented event of this kind taking place almost 380 years ago.

The tulip mania of the 1630's

Tulips were introduced in Europe during the 16th century



Vase of tulips and other flowers Maria Van Oosterwijk

and by the 1630's tulips were grown at a larger scale in Holland as the flower got along very well with the Dutch climate. At this time the commerce and trade oriented Holland experienced an economic boom and a lot of capital was available on the market.

Flower traders soon found out that the prices on tulip bulbs increased dramatically if they held on with their sale offers a while and furthermore sold the bulbs in smaller quantities per deal. More and more people went into the business of growing tulips, often on land that they didn't own but leased.

The commerce and trade of tulip bulbs also attracted more



The happy couple Judith Leyster

and more people and during 1634 the demand for the bulbs increased sharply. Concerns on a market collapse for the bulbs were ignored as it was proved that tulips reproduced by themselves and expectations were solid on a coming huge international demand for the bulbs. The commerce, trade and prices on bulbs continued to increase and soon people started to con-

clude deals on future bulb harvests – something that later on has been described as the world's first deals in futures.

By 1636 the bulb prices had tripled and people started to sell their houses and their land just to be able to take part in the bulb trade.

The tulip mania bubble both peaked and burst during February 1637. In the very beginning of the month tulip contracts sold for more than ten times the annual income of a skilled craftsman. A few days' later prices stopped to increase and people now hurried to realize their profits. Contracts on future bulb harvests became worthless and bulbs in stock were impossible to sell.

Whether the tulip mania can be regarded as the world's first speculative financial bubble is disputed among economic historians. Some claim that the documentation and data of the tulip bulb commerce and trade in Holland during the 1630's is too limited to secure a scientific evaluation. Some other claim that the Dutch economic boom in general played a major role in the country's following economic downturn.



Dutch Merchant Jan Van Ravesteyn

It is however a fact that the tulip mania existed and that the outcome of the bubble's collapse in 1637 ruined many people and contributed to Holland going into a period of economic recession.

focus on the ECONOMY

Swedish banks

The history of the Swedish banks is a mirror of Sweden's development from an agricultural based economy to an internationalized and export oriented economy based on industries, domestic natural resources, a high degree of urbanization and a continued and ongoing process of structural changes.

focus has taken a dive into the history archives of the Swedish banks being active in Estonia.

Swedbank

Today's Swedbank is an international business bank, but its roots go back to the Swedish Savings and Agricultural Cooperative Banks.

Sweden's first Savings Bank was founded in Gothenburg 1820, an event still being reflected in Swedbank's logo. By the mid-1870's there were 325 Savings Banks, all having as their most important tasks to accept deposits and promote savings. Close ties with the local community and providing loans to local businesses and local private individuals were important operations for these banks.



With the establishment of the Savings Bank Association in 1900, the savings banks began to collaborate and to agree on a uniform course of action externally. An important part of this collaboration involved savings promotion having as its highest priority to get as many people as possible to save on a regular basis; to make saving a good habit.

Savings promotion to children was considered important and in 1926 the first issue of the magazine *Lyckoslanten* [Lucky Penny] was published and introduced the comic strip *Spara och Slösa* [appr. Saver and Spender]. Drawn by Birgitta Lilliehöök,



Saver and Spender – 1926

Slösa/Spender had a seemingly nice life, spending her money on candies and nice-to-have stuff while *Spara/Saver* saved her money to afford must-have-items or getting herself a real nice-to-have-thing. The morale was crystal clear; to afford you have to save.

The Swedish Agricultural Cooperative Banks are of a younger date as the first such bank opened in 1915. Agricultural banks were economic associations owned by their members, with the main task to provide operational credits to farmers, although they also encouraged private savings. Consequently, the mission of the agricultural banks, in 1974 named Föreningsbanken (The Union Bank), was similar to that of the savings banks.



Michael Wolf
Swedbank's President and CEO

Sparbanken Sverige and Föreningsbanken merged in 1997 and the name given to the bank was FöreningsSparbanken.



The bank expanded in the Baltic region through the acquisition of shares in Hansabank and in 2004, Hansabank became part of FöreningsSparbanken.

FöreningsSparbanken and the former Sparbanken Sverige had used the name Swedbank in international contexts since a number of years and in 2006, FöreningsSparbanken changed its name to today's Swedbank.

SEB

Though SEB has made several acquisitions of other banks, as well as finance and insurance companies over the years, the bank is basically the result of a merger between two major Swedish business banks 37 years ago. SEB stands for Skandinaviska Enskilda Banken, and the two banks behind this name were Stockholms Enskilda Bank and Skandinaviska Banken.

Stockholms Enskilda Bank was founded in 1856 by André Oscar Wallenberg as Stockholm's first private bank. The Wallenberg family continued their ownership in the bank



through the years and is still a major owner of SEB.

In 1857 Stockholms Enskilda Bank became the first bank in the world to employ women. Credits were already at that time mainly issued to the industry, and banker's drafts were introduced to simplify the conveyance of payments.



SEB's head office in Stockholm

During the 1960's Stockholms Enskilda Bank proved its position as a bank for the industry to an even greater extent. Loans to industries constituted half of the total loans and on the private banking market new branch offices were opened as part of the battle for domestic deposits.

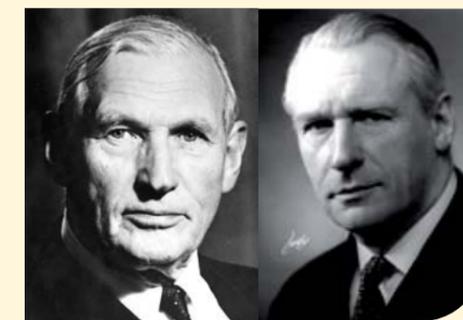
Going back to the 19th century, Stockholms Enskilda Bank met competition eight years after its start. The competitor was Skandinaviska Kreditaktiebolaget which opened their business in 1864 and later was renamed Skandinaviska Banken.

Skandinaviska Kreditaktiebolaget started its operations in Gothenburg, but quite soon opened up branches in Stockholm and gradually in Norrköping, Sweden's third largest city at that time.

As the Great Depression reached Europe, things came to a head for Skandinaviska Kreditaktiebolaget as the Swedish industry and finance tycoon Ivar Kreuger died in Paris in March 1932. Kreditaktiebolaget, Kreuger's main bank, was seriously affected by liquidity difficulties and Stockholms Enskilda Bank's Jacob Wallenberg became a member of the international Kreuger Committee, which was to look after the bondholders' interests in what later became known as the Kreuger-crash.

Skandinaviska Kreditaktiebolaget survived the 1930's crisis,

was renamed Skandinaviska Banken 1939 and on January 1st, 1972, Stockholms Enskilda Bank and Skandinaviska Banken merged to form Skandinaviska Enskilda Banken.



Marcus Wallenberg
(1899 – 1982)

Jacob Wallenberg
(1892 – 1980)

At the time of the merger, Skandinaviska Banken was clearly bigger than Stockholms Enskilda Bank, and there was not a consensus in the Wallenberg family on the deal.

The idea of a merger had been brought forward by Marcus Wallenberg, but his brother and the former Chairman of Stockholms Enskilda Bank's board, Jacob Wallenberg, was a strong opponent to the merger.

The bank's new brand, SEB, was established in 1998 and the same year SEB became part-owner of Eesti Ühispank, Latvijas Unibank and Vilniaus Bankas. Two years later SEB put in a bid for the outstanding shares in these three Baltic banks and in 2005 the banks were renamed SEB Eesti Ühispank, SEB Unibanka and SEB Vilniaus Bankas. Today these banks are wholly owned by SEB and branded SEB.



Annika Falkengren
SEB's President and CEO

Nordea

Nordea as a name is among the newer in the bank world, but the bank traces its roots as far back as 189 years ago. Up until today 250 banks have been incorporated to form Nordea and Nor-



Nordea's head office in Stockholm

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ECONOMY

dea's banking business started 1820 with Sparekassen for Kjøbenhavn og Omegn in Denmark.

The Danish fairy tale writer HC Andersen became one of the first customers and at those days of the 19th century saving money in a bank was quite a new phenomenon. The few banks that existed in the Nordic countries dealt mostly with issue of banknotes and credits, and were not really intended for ordinary people. However, savings campaigns were in progress and savings banks were opened all over Europe.



A 1950's bank savings book from Sweden's Postbanken

After World War I, commercial life assumed much greater proportions. Great quantities of money changed hands constantly and necessitated simpler and safer ways to transfer them than was possible with cash. The Swedish Postgirot, which eventually became a part of Nordea, was one of the pioneers in the world when it started its payment services in 1925.

Basically Nordea originates from four Nordic banks; Merita Bank – Finland, Nordbanken – Sweden, Unibank – Denmark and Christiania Bank og Kreditkasse – Norway.

The Swedish Nordbanken was a result of a 1974 merger between the Swedish State owned banks Postbanken and Sveriges Kreditbank and in 1997 the Finnish Merita Bank merged with Nordbanken and thus MeritaNordbanken was formed.



Christian Clausen
Nordea's President and CEO

The Danish Unibank and the Norwegian Christiania Bank og Kreditkasse were merged with MeritaNordbanken in 2001 and since December the same year, all operations have been conducted under the brand name Nordea. Nordea stems from the combination of "Nordic" and "Idea".

Nordea's first Estonian office was opened at Harju 6 in Tallinn on February 27th, 1995. At that time the bank was known as Merita Bank and it was the first foreign bank office to open in Estonia.

ECONOMY

Handelsbanken



Handelsbanken's head office in Stockholm

Back in 1871 a conflict had developed among the management of Stockholms Enskilda Bank. It culminated in April that year with the resignation of eight board members who shortly afterwards decided to form a new bank. The new bank was named Stockholms Handelsbank and began operations July 1st, 1871.



Louis Fraenckel
(1851 – 1911)

The bank's first year of operations was very successful but towards the end of the 19th century things had changed and the bank's results were poor. Handelsbanken's owners demanded new management and in 1893 Louis Fraenckel, a private banker, was appointed as the new managing director of the bank.

Fraenckel was successful and the first decade of the 20th century was an era of bank mergers. While Handelsbanken's competitors expanded to the west and south in Sweden, Handelsbanken looked to Norrland - the northern part of Sweden, where the forestry industry was booming. Although the acquisitions in Norrland improved the ratio between deposits and loans, such a strong concentration in northern Sweden soon proved to be unwise.

In 1918, Handelsbanken opened new branches in Gothenburg and Malmö and in 1919 the bank changed its name to Svenska Handelsbanken.

Handelsbanken continued to expand on an increasingly consolidated Swedish bank market during the post World War II period but, in 1969 the bank ran into a major crisis. In early 1970, Jan Wallander was recruited from the Norrland provincial bank Sundsvallsbanken as the new CEO of Handelsbanken.



Jan Wallander
Handelsbanken's CEO 1970 – 78,
and Chairman 1978 – 91

Wallander introduced a new decentralized organization where many of the previous tasks of the head office were transferred to regional head offices, while other functions were no longer needed. Wallander considered budgets to be not only an unnecessary evil, but in some cases outright dangerous. Instead, a new economic reporting and management system was developed based on the actual profit outcome.



Pär Boman
Handelsbanken's President and
Group Chief Executive

During the Swedish bank crisis in the early 1990's, Handelsbanken managed to hold its fort and it was the only major Swedish bank that was not forced to discuss applying for a Swedish State guarantee.

Though Handelsbanken regards Sweden, Denmark, Finland, Norway and Great Britain as its domestic markets, branch offices exist in other countries as well. As for Estonia, Handelsbanken opened their branch office in Tallinn June 1st, 2006.

Research and texts: Magazine - Tallinn

FOUR focus

focus went to Tartu and found out that it is not only the University of Tartu that has a Swedish background in terms of founding a quality institution for higher education.

focus also visited a new exclusive across-the-street neighbor to the University and a SCCE-member company devoting its services to passion, paperwork and expertise.

Baltic Defence College



Colonel Olle Ljung, BDCOL Deputy Commandant

• Discussions on the possibility of creating a Baltic Defence College (BDCOL) as a common Baltic military cooperation project started already towards the mid 1990's, said Colonel (Swedish Air Force) Olle Ljung, Deputy Commandant at BDCOL, as focus met him at the downtown Tartu located BDCOL building. Sweden and Denmark were the main discussion partners to Estonia, Latvia and Lithuania and an agreement of establishing BDCOL was signed in Brussels 1998.

• The Brussels agreement acknowledged that the establishment of a Baltic Defence College would be a progressive way to develop the military education system in the Baltic States and Sweden was assigned the leading role in realizing the project, continued Olle Ljung.

• The first BDCOL course started in 1999 and at that time there was an urgent need for a Western type general staff officer education. The different foreign staff courses then being offered abroad were not considered to be able to develop the necessary common understanding and thinking among the best officers of the three Baltic national armed forces.



BDCOL's Björn von Sydow Hall

• As BDCOL was established 1999 we celebrated our 10th anniversary in February this year, said Olle Ljung. The Swedish heritage of the College is still indeed very

much visible as our biggest lecture hall is named the Björn von Sydow Hall [edit: *Björn von Sydow was Sweden's Minister for Defence 1997 - 2002*].

• I came to Tartu and BDCOL in 2005 after four years serving as Sweden's Defence Attaché in Berlin, told Olle Ljung. I am Deputy Commandant at BDCOL and also Course Director for the Army Intermediate Command and Staff Course, and the Joint Command and General Staff Course. My previous experience as Commander of the Swedish Armed Forces Schools in Halmstad 1998 -2001 has served me well in my assignment here at BDCOL.

• Things have of course developed during BDCOL's ten years of existence, said Olle Ljung. The College has been a highly adaptive and constantly changing institution from the very beginning, responding to the changing strategic environment, the needs of the College's clients and the realities of developing armed forces in the Baltic



JAS 39 Gripen in Estonian and Baltic airspace



Photo: Gripen International

As the Czech Air Force took over the NATO air defence Quick Reaction Alert task of air-policing the Baltic airspace May 1st, a group of Swedish manufactured JAS 39 Gripen was based at Lithuania's Zokniai/Šiauliai air base.

Under a contract with the Swedish Defence Material Administration, the Czech Republic is leasing 14 Gripen fighter aircraft since 2005. In service with the Czech Air Force these Gripen fighters are fully NATO-interoperable and equipped with air-to-air refueling probes. The training of Czech pilots on the Gripen fighter system has been carried out by the Swedish Air Force, mainly at the Swedish Sätenäs and Vidset air bases. ▶▶

▶▶ Since March 2004, when the Baltic States joined NATO, alliance nations have policed the airspace over the three countries, initially on three-month rotations and since March 2006 on four-month rotations. The group of Gripen fighters now air-policing the Baltic airspace will remain here until the end of August this year.

In addition to the Swedish and Czech Air Forces, JAS 39 Gripen is also in service with the Hungarian and the South African Air Forces, and has been ordered by the Royal Thai Air Force.

States. Furthermore, BDCOL is not only a Defence College for the Baltic States, it is also educating officers and civilians from many other nations. As an example, the Joint Command and General Staff Course normally has students from 18 - 20 different nations. BDCOL itself is also to a high degree an international College with thirty three countries having been involved in its creation, consolidation and expansion.

A network for expats

• The staff of BDCOL is indeed internationally composed and I believe that we share the same need for an expat network as Swedish and other

foreign businessmen face here, said Olle Ljung. The wives of the officers at BDCOL have formed a network known as the Baltgirls and they assist and help the families of new staff members to integrate, familiarize and get settled in our community. The ladies also meet for cultural and social events as well as for luncheons and dinners.



Photo: TIS

Tartu International School for children aged 6-15 years (Year 1-9) at school, and aged 3-5 years at kindergarten, www.istartu.ee

• Some of the officers at BDCOL have children in school age and a colleague of mine, LtCol (Danish Army) Gert Rasmussen, is Chairman of the Management Board at Tartu's International School. The school was started in 2001 by a couple of parents from BDCOL who had a need for an English speaking school for their children. They formed a non-profit organisation as owner of the school, hired a young teacher and have now managed to create a very good educational standard.

• Tartu International School offers education to children aged 6 - 15 years (Year 1-9) at school, and aged 3-5 years at kindergarten. The school is very small and struggling to survive every year as it is dependent on the number of students signing up for next school year. Information on the school as well as contact information to Gert Rasmussen and the school's Head Teacher, Maris Vohla, is available at www.istartu.ee.

BDCOL – a Baltic success story

"BDCOL is internationally renowned as a very effective Baltic joint venture" said Estonia's Minister of Defence, Jaak Aaviksoo, as focus met him last year (see focus 3/2008).

• I agree with Minister Aaviksoo and would even go a bit further by saying that the College is most probably one of the best examples on a well functioning, long term and ongoing Baltic cooperation projects, concluded Olle Ljung. In several respects, BDCOL is standing on its own feet by now, but the need for international competence in the staff will remain and that is the main challenge for the future. I will however leave my assignment here in June this year and whether a representative of the Swedish Armed Forces will replace me or not is still to be decided.



Just opposite the University of Tartu

The entrance door at Ülikooli 15 in Tartu, just opposite the university, doesn't reveal what is to be found inside. The building dates its history back to the 16th century and during the subsequent centuries it has been home to a hat shop, the Livonian Noblemen's Manor House Credit Association, as well as the famous Guild of Saint Antonius.

The house is now the home of Antonius Hotel opened this spring following extensive and careful restoration works. The building is under heritage protection and great care was taken during the restorations to protect and preserve interior and exterior features including ceiling joists, rustic work on the facade and old door handles. The building's 16th century heritage is especially visible in the hotel's Restaurant Lu-

The University of Tartu



Founded with the approval of the Swedish King Gustaf II Adolf 1632, the University of Tartu celebrated its 375th anniversary 2007. Being one of the oldest universities in Europe it has developed to an important educational and research institution today enrolling close to 19.000 students.

Back in the 1630's the University was originally called Academia Gustaviana and the Swedish Governor-General of Livonia, Johan Skytte, had an important role in founding the University. A special memorial dedicated to him was inaugurated during the 2007 anniversary celebrations.

Tartu's Antoniuse Guild

St. Anthony's Guild in Tartu was first mentioned in 1449, but it is likely that it existed even earlier. The Guild brought together craftsmen and masters in their respective handicraft profession and during the 16th century, its influence began to grow.

In 1699, the Guild had over 100 members including masters' widows, but in 1866 the mandatory guild system in the Baltic States was abandoned. All Baltic handicraftsmen was now granted the right to work without belonging to any guild.

Tartu's Antoniuse Guild of today is a centre for hand-crafters with the aura of the medieval times well preserved and it was the venue for SCCE's Tartu Christmas Party in 2007. ▶▶▶

mière where the medieval vaults have been preserved.

The end result became a romantic hotel with sixteen rooms on four floors, ranging from one single room to superior doubles, double de luxes and suites. Some rooms are facing the University while others face the red roofs of Tartu's Old Town, and every room offers its own atmosphere with individually chosen wallpaper, paintings, fireplaces, stoves, and furniture.



SCCE After Business Hours at Antonius Hotel

Antonius Hotel belongs to Ammende Luxury Collection and just around the corner of the hotel two other members of the luxury collection are found; Restaurant Volga and the Athena Conference & Culture Center, both venues well known to Tartu people and visitors since decades.



Restaurant Volga

Restaurant Volga's art deco interior design follows the style of 1920's and 1930's, the time when Volga was a favourite café among Tartu's high society. Following extensive restoration works, Restaurant Volga was reopened in 2007.

Athena Conference & Culture Center is also a well known landmark in Tartu as the establishment started its career in the early 1920's as a cinema. Located

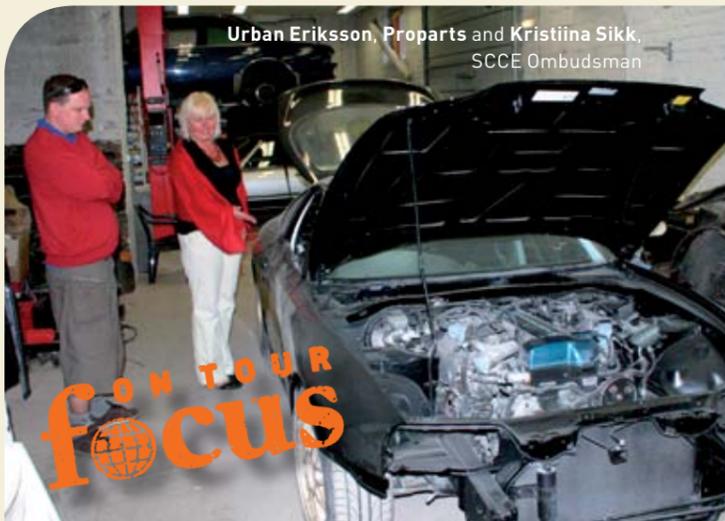
next to Restaurant Volga, Athena has also undergone extensive renovation works and was opened as a conference and culture center 2007. Athena consists of three halls, where the biggest hall has a capacity for up to 300 persons seated in theatre style and up to 500 persons for receptions.



Athena Conference & Culture Center



Located at Lutsu 5 in Tartu's Old Town, Antoniuse Guild offers fabrics, textiles, furrier, dolls, porcelain, glass, leather, carpets, quilts, gold smithy, and medieval costumes for purchase or rent.



Urban Eriksson, Proparts and Kristiina Sikk, SCCE Ombudsman

Passion, paperwork and expertise

• When visitors look around in our localities just outside Tartu, they most probably get a picture of the passionate part of our work here at Proparts, said Urban Eriksson, founder and manager of the company. It involves boosting the performance of sports cars and putting new life to classic cars. Not visible here at all is the other part of our activities. It involves paperwork and inspections connected to individual imports of cars from outside EU, mainly from USA and Japan.

• Importing a car from outside EU requires both paperwork and physical inspections, continued Urban Eriksson. As for individuals importing such a car to Estonia, the Estonian Motor Vehicle Registration Centre, ARK - Eesti Riiklik Autoregistrakeskus, is cooperating with me for performing both inspections and paperwork.

• For me the process starts when the car is in Estonia, and at that time it has been cleared through customs by the importer. I inspect the car and the purpose of this inspection is to verify that it is in adherence with EU directives and regulations.

• If everything is in order, I send the protocol and pictures of the car to a German authorized organization for them to issue a final certificate of adherence to EU standards. And, when this certificate arrives here, the customer can go to ARK and get the Estonian registration and license plates.



Urban and his boosted and tuned Toyota Supra - 450 hp under the hood...

• Coming back to the passionate part of our work here, it involves boosting the performance of sports cars and putting new life to classic cars, said Urban Eriksson. As for sports cars we are mostly working with Japanese models

involving the import process, boosting the performance, tuning the looks and adapting the cars to Estonian and EU standards.

• We have done quite a few such projects through the years, among them tuning cars like Lexus SC400 and Toyota Soarers as well as boosting the performance of Lotus Omegas and several Toyota Supras and Nissan Skylines. Our Supras and Skylines have won awards and have also participated on drag racing strips, both in Estonia and Sweden.

• I can't deny that I have a passion for cars and this passion also includes putting new life to classic car models, admitted Urban Eriksson. Such a project recently started, involves an Aston Martin, vintage 1974.

• It certainly seems like a gigantic project when you look at the shape of the car today. We have demounted it completely and have so far got a couple of positive surprises. The steel chassis is in excellent condition with a minimum of corrosion. And, the Aston Martin V8 engine is still delivering what you should expect from such a source of power.

• It will take a lot of work before this car is ready. Not only in terms of pure handicraft but also in terms of travel to find original parts and talking to people having been involved in the manufacturing and servicing of this car model during the 1970's. I expect to become quite a frequent visitor to England in the months to come.

• Our business is of course also affected by the global economic downturn, concluded Urban Eriksson. However, there will always be people around with a passion for cars and, our market is not limited to Estonia. We regard our Tartu-based workshop as the gateway to the EU for passionate drivers looking for personally tuned high performance cars.



A chassis in surprisingly good shape and ready for blasting...



...the V8 engine still delivering amazing power, and...



...the Aston Martin's instrument panel with a speedometer peaking at 350 km/h

Text: Magazine - Tallinn

June 6th in Sweden

It took some time before June 6th was declared as Sweden's National Day. The specific date refers to the day when Gustav Vasa was elected Sweden's King in 1523.



Gustav Vasa

During the 19th century June 6th was named a National Remembrance Day and in 1916 it was named Svenska Flaggans Dag, the Day of the Swedish Flag. It kept this status until 1983 when June 6th was promoted to become Sweden's National Day but, it took another twenty one years before this date also was declared as a National Holiday in 2004.

In terms of celebrating the National Day, Swedes will most probably require a couple of more years before they can compete with their Norwegian neighbors and Norway's celebrations of their National Day, May 17th.

However, Stockholm reports an ever increasing interest among the city's inhabitants and visiting tourists for celebrating the National Day.



• Every year we believe that the celebrations can't grow any bigger, says Per Björklund at Stockholm City's culture administration. But, the success repeats itself and it is getting bigger and bigger every year. Two years ago the celebrations attracted some 75.000 people. Last year we had 100.000 people celebrating and this year we will most probably see at least the same number of people on the streets and in the parks of Stockholm!

100 Swedes

Gustav Vasa [see above] is topping the list in a new book on 'Historiens 100 viktigaste svenskar' (The history's 100 most important Swedes) written by Niklas Ekdal and Petter Karlsson.

"What this unbelievably smart father-of-ten did was nothing less than creating Sweden as a nation. Under his ruling Sweden became a modern state with a centralized leadership, bureaucracy, taxation, job security, safe country roads and food on the table", says the authors on their top ranking of Gustav Vasa.

newsflashes

The book lists 84 men och 16 women and among them are well-known names as Astrid Lindgren, Alfred Nobel, IKEA's Ingvar Kamprad, Ingmar Bergman, Carl von Linné, Raoul Wallenberg, and ABBA's Benny Andersson and Björn Ulvaeus.



In addition to Gustav Vasa, several other Swedish Heads of State through times are included. The Viking Chief Oden (Odin, 170 - 240) is ranked nr 13 on the list and the authors motivate his appearance there with the fact that Oden became an early and prominent immigrant to Sweden; "Some 1.800 years ago, Oden broke up from his home by the river Don,



Oden

north of the Black Sea, for a more lucrative future in an underdeveloped country way up north".

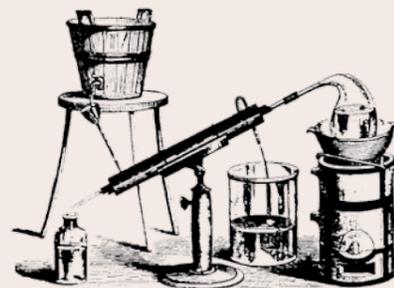
Ranked nr 30 on the list, Sweden's King Gustav IV Adolf (1778-1837) appears. Following the loss of Finland to Russia 1809 [see focus 1/2009] the King abdicated after a de facto Swedish Coup d'Etat. He spent the rest of his days as a fugitive abroad using the pseudonym 'Colonel Gustafsson'. "History has seldom seen such positive effects following a failure like Sweden's in 1809 - Sweden went away from militarism and super power dreams and got schools, railroads, innovations, industry, export and welfare instead", says the authors.

Nr 78 and 83 on the list, Eva Ekeblad (1724-1786, born de la Gardie) and Peter Wieselgren (1800-1873), obviously never met. But if they would have, a rather heated and upset debate would probably have occurred between them.



Gustav IV Adolf

Eva Ekeblad became the first female member of the Royal Swedish Academy of Sciences. Her Academy membership had however nothing to do with the discovery she made; she found out that spirit could be distilled using potatoes



as a base and with that discovery the Swedish schnapps Brännvin was born. The drinking habits among Swedes at that time caused Peter Wieselgren to act powerfully during his lifetime. Using harsh

newsflashes

propaganda against the use of spirits, he managed to lower Swedes yearly spirit consumption from 46 down to 9 liters of Brännvin per person.

The book (Swedish language) was released in the beginning of May this year and is published by Bokförlaget Forum, Sweden.

Tourism, congresses and conferences

The Swedish tourist trade expects new income records this year. Last year's turn over accumulated more than 245 billion SEK (EUR 23,4 billion) and 2009 is now expected to generate more than that.

• The Swedish currency exchange rate is floating and the financial crisis has significantly decreased our currency's value, says Jan Lundin, General Manager at the Swedish Travel- and Tourist-association. This means that Sweden has become cheaper for foreign tourists, and for the Swedes themselves it is cheaper to remain at home than to go abroad. Our winter tourism season was very good and we expect the summer season to be even better, making 2009 a new record year despite the global economic downturn.

Positive signs are also noted in Estonia as the number of Russian tourists is picking up again.



• Our biggest neighbour's inhabitants have started to come back to Estonia, says Michael Stenner, General Manager at Tallinn's Telegraaf and Three Sisters Hotels. We already saw indicators for this last fall.



In the beginning of May the Estonian Parliament passed a legal amendment which abolishes the requirement for travellers to have an invitation from an Estonian resident to apply for an Estonian visa.

• The fact that Russians now will be able to come here much easier than before, is a thoroughly good one!, says Michael

Stenner. Not only that the relationships between people will improve, we will also see benefits for the economy in general, and for the tourism industry especially. For me this looks like Europeans are moving further together during tough times - who would have thought of this just a few years ago?

Congresses and international conferences

As Tallinn hosted a mid-May two-day conference of the Parliamentary Committees of EU member States, bringing together participants from 19 countries, the city can also see the new downtown Solaris Center take shape.



Scheduled to open this autumn, and located opposite the Estonia Concert Hall, Solaris is a multifunctional culture, conference and entertainment centre including a 1.800-seat concert, theater and conference hall.

• As much as I appreciate to have seen the old Sakala Keskus disappear and the new development of Solaris taking shape, as this will be yet another highlight in the city, it does not replace a fully-seized international congress centre as we hoped it would become, comments Michael Stenner. The requirements for such a venue are quite different and more specific. More breakout rooms, food and beverage outlets and a huge kitchen would be needed. I can not see any of these being included in Solaris' concept.



Michael Stenner

• Certainly the big hotels in their immediate surroundings will benefit from it as there is at least something that can be used for some larger events, concludes Michael Stenner. An eventual Solaris-effect is however less positive for hotels that are not in the same neighborhood.

Three Sisters Wine Garden & Grill and Hotel Telegraaf's Terrace are open

• For many residents and visitors to Tallinn, spring isn't spring until the outdoor cafes open. The Three Sisters Hotel's Wine Garden & Grill is now open daily for drinks and

dining al fresco. Since the wine garden is connected to Three Sisters' award-winning wine cellar, it's a safe bet to offer the most extensive wine list in town for terrace diners. Should Mother Nature attempt to spoil a fine day, take three steps indoors where the weather's always perfect. And last but not least, in this economic climate it is worth mentioning that the Three Sisters Wine Garden & Grill terrace prices are extremely friendly, as well. Just a few steps away from the busy and crowded Town Hall Square you'll find the quiet and relaxed atmosphere of the Hotel Telegraaf's Terrace – open up until



September. Entrance is from Apteegi Street and the Terrace offers a variety of soups, salads, light meals and desserts either for a business lunch or for an evening's enjoyment. Or, just step in to enjoy a nice glass of wine. A hot summer day will definitely be a lot cooler trying out the Telegraaf Terrace cold okroshka soup or roasted trout with baked beetroot, rucola and basil dressing.



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The Swedish Day in Birkas, Sunday, July 19th

• This year's traditional Svenskdagen, the Swedish Day in Birkas/Pürksi, will coincide with the 100 years jubilee of SOV – Svenska Odlingens Vänner/Rootsi Hariduse Selts.



SOV was founded 1909 at Bysholm's Mansion in Nuckö/Noarootsi as a cultural association for the Swedish minority in Estonia. The association had an extensive activity program during the first



Estonian Republic including the foundations of Swedish schools and arranging cultural events.

Starting at 11.00 and ending around 17.00, the Swedish Day will as usual be filled with music, folk dance, exhibitions and a market. All activities will reflect the Estonian-Swedish culture and traditions through the years as well as of today with the main events taking place at Nuckö Municipal Hall, Birkas Mansion and Nuckö Gymnasium.

Tallinn's Schlössle Hotel awarded

Schlössle Hotel is the first hotel in Estonia to receive the Seven Stars and Stripes Award for the second time – the first Award was presented to the hotel already 2005.



The Award is one of the most prestigious in the hospitality industry with a panel of judges evaluating and ranking the world's leading hotels, airlines and restaurants. The

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panel is made up of renowned tourism experts, professionally recognized journalists and industry trendsetters, and their evaluation is based on personal visits to the candidate's location of operation.



Thorsten Buehrmann, President of Seven Stars and Stripes, presenting the Award to Schlössle Hotel's General Manager Kay Bischoff and his staff.

Seven Stars and Stripes Global Awards is based in New York, USA and recent winners of the Award include Oberoi Mauritius, the Ritz Carlton Philadelphia, the Town House Galleria Milan, Emirates Palace in Abu Dhabi as well as Schlössle Hotel's sister hotel in Riga, the Grand Palace Hotel.

Schlössle Hotel is the Best Luxury Hotel in Estonia 2009, says the London based magazine Business Destinations, as the hotel received its second award in just a few days time this spring.

Business Destinations is a leading business travel magazine and other award winning hotels include Rocco Forte Hotel Amigo, Belgium, Shangri-La Hotel in China, Kamp in Helsinki, and Banyan Tree, Seychelles.

Meriton Conference & SPA Hotel opened



Heinz M. Weisl

As Tallinn's new Meriton Conference & SPA Hotel recently opened, Heinz M. Weisl - Meriton Hotel's General Manager, can now offer not only 301 additional guest rooms in Tallinn, but also a wide and generous selection of conference rooms, restaurants, cafés and bars as well as impressive spa facilities.

All 301 guestrooms, including 280 standard rooms, 12 family rooms and 9 suites are equipped with bathroom, Wi-Fi internet connection, SAT-TV, tea and coffee making facilities, safe, air-conditioning and mini-bar.

The conference area offers a choice of seven air-conditioned and flexible rooms where the largest can seat up to 380 participants. All rooms are all fully equipped with conference technical equipment including data projector, TV and video, overhead, screen, flip-chart, markers and free Wi-Fi internet connection throughout the hotel. The conference facilities also include a multifunctional room with a terrace on the 7th floor overlooking to the city. Furthermore, cocktail receptions can be arranged for up to 600 people and banquets for up to 400 people.



The SPA centre facilities



include a wide variety of different saunas and pools as well as beauty and body treatments, and a gym.

Tallinn's new Meriton Conference & SPA Hotel is located at Paldiski mnt. 4, next to Meriton Grand Hotel, Tallinn. Further information at: www.meritonhotels.com.



Right in the midst of the business

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The Swedish Chamber of Commerce in Estonia

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ps.

A few weeks ago I got invited to participate at a three-day conference arranged by Estonia's Ministry of Foreign Affairs. It is an annual conference, mainly arranged for the Ministry's staff based abroad, and it gave me an overview on the priorities the official Estonia now makes in terms of marketing the country on the international scene.

There was an impressive amount of presentations made during the three days, mainly by representatives of other Ministries, Eesti Pank and Enterprise Estonia. But it wasn't hard to find two very visible red threads in all of these presentations. If the conference would have been a kick-off arranged by a company being active on the international market we would have called these two threads corporate identity and market segmentation.

First – Estonia wants to be identified as Estonia, instead of being perceived as an anonymous area up towards the north in the Baltics. And, Estonia doesn't want to be perceived as an East-European country either. 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.



Sweden was among the countries defined as prioritized foreign markets. And in the latter case, Estonia wants to attract high-tech research and development businesses as well as companies offering complete manufacturing processes to be set up here. In both cases innovative, small and medium sized enterprises are preferred.

Listening to Jaan Männik and Marina Kaljurand at the recent SCCE Business Lunch on Estonia's image abroad, there is no doubt that these two red threads have established themselves solidly among Estonia's Ministries and official institutions.

As I got the invitation to the conference I was also asked if I could arrange for a representative of FICE, the Foreign Investors' Council in Estonia, and a representative of the foreign business community in Estonia to participate and make presentations. I appreciated the offer as it was a sign that the conference wanted to demonstrate and highlight togetherness instead of a we – them attitude towards the foreign business community being active in Estonia.

On behalf of FICE, Maren Diale-Schellschmidt, CEO of the German-Baltic Chamber of Commerce in Estonia, Latvia and Lithuania, made a presentation of the Council and made it clear that FICE is not a political organization. FICE comes up with proposals on points at issue as well as giving its opinion on points at issue coming from the Government and Estonia's political community and being regarded as important for foreign investors here.

Representing a foreign business being active in Estonia, Mikael Orkomies, Partner at Excedea, made a presentation on Estonia as a target country for foreign investments. "The best FDI for Estonia would be one which leads to increased export", said Mikael and continued; "Since many large Nordic companies who are interested in Estonia already are in Estonia, focusing on Nordic SME's should be the next step."

In one of the concluding presentations at the conference, Enterprise Estonia and Estonia's Export Academy quoted Jan Palmstierna, Sweden's Ambassador to Estonia: "During crises past as well as during the current crisis, export has been and is a life buoy for Sweden. Being successful abroad requires a good business climate in the homeland as well as solid resources for higher education, and research and development being available in the exporting country."

Time flies and I just realized that this is the third consecutive year that I get the opportunity to thank you all for an exciting and interesting winter and spring together in my focus ps.-column. I look forward to seeing you, both old, new and members to be, at the upcoming summer activities; the annual SCCE Summer Party, the Sail Cruises with Runbjarn and the Swedish Day in Birkas/Pürksi.



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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