

2/2008



ECONOMY



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Anders Hedman
Chairman
SCCE

Dear Reader,

Warning Estonia! The Crisis Is Here! Well, if you read the newspapers, then this is the conclusion of the economical life in Estonia at the moment. But where is the news?

We foreigners have told Ansip & Partners that the 10% GDP growth rate per year is going to be over one day. That day is here now, but there are no crises. This is business as usual, as the British would say. The stupidity in the whole story is that the Estonian politicians and media have been putting verbal fire on the GDP growth and made people believe that more than 10% growth is normal, instead of preparing the people for the really normal times, now called crises.

As I see it, the normal times have now arrived to Estonia and we must all pull up our sleeves and start the hard work of finding new markets, increase the productivity and stop the crazy salary rises.

I expect that the Estonian GDP growth will be around 0,4 % this year. This is low, but the market situations need to be corrected. In Latvia it will be worse. They continue has happened but if Estonia is performing a controlled emergency landing, then Latvia might later this year see a crash landing. What more will then happen in Estonia?



Äriuudised
Warning
Estonia!
The Crisis
is HERE!

later on.
like nothing

Well, I think we will see some well known companies go bankrupt and people will be laid off. Unemployment will increase and more people will have problems paying back their bank loans. The Swedish banks here have luckily been very fast in slowing down the lending of money. Much faster than the rest of the market and faster than the government, they saw where we were heading.

Some guys have tried to blame the Swedish banks, but that is one of the most unfair claims in the debate. The truth is that Swedish banks have been lending Swedish

people's money to Estonians, so that they could improve their standard of living and make the houses look nicer. Just look how many billions Swedbank have pumped in on the Estonian real estate market, since they took over the full ownership of Hansabank. It is many times more than they paid for the bank. The money they have put at risk is not the Estonians' money but the Swedes' money. To blame your host for the hang-over is not really honest, but I am sure that if time really goes bad, then many ex-rich entrepreneurs who believe they were World Champion Businessmen, will for sure blame the Swedish banks and so will the politicians. This goes back to the Soviet tradition of never admitting that I am doing something wrong. Just blame the guy next to you and as loud as possible because then people might believe you. Right or wrong was never an objective issue but a very subjective issue.

There is however time to give Estonian politicians a serious warning. I see how they now want to use these times to start introducing more taxes in general. Increased land taxes, increased income taxes and increased car taxes. Increased taxes are not going to make the situation better. In fact that risks to slowly destroying the Estonian success story. I came to live in the country because it was a liberal country that stimulated hard work and which had an ambition to lower taxes. This liberal policy which was introduced by Mart Laar has been the foundation of the success of Estonia.

I want Estonia to be different than other countries. Especially different than the high taxed Scandinavian countries, because the long term wealth of this country depends on it. Estonia does not have the industrial power of Scandinavia; therefore it must compensate it with stronger and more clever economical policies.

I mean, who can see the future in a country where people are over-pessimistic, the politicians over-optimistic, the economical growth is normal and the taxes increasing?

Let's instead focus on selling Estonia to investors as the country with most working hours in Europe, lowest taxes, great IT infrastructure and aiming at getting the highest productivity in Europe.

By the way, isn't it time to privatize the roads in Tallinn, so that we can pay toll for it and have decent roads.

Cheers and enjoy reading **focus** nr 2, 2008!

Anders Hedman
Chairman
SCCE

Publisher

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The Swedish Chamber of Commerce in Estonia

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

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

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

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

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

For more information about SCCE, please visit www.swedishchamber.ee. You are also welcome to take a direct contact with SCCE's

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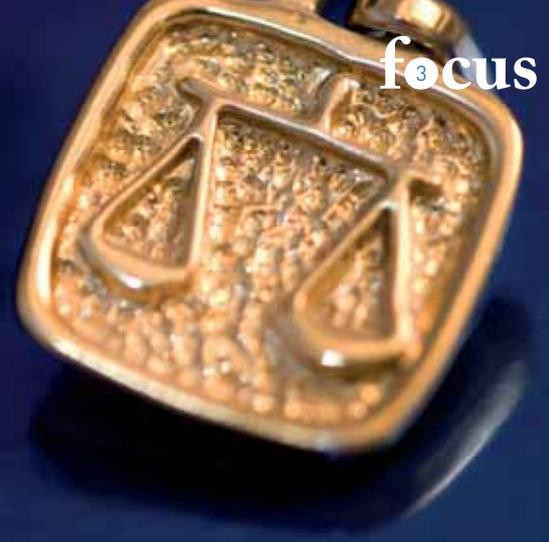
Legend
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Merchandisers - Be aware; Congratulations to landlords!

A judgement from the Supreme Court of Estonia of 11 March 2008 should make tenants with goods stored at leased premises more alert, as it gives more power to their landlords with regard to seizing and selling items stored in the premises.



The situation where a landlord terminates a lease prematurely because of unpaid rent is well-known to most of us. In these instances a statutory lien (a type of pledge under law) extends to the goods situated on the leased premises to secure the claims of the landlord.

In this particular matter, a third party – the merchandiser – had stored clothes and other textiles in the leased premises. The goods were intended to be sold by the tenant. Payment from the tenant to the third party was to be paid when upon their sale. When the lease contract was terminated due to the tenant's overdue rent payments, the clothes were taken into custody by the landlord, who claimed they were subject to statutory lien.

The merchandiser turned to the court in an action against the landlord, claiming that it was the owner of the goods as these were not covered with the pledge thus contesting the statutory lien.

The court ruled that the statutory lien of the landlord should be extended to all of the disputed property in the landlord's premises, including the goods which were stored with the intention of selling, and including goods sold under title of retention (meaning the title to the goods remain with the seller until full payment is received from the buyer).

Merchandisers selling goods to companies operating on leased premises should therefore consider that the landlord's statutory lien arises already when the lease contract is signed. Merchandisers should also be aware of that in the event of termination of the lease due to unpaid rent, the title to the goods may end up with the landlord. And this without regard to the conditions of the agreement between the merchandiser and the buyer!

The above might sound terrifying, but the owners of the goods are not completely without legal protection.

If the landlord knew or should have known that the goods placed in the leased premises were not the property of the tenant's, it is possible to dispute the statutory lien.

The way to protect the goods and its owners is to inform the landlord about the fact that property stored in the premises does not belong to the tenant. If the actual owners of the goods want to exclude their property from the statutory lien they, in coordination with the tenant, should ensure that the landlord is notified whenever their goods are being brought to those premises.

There are also ways to contractually assure that other creditors and business partners are kept safe, which could and should be used. One possibility is a contractual stipulation excluding the effect of the relevant provisions of law. Another possibility is to limit the scope of the statutory lien to the items owned by the tenant. A lease contract like this would be favourable to the third party, who is the actual owners of the goods. This also could provide a further guarantee to future business partners.

The above referred ruling also leads to the fact that selling goods under a title of retention clause may not be as safe as previously considered. Further actions on the part of the buyer (tenant) are required to safeguard the goods sold. This also adds to the relevant issues to be discussed upon selling your goods giving further burden to both the seller and the buyer. The reason, however, is good and understandable.

There are also limits to the extent of the statutory lien on the side of the landlord. The landlord may not use the statutory lien in bad faith nor violate the rights of the owners of the goods. This means that the landlord cannot take more goods into his possession than necessary to fulfil his claims against the tenant (maximized to the lease payments for the current year and of the previous one). Seizure of goods to ensure the satisfaction of future claims is also prohibited.

All in all, the ruling of the Supreme Court has clarified the application and interpretation of the law, while also adding to various aspects to be considered in the daily businesses of merchandisers, tenants and landlords. As precision and accuracy in detail (including legal affairs) is an upcoming trend, businesses should always be updated and apply this awareness in their everyday work.

Kaimo Rääpo
MAQS Law Firm Advokaadibüroo

ECONOMY



As Estonia registered an all time high 11,2% GDP growth 2006, the Swedish Chamber of Commerce in Estonia invited to a number of seminars and debates during 2007 on how Estonia will reach a sustainable level of continued economic growth. Will

it be in the shape of a crash landing, a soft landing or an economical crisis?

2007 ended with a 7,1% Estonian GDP growth and Eesti Pank's – Bank of Estonia – latest estimate for 2008 is put to 2,0% with the 1st quarter 2008 GDP growth ending up at a modest 0,4%.

Corresponding Swedish figures from Riksbanken – Sweden's Central Bank – are a 2,6% GDP growth in 2007 and an estimated 2,6% GDP growth for 2008.

In a global perspective both Estonia and Sweden are small markets and both countries share their dependency on international commerce, trade and financing.



As the 1st quarter 2008 ended, economical reports and trend analysis started to be published by central banks, governments, commercial banks and international economical analysts.

focus has scanned some of the major reports of interest to the Estonian – Swedish and Estonian/Swedish – International commerce and trade.

focus has also got comments on the economical situation from commercial banks being active on the Estonian market as well as from members of the Chamber.

Forecasts

Contributing sources for focus' section on economy:

- Eesti Pank
- Ministry of Finance, Estonia
- Riksbanken
- Ministry for Finance, Sweden
- The Swedish Defence Research Agency
- Handelsbanken
- Hansapank-Swedbank
- Nordea
- SEB
- The International Monetary Fund
- The European Central Bank
- Federal Reserve
- Baltic Business News
- Postimees
- Äripäev
- Dagens Industri
- Dagens Nyheter
- e24
- Svenska Dagbladet
- Bloomberg News
- The Economist
- Financial Times
- Interfax
- RIA Novosti
- Wall Street Journal

	GDP					
	2007		2008		2009	
Sources (April 2008)	Estonia	Sweden	Estonia	Sweden	Estonia	Sweden
Eesti Pank - Bank of Estonia	7,1%		2,0%		3,0%	
Estonian Ministry of Finance			3,7%		6,4%	
Riksbanken - Central Bank of Sweden		2,6%		2,6%		1,8%
Swedish Ministry for Finance				2,1%		1,8%
IMF - International. Monetary Fund			3,0%	2,0%	3,7%	1,7%
ECB - European Central Bank			2,7%	2,2%	4,3%	1,8%
Handelsbanken			4,5%	2,0%	5,3%	2,1%
Hansapank - Swedbank			3,5%	2,2%	4,5%	2,8%
Nordea			3,0%	2,1%	5,3%	1,5%
SEB			3,0%	1,8%	3,0%	1,7%

	Inflation					
	2007		2008		2009	
Sources (April 2008)	Estonia	Sweden	Estonia	Sweden	Estonia	Sweden
Eesti Pank - Bank of Estonia	6,8%		9,8%		4,5%	
Estonian Ministry of Finance			9,0%		5,3%	
Riksbanken - Central Bank of Sweden		2,2%		3,5%		2,8%
Swedish Ministry for Finance				3,2%		2,8%
IMF - International. Monetary Fund			9,8%	2,8%	4,7%	2,1%
ECB - European Central Bank			n.a.	n.a.	n.a.	n.a.
Handelsbanken			8,1%	3,4%	4,6%	2,6%
Hansapank - Swedbank			8,5%	2,8%	4,0%	2,8%
Nordea			7,9%	3,1%	4,9%	1,9%
SEB			8,0%	2,6%	4,0%	1,9%

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ESTONIA



Eesti Pank, Tallinn

An adjustment in the Estonian economic development is taking place and is by all means necessary; Estonia's economy is on the way towards a more sustainable development path, says Eesti Pank in its spring forecast April 2008.

- The international economic environment has brought along slower external demand growth and a rise in commodity and food

prices, as well as an increase in risk margins, continues the forecast. In addition, the increasing uncertainty and high inflation have reduced domestic demand.

- At the same time, a faster Estonian economic adjustment helps speed up the decline in the current account deficit and in inflation.

In this spring forecast of Eesti Pank, the domestic demand volume has been cut back due to both the decline in investment arising from the cooling of the real estate sector and the slackening consumption caused by rapid inflation and households' uncertainty regarding their future economic situation. As for the real estate market Eesti Pank underlines that 'Before new houses are built, old ones must be sold'.

According to the base scenario of Eesti Pank, the Estonian GDP growth will be 2% in 2008 and 3% and 5% in the next two years, respectively.

- The speed at which the economic growth will recover depends on Estonia's success in utilising the existing export potential, says Eesti Pank. Subject to the external environment, the economy should pick up again either at the end of 2009 or at the beginning of 2010. In order to ensure a smooth transition to the new growth cycle, it is necessary to reallocate some of the domestic demand oriented resources to exports. In addition, good business projects should continue to receive

financing from the financial sector.

- The current price hike in Estonia is considerably faster than the long-term inflation rate, but the level is going to be temporary. The 2008-2010 inflation is mainly characterised by a gradual abatement of the domestic pressures, administrative measures, fluctuating food and other commodity



Ivari Padar, Estonia's Minister of Finance

prices in the global market and rising energy prices. Eesti Pank's base scenario forecasts inflation to be 9.8% in 2008 and 4.5% and 3% in 2009 and 2010, respectively.

- Eesti Pank expects the Estonian inflation rate to reach close to the Maastricht inflation criterion at the end of 2010. In order to meet the criterion, the timing of the administrative measures influencing prices is extremely important.

- The government should support the economic adjustment in the current phase of the cycle by continuing to pursue responsible fiscal policies, which is of vital importance in helping maintain the credibility of the economy and foster investments. Without budgeted expenditure cut by approximately 3 billion kroons, the fiscal deficit would amount to over 1% of GDP this year. In order to balance the budget, planned expenditure should be cut by 8 and 11 billion kroons in the next two years, respectively. Another precondition for the recovery of a rapid and sustainable growth is the continuation of the economic policy measures supporting market flexibility and productivity growth.

Commenting to the Estonian newspaper Postimees, Martin Lindpere, an economist at the Eesti Pank finance policy department, said that "People who have been borrowing hard are now likely to curb consumption sharply".

According to Eesti Pank, reported Postimees further, the biggest problem in the Estonian economy today is the gap between productivity growth and wage growth.

Businessmen interviewed but not named by Postimees said that, unlike Eesti Pank, they are relatively optimistic about the future. Most of them pointed to the fact that there are now more people on the labour market to choose from and that should also force down further wage pressures.

The Government will focus on cutting expenditures, said Estonia's Minister of Finance, Ivari Padar, as he presented the Ministry's April 2008 economic forecast.



- The State budgetary revenues will fall short of those planned due to the predicted decrease in tax collections, in particular the value added tax, continued Ivari Padar, representing SDE – the Estonian Social Democratic Party in the current Government coalition. The launch of an action plan needs to be decided in light of the current forecast. The planned budgetary surplus will not be sufficient to fully cover the deterioration of the budgetary position that results from rapid changes in the economic environment. When cutting down expenses, it must be remembered that in no way can the cutbacks influence pensions or the funding of health insurance.

- We expect the Estonian GDP to grow with 3,7% percent this year and 6,4% 2009. Owing to the slowdown of the economic

growth, which will bring about, first of all, tax revenue losses, and if government doesn't react according to the changed situation, the budgetary deficit may amount to 3.1 billion kroons in 2008.

- The growth prospects of the global economy are remarkably less attractive than anyone could expect last year and the period of uncertainty has become both longer and deeper. The abrupt price advances of oil and food have influenced the global economic environment, causing high inflation rates.

- Estonia's inflation will accelerate to 9.0% in 2008 and then decelerate to 5.3% in 2009. As a result of the external factors and the raise in excise duties, our inflation will be temporarily double-digit at the beginning of this year. But at the second half of the year the inflation will slow down due to a cooler economy and a more modest growth of income. The impact of the increased excise duties on the inflation rate will be 1.5 percentage points in 2008 and 0.8 percentage points in 2009.

- The carry-over of high prices of food on the world market will affect Estonia's inflation throughout this year. Another external factor is the new record high prices of oil on the world market.

- Estonia's real estate market has become significantly less active. The growth of domestic demand has declined faster than expected.

- We expect the growth of private consumption to decelerate from 8.9% in 2007 to 3.5% in 2008. The real growth of the private consumption is strongly affected by the rapid increase in consumer prices, especially at the beginning of the year. The low real estate market and the deteriorated overall economic situation result in lower levels of consumers' confidence which lessens consumers' willingness to consume and limits the volume of new consumer credit. For 2009, we expect the real growth of consumption to be lifted by a considerable slowdown of the inflation.

- We do not expect any remarkable changes in the employment situation. The demand for labour will decrease somewhat but the lack of skilled labour will not ease remarkably.



Speaking after an April 21st meeting of the coalition council, Estonia's Prime Minister Andrus Ansip gave voice for a more relaxed attitude on the necessity of an Estonian State budget cut and said that he remains optimistic concerning the States budget revenue intake.

- There is no reason to talk about a disaster or a crisis and there are plenty of ways to cut spending, said Andrus Ansip.

If we freeze government sector spending at the March level we can save 2,6 billion kroons and the State Real Estate Company has EEK 1,5 billion worth of liquid assets that the

State can sell if necessary.

SWEDEN



A gentle slowdown is to be expected in the Swedish economy, says Riksbanken – the Swedish Central Bank in its Monetary Policy Update, April 2008.

- Swedish household confidence indicators have fallen substantially as in many other parts of the world. Swedish households have primarily become more concerned over the situation and prospects for the Swedish economy, while the changes regarding their own finances are minor.

- In 2007 the Swedish GDP grew 2,6% , which is close to the economy's average growth rate over the past 15 years. However, the poorer international growth prospects are expected to a slow down in the growth towards the end of this year. All in all, this will lead to GDP growth on the one hand being expected to be slightly higher in 2008 as a result of the good start to the year, but on the other hand to growth being slightly lower in 2009.

- In this forecast the Riksbank is assuming that the Swedish Government will increase expenditure and cut taxes slightly more than the Bank expected earlier this year.

- The slowdown in growth in Sweden is expected to be moderate as the conditions for growth are assessed as good. Savings in both the household and public sectors are high, property prices are stable and the direct effects of the financial turmoil are expected to be relatively slight in Sweden.

- A somewhat higher unemployment is expected to put some downward pressure on the increase in wages but, Swedish productivity growth has at the same time been weaker. The downturn in productivity is assessed as temporary and growth is expected to gradually return to the trend level. The cost pressures are expected to remain high this year and then to slow down gradually.

- The Swedish inflation has risen rapidly since last summer and is expected to continue to rise over the coming months, primarily linked to higher energy and food prices. Increased cost pressures and rising interest costs have also contributed to the upturn.

- Swedish wages increased more slowly last year than the

Riksbank had expected. Wages throughout the economy rose at a preliminary rate of 3,2% and together with retroactive wage payments, wages are expected to have increased by 3,4% during 2007.

- Statistics Sweden's property price index for the fourth quarter 2007 shows that the annual rate of price increase for single-family dwellings was around 11%. Data for the first quarter 2008 show that this figure had slackened to around 9%. Prices of tenant owned apartments fell during the autumn 2007 in all major Swedish cities, but in recent months prices have stabilized. In March prices on this apartment market were 4% higher than in March last year.

- As cost pressures slacken and energy and food prices no longer rise at the same high rate, the inflation rise is expected to cool down. CPI inflation will however exceed 3% on average during 2008.



Anders Borg, Sweden's Minister of Finance

The uncertainties connected to the current turbulence on the international financial markets were clearly mirrored as the Swedish 2008 Spring Fiscal Policy Bill was presented April 15th by the Minister for Finance, Anders Borg on behalf of the Alliance for Sweden – the Swedish Government consisting of the Moderate Party, the Centre Party, the Liberal Party and the Swedish Christian Democrats.

- The overall economic policy of the Alliance Government rests on continuing to conduct a responsible budget policy and keeping the public finances in good order, says the Fiscal Policy Bill. Public finances have improved further in the past year and confidence in the Swedish economy is strong. The national debt continues to diminish and is expected to be equivalent to 15.3 per cent of GDP in 2011.

- The international financial turbulence also affects Swedish households and companies. In light of weaker exports and somewhat more muted growth in the labour market, GDP growth is being written down to 2,1% this year and 1,8% 2009. (Edit.: Estimated to 3,2% for 2008 and 2,5% for 2009 by the Ministry for Finance during the autumn 2007.)

- At present, the Swedish economy is one of the strongest in Europe, continues the Bill. However, given the considerable uncertainty at present, policy should be characterized by caution. Scope must be maintained to meet unforeseen developments.

The Swedish political opposition called the Fiscal Policy Bill 'cold' and 'a receipt on a political



Thomas Östros

a former minister and the economical spokes person for the Swedish Social Democrats. Unemployment will increase and the economy for the communities will be worse. The government is predicting cut downs in the welfare. It is April 2008; with high interest rates, lower economical growth and lack of labour though a considerable unemployment rate.

A united choir of economic commentators in Swedish media called the Fiscal Policy Bill 'careful' and even 'blurry'.

- The Minister for Finance has all reasons to be careful, said Johan Schück in the Swedish daily newspaper Dagens Nyheter. It is important that he doesn't paint too good a picture of the economical future right now. And it is intentional that the government now concentrates its budget work to the coming budget proposition to be put forward to the parliament this autumn.

- The Spring Fiscal Policy Bill doesn't contain any concrete propositions, said the Swedish Daily newspaper Svenska Dagbladet. But the Bill points out some areas of priority for the coming autumn budget. It will obviously be something for everybody; pensioners, employees, the infrastructure, schools.

- It isn't a usual spring budget this year, said the Swedish business paper Dagens Industri in a comment and reported that the Minister for Finance inhibited the traditional walk from the Ministry to the Parliament carrying the Fiscal Policy Bill in his hand.

- The government has a careful and somewhat gloomy approach to the future economy, said the Swedish economical website e24. And the Swedish Prime Minister Fredrik Reinfeldt is probably a

failure'.

- The budget proposition describes an economical boom that has ended, said Thomas Östros,

A 10 year landmark for the Euro



At a Council of the European Union meeting May 2nd 1998, it was decided that eleven Member States had fulfilled the conditions necessary for the adoption of the Euro currency January 1st, 1999.

At that launch date the Euro was an electronic currency – the Euro banknotes and coins were introduced three years later, in January 2002.

Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland became the eleven initial Euro countries. The number increased to twelve January 1st 2001 as Greece adopted the Euro. Slovenia followed January 1st 2007 and January 1st this year Cyprus and Malta joined, making up a current total of fifteen Euro countries. Slovakia is expected to join 2009 followed by the Czech Republic and Poland.

With a more than 30% share of the world's currency trade, the Euro has established itself as a global currency next to the US Dollar.

- The Euro is our strongest symbol for the political will to create an open and united Europe, said the EU-Commissionaire Joaquin Almunia. More than 300 million EU-citizens are now carrying the Euro in their wallets.

bit disappointed. He had hoped for a 45% average income tax level in 2010 coinciding with his own 45th birthday that year, but now the estimates point to 46,6%.

UNITED STATES



GLOBAL

- Both the weakness of U.S. economic activity and high financial market volatility are having a dampening effect on the pace of global economic expansion, says both IMF – the

International Monetary Fund and ECB – the European Central Bank.

IMF and ECB further state that global economic activity still continues to be supported by the resilience of economic growth in Asian emerging markets.

At the mid-April international summit, IMF said that the world is now experiencing a global financial shock. The total loss is estimated to 1.000 billion USD and half of these losses have occurred on the U.S. residential and subprime finance market.

IMF estimates the global GDP growth 2008 to 3,7%.

THE EURO ZONE



The European Central Bank headquarters – the Eurotower – in Frankfurt am Main

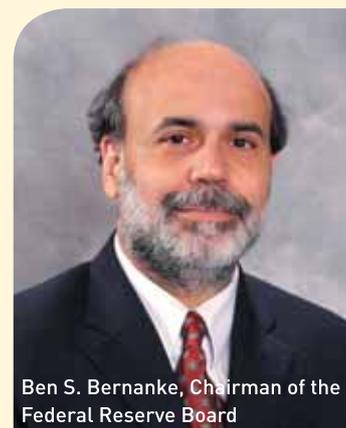
- In the light of the latest oil price developments and ongoing food price pressures, headline inflation rates are expected to remain well above 2% for 2008, says ECB – the European Central Bank.

The ECB is the central bank for the Euro and has as its main task to maintain the Euro's purchasing power and thus price stability in the Euro zone.

- The possibility of even further rises in energy and food prices, as well as of increases in administered prices and indirect taxes make the risks to the inflation outlook on the upside.

- Most importantly, there is a risk that price and wage-setting behaviour could add to inflationary pressures, concludes ECB. In particular, the pricing power of firms, notably in market segments with low competition, may prove stronger than currently expected, and stronger than expected wage growth may emerge, taking into account high capacity utilization and tight labour market conditions.

Worsening contractions in residential investments and the subprime finance market continues to be a major strain on the U.S. economy and the real GDP growth ended up at 2,2% for 2007 (2,9% 2006). As for 2008, the International Monetary Fund expect a modest 0,5% GDP growth in USA followed by 0,6% in 2009.



Ben S. Bernanke, Chairman of the Federal Reserve Board

On April 30th Federal Reserve – the U.S. Central Bank – decided to lower its target for the federal funds rate to 2,0 percent. The decision marks an aggressive decrease of the rate since its 5,25% level in June 2006.

- Recent information indicates that economic activity remains weak, says Federal Reserve in a comment. Household and business spending has been subdued and labour markets have softened further. Financial markets remain under considerable stress, and tight credit conditions and the deepening housing contraction are likely to weigh on economic growth over the next few quarters.

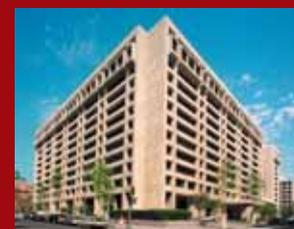
Prices on private houses continue to drop in USA. In February this year a 12,7% price decrease was noted compared to one year ago and this follows price decreases every consecutive month since January 2007.

The situation on the U.S. subprime residential loan market triggered the International Monetary Fund to criticize this market as well as financial institutions issuing financial instruments of a complicated nature where the underlying risks can not be penetrated and evaluated.

The U.S. crisis has also taken its toll on jobs as the financial giants are cutting down. On a world wide basis Citigroup is reported cutting 6.000 jobs, Lehman Brothers 1.425 jobs, Merrill Lynch 2.200 jobs, Morgan Stanley 2.900 jobs and Bank of America 3.650

IMF - the International Monetary Fund

IMF was conceived at a United Nations conference convened in Bretton Woods, New Hampshire, USA in July 1944. The 45 governments represented at that conference sought to build a framework for economic cooperation that would avoid a repetition of the Great Depression of the 1930's.



Headquartered in Washington DC, USA, IMF was formally created 1945 and is today governed by and accountable to its 185 member countries.

In general terms, IMF is responsible for ensuring the stability of the international monetary and financial system - the system of international payments and exchange rates among national currencies that enable trade to take place between countries. The Fund seeks to promote economic stability and prevent crises; to help resolve crises when they do occur; and to promote growth and alleviate poverty.

It employs three main functions - surveillance, technical assistance, and lending - to meet these objectives.



Named the U.S. Word of the Year 2007, Subprime refers to loans to borrowers with compromised credit histories and the loans are typically granted with a higher interest rate than on the prime rate market.

Subprime lending also refers to bank loans taken on property that cannot be sold on the primary market.

Subprime lending is considered risky for both lenders and borrowers due to the combination of high interest rates, poor credit histories and associated potentially adverse financial situations.

Late 2006, the U.S. subprime mortgage industry experienced a steep rise in the rate of subprime mortgage defaults and foreclosures causing many subprime mortgage lenders to fail or file for bankruptcy. These failures have caused prices in the mortgage backed securities market to collapse.

The resulting meltdown has generated worldwide criticism. Some voices highlight the lack of effective government oversight. Others have charged mortgage brokers with steering borrowers to unaffordable loans and Wall Street investors with backing subprime mortgage securities without verifying the strength of the underlying loans. Borrowers have also been criticized for entering into loan agreements they could not meet and many also highlight the role of falling U.S. home prices since 2005.

The controversy surrounding subprime lending has expanded and several international economists now describe it as a financial, contagious disease which has led to a restriction on the availability of credit in world financial markets.

ECONOMY

jobs. For the city of New York and its inhabitants the situation is notable as the finance sector contributes with 25% of the city's tax income. Additionally, New York is calculating that every job in the finance sector creates another 2 – 3 jobs in legal and auditing companies and restaurants.

Voices on the U.S. Economy

Alan Greenspan: USA in a pale recession



In a May interview with Bloomberg News, the former Federal Reserve Chairman Alan Greenspan said the U.S. has slipped into an "awfully pale recession" and may continue to languish for the rest of the year.

- We are clearly receding, with economic growth now at about zero percent, said Alan Greenspan. It is too soon to declare the end to the credit crisis stemming from the collapse in the subprime mortgage market.

- The economy is returning to a more inflation-prone period. Import prices are rising, as are wages overseas, adding to pressures already caused by soaring costs of food, energy and other commodities.

- The economy is also caught in a tug-of-war between cash-rich businesses on the one hand and money-losing financial institutions on the other. This is a very unusual situation; neither side is obviously winning the battle.

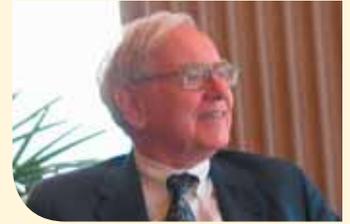
- USA is in a recession, but this is an awfully pale recession at the moment. The declines in employment have not been as big as you'd expect to see.

- Until there are stabilized prices of homes, and I think they have a good way to go down, you still have prospective losses for financial companies and investors. It's too soon to tell if the worst of the credit crunch is over, concluded Alan Greenspan.

Warren Buffett: The worst is behind us

- Bank losses aren't over by a long shot, but a lot of it has already been recognized, said Warren Buffett, an internationally

well known US investor, business man, philanthropist and CEO of the Omaha based investment company Berkshire Hathaway.



Buffett delivered his statement in connection with a speech at the annual Berkshire Hathaway's shareholders' meeting, nicknamed the 'Woodstock of Capitalism' and this year drawing 31.000 participants. 77 year old Warren Buffett is regarded as one of the world's greatest stock market investors and also as a criticizer of the financial industry for what he considers to be a proliferation of advisors who add no value but are compensated based on the volume of business transactions which they facilitate.

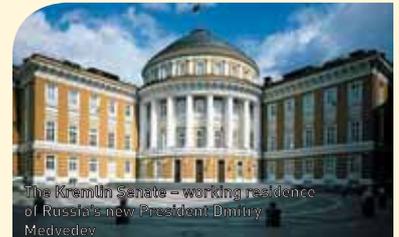
- The Federal Reserve should have credit for helping to avert a more widespread crisis on Wall Street, continued Buffett. Their actions have prevented the contagion where you're going to have runs on investment banks.

- I see investment opportunities in the US stock and bond markets, and I believe the widespread financial turmoil from the credit crunch is behind us.

- We are also happy to invest in businesses that earn their money in Euros, or from the sterling, because I don't have a feeling that those currencies are going to depreciate in a big way against the dollar, concluded Warren Buffett.

RUSSIA

Written by Vilhelm Konnander, an expert on Russia and an Eastern European consultant, 'Russia – a sovereign democracy? A study of popular rule and state power in decline', was published by FOI, the Swedish Defence Research Agency, in April this year.



The Kremlin Senate – working residence of Russia's new President Dmitry Medvedev

- The study illustrates how the rule of the exception has been applied, by complementary legislation, to limit the basic political rights and freedoms of the Russian constitution, says Konnander in the summary of the study. In functional terms, the study indicates a decline in governance – i.e. state capacity. This decline comprises most vital and mutually dependent areas of governance such as government effectiveness; regulatory quality;



Vladimir Putin and Dmitry Medvedev

control of corruption; rule of law; and voice and accountability. A positive trend is discernable in terms of, on the one hand, economic development. In combination, the study finds that Russia's constitutional and functional decline coincides in time, forming a consistent downturn since 2003 – 2004.



As Russia now is going its own way and plans to increase its oil production, Prime Minister Vladimir Putin confirms Russia's intention to move the oil export from ports in the Baltic States to Russian ports.

Russia will produce 481 million tons of oil in 2008 and plans for an increase up to 493 million tons in 2010 according to Russia's Ministry of Finance.

- The oil exports that currently go through the Baltic States will be shipped out via Russian ports following our upgrades of our oil processing units, said Vladimir Putin in a mid-May statement to RIA Novosti. According to Putin, almost half of the Russian oil exports are shipped through the Finnish Bay and the Baltic Sea.

- Having completed its initial bureaucratic stage in attaining political stability, the policy of sovereign democracy is now entering the phase of modernization, continues Vilhelm Konnander the summary. By means of the so called Putin plan, Russia is to re-conquer its position as a political and economic great power in the world.

- Estonia has already lost 40% of the Russian transit business, following last year's turmoil and controversy over the relocation of a Soviet war memorial in Tallinn, said Mikhail Bronshtein, an academic at the Estonian Science Academy to Interfax. The full re-direction of Russian oil exports will cost another 40%.

- However, modernization rests on the assumption of continued economic growth and political stability. It relies heavily on continued high oil and raw material revenues to diversify Russian economy and make it less dependent on inflationary setbacks. Simultaneously, political stability is threatened by decline in other sectors of governance underpinning it.

- I do not think that Putin's statement is politically and economically justified. Transit via the Baltic countries is to Russia's advantage, especially economically. It enables Russia to reduce their spending and invest more. Shipping via, for example Muuga Port, just east of Tallinn, is USD 3 - 5 less expensive per tonne than via Russian ports.

At a March seminar in Sweden - jointly arranged by the Institute for Security and Development, FOI - the Swedish Defence Research Agency and the Swedish Institute of International Affairs - FOI's Jan Leijonhielm described the Russian economy as a ticking bomb now awaiting Dmitry Medvedev's Presidency.

- Already during the Soviet-era, Russian ports found it difficult to compete with the former Novotallinsky Port, now known as Muuga, concluded Mikhail Bronshtein. In contrast to Russian ports in the Eastern part of the Baltic Sea, the Baltic ports are deeper and they freeze less in the winter thus enabling more cargo volumes to be shipped.

- Putin was no economist. There are many things that he ought to have done, said Jan Leijonhielm at the seminar. Corruption is rife, population numbers are falling year by year, there is shortage of skilled labour and the Russian inflation is high, currently 12%.

- This is due to high market prices which Russia has been unable to affect. But pay and pension levels have been increased, while at the same time the rising food prices have been capped. Remove the cap and there could be a 'ketchup effect'.

- In a couple of years the flow of oil will begin to decrease, as is already the case for gas. Russia already imports gas which is subsequently exported to the West.

- Medvedev is saying the right things but his past record speaks another language, concluded Jan Leijonhielm. He has himself helped to pave the way for today's problems and he is a prisoner of the system. He is unable to combat corruption, there are too many in high places who are dependent on it.



The inflation drivers



OIL

As the price for Brent Crude Oil passed USD 120.- per barrel in the beginning of May this marked a price increase equalling close to 57% compared to one year ago (Edit.: price comparison adjusted to the depreciated

value of the USD). OPEC's March 5th decision not to increase production stands firm making it likely that the oil prices will be kept at elevated levels, at least up until September when OPEC's next meeting is scheduled.

FOOD

The Economist's commodity-price index for food on the world market shows that the price increase was more than 40% in March expressed as an annual percentage change. The coming food price development is an open issue as most of the new 2008 harvests will only be available in the mid of this year and remains subject to external and weather-related risks.

Base food is a highly sensitive market in terms of prices. The price on wheat increased with more than 100% in 2007 and in the beginning of May this year the wheat price fell with 40% following reports on record high quality wheat winter crops in USA and increased crops in Egypt.

The main causes for the upward pressure on international food prices can be identified to three major structural factors;

- The food consumption patterns in many emerging market economies have changed, induced by strong income growth and resulting in increased global demand for foodstuffs

- The production of biofuels has increased global demand for certain agricultural crops (e.g. maize) and also affected the supply and demand conditions for a number of substitute crops (e.g. wheat and soybeans)

- High energy prices have contributed to raising the cost of energy intensive inputs for



agriculture, such as fertilizers and fuel for transport and machinery

Additionally, several shocks have affected the global supply of agricultural commodities, including crop disruptions due to adverse weather conditions in some major agricultural commodity exporting countries. Protectionist measures and market speculation are also reported to have influenced global food prices.

REAL ESTATE

The gap between the prices paid during the real estate boom and today's decrease to more realistic price levels in Estonia is considerable.

BBN - Baltic Business News reports that Estonia's construction boom will now be replaced by a repair boom citing poor construction quality during 2005 – 2007 as the reason.

- The quality problems are especially acute in new housing estates that were often developed on former fields, says BBN. Most of the problems concern bad insulation, poor technical systems and violations of building standards.



In a mid-April article, the Estonian business newspaper Äripäev wrote that a cut in the Estonian State budget might deliver a blow to the construction sector.

- Estonian Ministries have been asked to revise their budget spending including public tenders for new construction, renovation of existing buildings and road building projects, wrote Äripäev. Public tenders have remained a last lifeline for the Estonian construction industry as it now has lost a substantial part of its private orders.

LABOUR

The labour cost increases in the Euro area ended up at 2,5% for 2007 and the corresponding figure for Sweden was 3,4%. Both figures way below Estonia's record increase 2007 averaging 20,2%.

Estonia's Ministry for Finance does not expect any remarkable changes on the labour market. In the Ministry's opinion the demand for labour in Estonia will decrease somewhat but the lack of skilled labour will not ease remarkably.



Though the Estonian economy is said to be on its way to more sustainable levels, the majority of economical commentators and experts expect a double-digit increase in wages 2008 – however not reaching last years 20%-plus level.

TAXES

- 40% of the double-digit Estonian inflation during January is related to the rise of Estonian excise duties, said Martin Lindpere, an economist at Eesti Pank as he commented on the inflation and the simultaneous January rises of excise duties on motor fuel, alcohol and tobacco.

On the Estonian political arena proposals on new taxes causes turbulence in the current governing coalition formed by the Reform Party, the IRL and the Social Democrats.



- The state must increase the share of direct taxes in the budget, said Estonia's Minister of Finance Ivarti Padar (Social Democrats), as he launched a proposal to introduce a luxury car tax and to freeze the planned cut in individual income tax.

- The idea of freezing the planned income tax cuts is buried, answered Prime Minister Andrus Ansip (Reform Party).

Edgar Savisaar, Chairman of the Centre Party - Keskerakond, a main advocate of progressive income tax and representing the Estonian political opposition, supports a stop of cutting the income tax rates and said; "In today's poor economic situation this is the only thing do to".

- Lowering income taxes is the best answer to the slow economical development threatening Denmark, said the Danish Minister for Economic and Business Affairs, Bendt Bendtsen in a recent statement.

International top economists shared his opinion and said:

- Lowering taxes could prove wise when growth slows to a crawl and unemployment rises.

The Danish Minister also got mid-May support from the International Monetary Fund (IMF) representative Franciszek Rozwadowski:

- Lowering the income tax rate is favourable in the long run as it decreases overall wage expenditure, said Franciszek Rozwadowski at a Tallinn press conference following a meeting with Estonia's Minister of Finance, Ivarti Padar.

Prices and wages around the world

The Swiss bank UBS has published a comparative survey of price and wage levels in 70 cities around the world.

New York is put to index = 100 and the UBS price survey compared the cost of a weighted shopping basket geared to Western European consumer habits containing 122 goods and services.

The UBS survey on wage levels is based on wage figures, social security contributions and working hours for fourteen widespread professions. Uniform criteria were used with regard to work experience, age, marital status etc. The wage index was weighted by the share of each occupation in overall employment, overall income and also by gender.

Normally ranked as a leading city both in terms of prices and wages, New York has went down on the ranking lists as a result of the U.S. dollar's sharp depreciation.

UBS itself is regarded to be the European bank hit hardest by the U.S. subprime related financial market situation and the bank posted a net loss equaling Euro 7,1 billion for the first quarter 2008.

PRICE LEVELS

Rank	City	Index
1	Oslo	144,2
2	Copenhagen	129,8
3	London	125,9
6	Stockholm	117,6
7	Helsinki	116,5
18	New York	100,0
43	Tallinn	80,3
48	Riga	71,9
58	Vilnius	63,3
70	Kuala Lumpur	31,0

WAGE LEVELS

Rank	City	Index
1	Copenhagen	140,9
2	Oslo	139,1
3	Zurich	130,0
8	Helsinki	103,6
13	New York	100,0
14	Stockholm	96,6
45	Tallinn	27,2
52	Vilnius	21,0
53	Riga	19,8
70	Jakarta	6,5

Banks to focus on the Estonian economy

Handelsbanken

Gunnar Tersman, Capital Markets:



Commerce and trade

- Estonia is and will be affected by the slowdown in foreign markets. In particular, in Finland and Sweden, growth is coming down this year. We also expect lower growth in the EMU, although not a big change. Russia also falls into the general picture with a slight deceleration in 2008.

- The more dramatic changes are expected in the Baltic States themselves. We think that there is going to be a fairly abrupt slowdown, both in Estonia and Latvia.

- In Estonia, this is already well underway. However, we remain confident that the slowdown will be a manageable one and not something that could be described as a crash landing. After the overheating in recent years, lower growth is only healthy and natural.

- All in all, we still expect that Estonian exports will grow in excess of 10 percent both this year and next. Imports are likely to grow at a slightly lower rate.

Real Estate

- Housing markets are weakening or stabilizing across Europe. The trend may be somewhat negative in Estonia's case.

- We do not see the possibility for a big crisis, neither do we expect any significant bounce up until the present phase in global credit markets is completed.

Labour

- Estonia's growth rate is coming down fairly quickly. Against that background, rising unemployment and more wage moderation are only to be expected.

- We do not think wages can or should increase like in recent years.

- An increase in unemployment should, if relatively modest, not be seen as a problem but is rather a sign that the economy is being re-adjusted in a more realistic direction following to the period of intense overheating.

Credit availability

- Banks have already pulled back from their aggressive lending policies in recent years. This trend is likely to remain.

- We do not see banks becoming more generous again until global financial markets have stabilized and there are clear signs that the imbalances in the Baltics are going away.

- Interest rates will be determined by global conditions but could diverge from that pattern if there are renewed doubts about exchange rate policy.

Commodities, private consumption

- Food and energy prices are going up for global reasons. We see this in many other countries as well, including in the other new EU member states.

- Obviously, this trend affects consumption in a negative direction. We expect the effect to be limited though.

The Estonian State Budget

- The slowdown in the economy will affect the budget as well. Estonia has a long record of maintaining a very conservative fiscal stance.

- We do not expect the authorities to diverge very much from the previous path but would note that there may be some room for letting the so-called "automatic stabilizing effect" of the budget work given the exemplary state of Estonia's public finances.

Estonia's GDP development and the Inflation

- We expect Estonia's GDP growth to end up at 4,5% 2008 and 5,3% 2009.

- The Estonian inflation is expected to be 8,1% 2008 and 4,6% 2009.

Eesti Kroon and the Euro

- The current euro peg is a cornerstone in Estonia's economic policy and will remain that way.
- Eventually, Estonia will become member of the EMU. This is more likely than not to happen around 2011-2012 but we still regard the exact timing as an open question.

Hansapank

Maris Lauri, Senior Macro Analyst, Hansabank Markets:



Commerce and trade

- Estonia's export growth will remain relatively good this and next year. Manufacturing exports is currently growing with some 7-8% y-o-y and if you exclude the oil transit, the growth is around 15% y-o-y. The service export is growing close to that rate as well. Even if the export growth will slow down in 2008, it will remain quite good.

- Imports are falling as the Estonian domestic demand has weakened considerably. We do not expect imports to grow this year, but stronger domestic demand in 2009 could increase import growth rates.

- Estonia's export to Latvia is highly dominated by transit goods (e.g. passenger cars etc), unfortunately we do not have any statistics regarding Estonia's own production exports to Latvia. Still, some slowdown is expected also in this area, but we do not expect any serious setback in the Estonian producing sector due to the structure of the exports. Actually, it is possible that slower growth there might cut prices in Latvia even more and make their products more competitive on the Estonian market. The Latvian price level is generally lower than Estonia's.

Real Estate

- We do not expect a fast recovery in the residential real estate sector. It is most likely that this market will remain depressed throughout 2008, and probably also in 2009; although some recovery may emerge at the 2nd half of 2009. This means a low activity rate (i.e. relatively few deals), and depressed prices. However, developments diverge strongly – new developments in suburbs are having the biggest troubles (plus all poorly planned developments, which may even be closed), however prices in lived-in regions will remain approximately in place and may even grow.

Labour

- We forecast a growth in unemployment and a smoother

wage growth. The unemployment growth will probably not be very strong as there are lot of vacancies and there is always a possibility to go to work abroad (5-5.5% unemployment level). Real wage growth will slow from 13% in 2007 to around 3.5% this year.

Credit availability

- The lending conditions have been tightened to take into account the risks. Interest rates have grown, but most of the loans are issued in euros.

- Some sectors are favoured (e.g. those sectors and companies who are exporting), while others are not (e.g. construction and real estate development) and this is reflected in the interest rates. For example for manufacturing, the interest rates are approximately on previous levels, while they have grown for the construction sector. Construction of residential real estate is the sector where we expect a fall and that will also bring down investments. Some construction projects will shift to business construction, but it might be a short-term option for office and retail builders due to the slowing economy.

- However, for the engineering sector we see good prospects as that involves the use of EU funds. So we forecast quite strong growth in road building, other infrastructure investments etc.

- Businesses will also continue to invest, but in 2008 there might be a short-term setback in investments due to the global uncertainties. In 2008 we forecast a ~1.5% fall in investments, but some 2 - 5% growth next year. 2010 should bring an even higher growth.

Commodities, private consumption

- Food and energy-related products and services are taking quite a big share in the Estonian consumer basket, and hence the impact of those price increases is strong. Those prices have grown 20-50% p.a. in Estonia.

- We expect that this pressure will be smaller this year compared with 2007, however given uncertainties in the global markets; things may turn out to be different.

- Inflation is one factor which makes Estonian consumers very pessimistic and this has already affected their spending habits and spending level. We expect that consumer spending will grow approximately 1.5% in this year, and in some quarters it may actually fall.

The Estonian State Budget

- The State budget plans was made on very optimistic assumptions, and even if the Ministry of Finance made a new forecast in November (a more realistic one), changes were not made into the budget plan. Definitely, the global developments have turned much worse than expected by everybody (if you look on revisions, which are now made globally), and this applies to the Estonian forecast as well.

- It is good that the government is planning cuts in current spending and we hope that, with a tighter outlook, the 2009 budget plan will be a more realistic one. The need of making cuts could help to increase efficiency in the public sector.

- It is also good that the government will not touch EU funded investments and projects when making the changes in this year's budget. We are of the opinion that the government should avoid making spending cuts in areas with long-term importance, e.g. in education, science & technology, infrastructure. The government can use reserves for those spending in case of poor revenues.

- Still, we expect that this year's public sector budget will be in deficit and next year as well. The major reason is the municipalities, who will take loans to cover their investments.

Estonia's GDP development and the Inflation

- With the current high uncertainties in global economy it is really hard to make a forecast; the figures are more like indications for the future.

- We expect a 3.5% growth this year (mostly on support of exports), and some 4.5% next year.

- Consumer price growth will be approximately 8.5% this year, but in December the annual growth may be only 3.5-4.5%. Next year the inflation will slow to c:a 4%.

Eesti Kroon and the Euro

- We do not expect any changes in the Estonian monetary policy and this means most of all that the kroon fix to the euro will remain at place.

- In the best case Estonia will be able to adopt the euro in 2011, but this requires rather modest growth of global prices (or even fall), which allow the Estonian inflation to fall to 3%, and EU countries not having very low inflation levels. More realistic is 2012, but those requirements remain (modest global price growth and reasonable inflation in EU countries, not some country having 1% or less inflation).

Nordea

Ingo Pöder, Head of Nordic & International Desk:



Commerce and trade

- Estonia's expected export growth in 2008 is 4% and 7% 2009. Expected import growth is 0% and 5% respectively.

- Estonia and its economy are very dependent on what goes on in the world economy. Therefore our export is highly influenced by the health of our main trading partners (mainly

EU). Import growth is expected to decline in 2008 compared with 2007. The main reason is lower consumer confidence and end of the economic boom.

- A Latvian crash is also becoming less likely, even though the risk is still there. The Estonian risk is mainly related to our main trading areas (for example food industry and agriculture). A main negative effect would be the reputation as most of the world sees all Baltic countries as one region.

Labour

- The Estonian unemployment rate is expected to increase to over 5% by the end of 2008 and near 6% in 2009.

- Hikes that we have seen in increased salary levels 2006 and 2007 will stay in the past. An average salary increase near 10% could be expected.

Credit availability

- Banks are being more conservative in granting loans to both private persons and companies.

- Currently, the real estate sector is the least "popular" as it has been the most active and fastest growing sector for several years.

- However, profitable projects with good cash flows will find financing (also in the real estate sector).

Private consumption

- Private consumption growth is expected to decline. Estimated growth for 2008 is 6% and for 2009 5%.

The Estonian State Budget

- The expectation is that the state remarkably cuts costs. This situation was expected by most market participants already when the budget was made. The only one to ignore that seemed to be the state.

- It was clear that the income in the budget cannot be that high when the economy is clearly cooling down (especially VAT income was overestimated).

- However, since the government's debt level is very low and there are quite substantial reserves, the problem is not very big in the short run. The question is, whether it is wise to use those reserves right now for patching the budget.

Estonia's GDP development and the Inflation

- The expected Estonian GDP growth is 3,0% 2008 and 5,3% 2009.

- The Estonian inflation is expected to 7,9% 2008 and 4,9% 2009.

Eesti Kroon and the Euro

- The current EEK peg to the Euro will remain. There is no good reason to change it.

- 2011 for joining the Euro zone is not impossible and it should currently remain as a target. But it is likely that Estonia's inflation rate is too high to comply with the requirements. Therefore it is possible that our wallets will have to wait a few more years for the Euro.

SEB

Ruta Eier, Economist:



Commerce and trade

- This year we expect Estonia's export to grow about 7% and imports 1%. Latvia poses quite a significant risk for the Estonian economy. As Latvia is an important export market for Estonia, a hard landing in Latvia would have a direct adverse impact. Also, as the Baltic region is seen as a uniform entity, investors' attitude towards Estonia would

be severely affected and as a consequence, risks are seen higher also in Estonia, so that it will influence the influx of money and will further curb down economic growth.

Real Estate

- The price fall on real estate is expected to continue through the current year, totalling ca minus 15% from peak levels.

Labour

- We expect the wage growth rates to decelerate down to 12% and unemployment increasing to 6.5% this year.

Credit availability

- Credit availability is going to be squeezed and interest rates will slightly fall to 6% by the end of this year. Investments are expected to fall in 2008, by about 5%.

Commodities, private consumption

- Consumption growth is expected to be curbed down to 3% in 2008. Private consumption is severely constrained by the high inflation. In addition to the price surge of global food and energy, Estonia's inflation has also been boosted by increases of domestic indirect taxes, which effect will persist throughout the year.

The Estonian State Budget

- The State's revenues are short for now, but we still expect the State budget to reach balance by year-end, because we expect the government to cut expenses by the shortcoming amount. Our advice is to keep aiming towards budget balance and not allowing deficit, because it would be a necessary signal in terms of Euro adoption and constraining inflation. Without inflation coming down, there won't be any rebound in economic growth soon.

Estonia's GDP development and the Inflation

- We expect the GDP growth in Estonia to be 3% both for 2008 and 2009.

- The inflation is expected to be 8% in 2008 and 4% in 2009.

Eesti Kroon and the Euro

- We don't foresee any changes in the EEK peg to the Euro and we wouldn't expect to have Euros in our wallets before 2012.



Chamber members to focus on the Estonian

economy

Helge Berntsen:



- Eesti Pank is giving good advice when they state that 'Before new houses are built, the old ones must be sold', says Helge Berntsen. Since I am nowadays involved in the business of developing land both in Estonia and Norway, on a small scale, I totally agree. On my list of priorities quality and location comes first, while many developers seem to have quantity on top of their list in Estonia.

- It seems like Estonia has entered into a mode of relaxed attitude in relation to the timing of the Euro introduction, while in my opinion the Euro introduction should have first priority. Until the Baltic countries adopt the Euro, the uncertainties on the value of the local currencies will grow and new rumors of devaluation may follow.

Helge Berntsen

After growing up in Brooklyn, USA, Helge eventually moved to Norway and started his career in the automotive business. Following a position as finance director at Goodyear Dunlop Nordic, he moved from Stockholm to Tallinn in 2002, appointed manager of Goodyear Dunlop Tires Baltic. Helge and his Baltic team drew Goodyear Dunlop to a solid position as market leader in a few years time and today Helge enjoys life as an active pensioner.

Helge is running Viking Kinnisvara, a member of the Swedish Chamber of Commerce in Estonia and a company developing land both in Estonia and Norway. His Norwegian ancestry lives on, as he is also active in today's Norwegian economic political media debate.

for the coming next few years, and this consensus should be reached very soon. If the priority is to adopt the Euro in 2011 the inflation has to come down, and the forecast of 4-5% in 2009 will not be easily reached without some firm grips and initiatives from the government.

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

global labour market, not only inside the EU area.

- Russia's importance shouldn't be under-evaluated, concludes Helge Berntsen. Until Europe finds widespread alternatives for the supply of oil- and gas-energy, the dependency on Russian supply is vital, and their economy will continue to prosper. New oil and gas fields are still being discovered yearly, and there is for example a gigantic off-shore zone north of the Kola peninsula, where Norway and Russia have severe difficulties in reaching an agreement on its further exploitation, partly due to the huge values being involved.

Peter Arvidsson:



- The airline industry is about as international as you can get in the daily business, says Peter Arvidsson. Though our aircraft fleet and our staff are based in Tallinn our operations takes us to the international economic scene every day. Passenger and aircraft handling services are purchased on our destinations, enroute charges are paid as we use air traffic control services in different areas of the international airspace, refuelling is done at many airports out of Estonia.

- The current depreciation of the USD has a positive impact for Estonian Air as all our aircraft leasing contracts are in USD. We still expect a further decline, at least during this year.

- However if you compare our cost of aircraft leasing with our total fuel cost, the lease cost of aircraft is just about half the size, and not enough to offset the increasing fuel cost. The cost for jet fuel continues to increase rapidly and we have now been forced

Peter Arvidsson

Following a solid background in the airline industry, with management positions held in SAS and the Norwegian carrier Wideroe, Peter joined Estonian Air as Vice President Commercial and moved to Estonia in the beginning of last year.

Peter joined Estonian Air as the first phase of a major revitalization of the airline started up. During his first year the aircraft fleet and the number of destinations have grown, the daughter company Estonian Air Regional has started operations, the reservation system has been upgraded and the cooperation with partner airlines has intensified.

Estonian Air's revitalization process continues. Flights to Stockholm from Tartu in addition to Tallinn and Kuressaare are in the planning process, new destinations and more flight frequencies are evaluated and new aircraft are to be added to the fleet next year.

to introduce a fuel surcharge of 10EUR or 15EUR depending on the destination. With this action Estonian Air follows many other airlines in the chase of adapting our business to the new reality of significantly higher fuel cost. Yet, in this picture we still aim on offering as attractive fares as possible.

- As every airline we have quite a number of different professions among our staff; pilots, cabin attendants, technicians, personnel manning ramp, handling and administrative service functions. Looking at the average outcome of last year's average Estonian record rise in wages, we managed to keep our average salary increase to a lower 8,1% level in 2007.

- The slower pace in the international and Estonian economy is of course noticeable for us as well. We have seen a general decline in incoming traffic (sales generated outside Estonia) for over a year now. In markets such as the UK the decline is significant.

- Up until now we have managed to compensate this decline with strong demand and sales development in the Estonian market. In April we grew by 20% thanks to this, but also thanks to more capacity than a year ago and our introduction of new destinations like Minsk, Munich and Rome.

- We are however concerned about the short-term, 3 - 12 months, development of the Estonian market, concludes Peter Arvidsson. Especially considering factors such as high inflation and energy prices and consequently, a reduction in the overall consumer confidence in the economy.



Frank Svenhard:

Time to look for efficiency and productivity!

- As we can see there are as many alternative forecasts as there are qualified people making them. With so many uncertain factors both locally and internationally it is not a simple science to make solid predictions. I will not try to give another forecast but instead

give my view on the Baltic business development from our business point of view, says Frank Svenhard.

- Being in the car leasing industry you have customers in most other industries. Our simple aim is to provide full car fleet management and financing. What we do is to administrate an area that often takes a lot of time and cost more money than necessary for most companies. A good company car policy and a fleet strategy can save a lot of money and time. This is the case not only for companies with large fleets but also quite small companies. This is mirrored

in our customer portfolio where we have customers with only one car and other companies with several hundred cars.

- It is important to make a clear distinction between leasing and full service leasing and fleet management. Finance is only one optional part of the whole service package. Areas like insurance & accident handling, service & maintenance management, purchase & disposal processes are keys to find efficiency improvements.

- What we see in these times of economic slow down is that companies are interested to talk with us about our solution to reduce their own risk, save money and be more efficient, tells Frank Svenhard. By outsourcing the whole car administration to us they free-up resources that can be used elsewhere or saved.

- This means that we actually have a very positive trend for our sales and growth. Last year we reached a milestone by capturing 15% of the Baltic full service leasing market since we opened our first branch only 2.5 year ago. This year we have grown 28% in the first 4 months and the forecast for the rest of the year looks very promising. In this sense the Baltic market follows the European market where full service leasing and fleet management also is growing.

- Finally, hard times are the time when a lot of good ideas are developed, concludes Frank Svenhard. We see that only in our niche market there is room for improvements and increased productivity. I am sure that the situation is the same for a lot of other areas. Be open minded and dare to look for new solutions and I am convinced that Baltic businesses can create the needed productivity improvement.

Frank Svenhard

Appointed Baltic Countries Managing Director, Frank took ALD Automotive to Estonia 2005 and the year after subsidiaries were established in Latvia and Lithuania.

Frank has a genuine automotive background with previous positions held at Ford Motor Company and its affiliated companies in Sweden and England. He and his family moved to Tallinn in 2005 and the first year Frank focused on setting up qualified teams in the three Baltic countries and joined the SCCE in 2006.

Last year ALD Automotive acquired 15% of the Baltic full service lease market in 2007. That equals more than 3000 vehicles in the Baltic States up to the end of 2007, which is 150% more than 2006. Over the next years ALD Automotive plans to gain at least 30 % of the total Baltic full service operational leasing market.

Today Frank and his family have moved back to Sweden and Frank shares his weeks between the ALD Automotive offices in Stockholm, Tallinn, Riga and Vilnius.

ALD Automotive is a part of Société Générale Group's Specialized Financial Services Division also present on the Baltic Market with its Consumer Finance activity InservissCredit in Latvia.



Reidi Strandberg:

The high speed economical growth is changed to sustainable development.

- On April 29th Mr Jaan Männik was nominated

new Chairman of the Supervisory Board of Bank of Estonia (Eesti Pank). Jaan Männik was born in Sweden and until last year he was Manager of the Board in Eesti Telekom. In an interview to Äripäev Mr Männik said, that the first priority for Estonia is to join the EURO and in order to achieve this objective we have to manage to break the inflation.

- The inflation was 6.6% last year and the prognoses for 2008 are from 7.9% (Nordea) to 9.8% (Eesti Pank).

- There are several reasons for the extremely high inflation growth. One is administrative, caused by the excise duty from January 2008. In June 2008 there will be an additional increase of excise. This is a one-off non-recurring action and has no influence on inflation in the future. The inflation estimates for 2009 are about 4.5% - 4.9%.

- A lot of attention has been put on the increase of food and petrol prices. The question is what influence it will have for Estonia when we join the EURO, because these prices are increasing worldwide.

- According to the Maastricht inflation criteria for joining the EURO our inflation must not exceed the average inflation of the three lowest-inflation countries + 1.5%. Today we are far from achieving that. The lowest inflation in April 2008 was in the Netherlands (1.7%).

Table 1	Inflation April 08
EU	3.6%
NL	1.7%
DE	2.6%
SE	3.2%
FI	3.3%
EE	11.6%
LT	11.9%
LV	17.0%

Source: Eurostat

- The increase in food and petrol prices also influences the inflation in low-inflation countries, but to a lower extent, because of the differences in the consumer basket.

Table 2.	% of total household consumption expenditure					
	Food and non alcoholic beverages	Transport	Housing	Clothing	Restaurants and hotels	Health
EU 27	12,70%	13,60%	21,90%	5,70%	9,00%	3,40%
EU 15	12,10%	13,70%	21,90%	5,80%	9,30%	3,80%
NL	10,90%	11,90%	23,00%	5,50%	5,30%	2,20%
DE	11,00%	14,10%	24,40%	5,20%	5,40%	4,80%
SE	11,60%	12,70%	27,30%	5,10%	5,00%	2,60%
FI	12,40%	12,60%	24,90%	4,90%	6,40%	4,20%
EE	17,00%	13,80%	17,70%	7,70%	7,10%	3,00%
LT	25,80%	16,90%	13,90%	8,10%	2,90%	4,20%
LV	22,20%	11,20%	21,00%	7,10%	5,40%	4,10%

- In table 2 you can see how we divide our expenditures in different countries. In Estonia people spend 17% from their household consumption expenditures on food and non-alcoholic beverages, in the Netherlands only 10.9% and in Sweden 11.6%.

- For me it was surprising, that Estonians spend a bigger part of their expenditures on hotels and restaurants than others, says Reidi Strandberg.

- In general; when the economic growth breaks then the employment decreases, unemployment increases and the increase of wages and salaries breaks.

- According to Bank of Estonia c:a 15.000 short-term unemployed people will enter the labour market in the near future. This will definitely have an influence on the average increases of wages and salaries, but when looking at the different labour market sectors, there is a big lack of skilled labour.

- The specialist's wage expectations are very high and people tend to compare their wages with wage levels in neighbouring countries.

- Table 3 gives data for 2005. The increase in wages and salaries in Estonia has been substantially higher than the European average, but the average wages are significantly lower than 80 km north. People tend to vote with the feet.

Reidi Strandberg

As Rödl & Partner this year celebrates its 15th anniversary in Estonia, Reidi Strandberg, Rödl & Partner's Manager Financial Services in the Baltic States and her teams in Tallinn, Riga and Vilnius, are part of an international company being present where business is present.

Currently operating in more than 77 cities, in more than 35 countries, Rödl & Partner is a gateway to national and international expertise within auditing, accounting, tax consulting and legal consulting.

Rödl's financial service team is working on a Pan Baltic level, and also has a very close cooperation with Rödl & Partner's Stockholm office, reflecting the intensity in the commerce and trade between Estonia, Latvia, Lithuania and Sweden.

Few people get an inside, daily updated, knowledge on the shape of today's business activities as Reidi and her colleagues. Put together the sum of this knowledge becomes valuable and beneficial for their clients and is also a source for knowledge based information to national and international business communities.

Rödl & Partner

The gateway to national and international expertise

Table 3

	Monthly labour cost 2005 (EUR)	% to EU 27	Labour productivity
EU 27	2,891.0	100.0%	100.0%
EU 15	3,672.0	127.0%	109.5%
NL	3,974.0	137.5%	111.3%
DE	3,786.0	131.0%	104.3%
SE	4,431.5	153.3%	111.2%
FI	3,685.0	127.5%	111.9%
EE	713.4	24.7%	68.0%
LT	646.1	22.3%	62.0%
LV	531.8	18.4%	54.3%

People with knowledge and skills wish to sell them as profitable as possible. Here, the problem arises of having workers, but having a shortage of skilled workers.

- The problem is the gap between productivity growth and wage growth. Companies with a wage growth exceeding their productivity growth will not be sustainable in the long run.

- Here we come to the conclusion that industries with low productivity gradually fade and more attention should be paid to structural adjustments. Knowledge and skills are needed for more effective production.

- The main objective in Estonia today is to direct the education policies according to sustainable economic structures.

- We can hope that the cuts in Estonia's State budget have no negative influence on research and development activities, concludes Reidi Strandberg.

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Eastern European safari

Belarus: The final frontier



The distance from downtown Stockholm to the town of Kiruna in Northern Sweden is approximately 950 kilometres. Much closer than this from Stockholm, you can however find a city which quite few Swedes know anything about and even fewer have visited.

The Belarussian capital, Minsk, is situated approximately 830 kilometres from Stockholm, which means that the distance is about the same as to Hamburg. Even so, the mental and political distance to this capital with two million inhabitants and a strict authoritarian regime seems much longer, which has resulted in Belarus being a "blank" spot on the mental maps of many Scandinavians. Now, however, there are signs that things could gradually start to change.



The House of Government, Minsk

While other Eastern European countries have in different waves taken steps towards democracy and openness, Belarus has stubbornly clung to state control and many old Soviet ideas. While the country boasts

many strong nationalistic features in sport and national emblems, its leaders have been keen to keep close relations with Russia. Belarus has since 1994 been ruled by Alexander Lukashenka, nicknamed Batka ("father", "daddy"), who has extended his rule several times during the last 15 years. In elections and referendums Batka typically gets 80-90% of the votes.

Even though the elections are commonly known to be flawed, Mr Lukashenka is genuinely popular in Belarus, thanks largely to a steadily growing economy with relatively low inflation and crime rates. The Belarussian "market socialism" controls prices, exchange rates and to a certain extent most business activities. The control over businesses can result in government pressure to make certain forced decisions, inspections, and changes in application of the legislation.



President Alexander Lukashenka

Regardless of the economic policies, which makes foreign investors reluctant to put their money into the country, the Belarussian economy has been growing 7-9% annually the last years. The strong links to Russia have ensured that there has been plenty of trade eastwards. Above all the benefit of this cooperation has come from discounted Russian oil and gas, which has meant easy and stable incomes for the Belarussian state. This advantage is now however, disappearing as Russia is increasing the gas price for Belarus and also tightening the policies for providing Belarus with oil.

As a result of some dark economic clouds in the horizon (concerning the Russian discounted energy) Lukashenka's government has during the last two years made gradual, small steps to make the country more attractive for foreign investors. The perhaps most welcomed change in regulation was abolishing the so called "golden share" rule, which allowed the government to intervene in any decisions of companies that had been once owned by the state. The international business community following the country has also welcomed the Belarus government's initiative to make numerous other legislative changes, to set up tax benefit business zones and to start privatizing several state-owned companies.

As the World Bank now also ranks Belarus 20 places above e.g. Ukraine in the ease of making business rankings, Belarus is bound to attract a lot more attention over the coming years. Already now we are seeing companies like Sorainen Law and hardware store K-Rautakesko set up operations



The new National Library, Minsk

in Belarus, and many more Baltic and Nordic companies are likely to follow to the neighbouring market of 9 million consumers. The market is in many areas rela-

tively untouched, which should create some very attractive opportunities for companies with the right business model.

While the future looks bright for doing business in Belarus, Excedea sources close to the Belarussian parliament say that state control will remain very strict and whatever legislative changes are made, they will always allow for the government to play a strong and active role in all fields of business. Also, the real estate prices in Minsk are also already high enough to prevent "quick wins" by speculative western investors coming in to the market.

All in all, there is a strong belief that Belarus is finally emerging from being a "blank spot" on the map, and becoming a state controlled, semi-open market economy. In three to five years we could see Belarus being what e.g. Russia or Kazakhstan are today; a country where democracy is still very limited, but where western companies can in most fields do successful business relatively undisturbed.



Martin Seppälä
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Excedea

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

Services provided include supporting Nordic companies and investors to succeed in the Baltics and Eastern Europe through market analysis, growth strategy, partner searches and acquisition target analysis. Individual investors and investment funds are supported for their investments in the area and high-growth companies are helped to crystallize their ambition level and strategy, assisting them to internationalize and to finance the growth.

www.excedea.com



The Great Swedish Day in Noarootsi

Birkas - Pürksi
11.00 – 16.00
August 20th, 2008

Full day activities throughout Birkas - Pürksi, Noarootsi: Pürksi Municipality Hall, Pürksi Mansion, Noarootsi Gymnasium and Lyckholms Museum

- 11.00 Opening**
- Welcome from the Noarootsi County
 - The Chairman of the cultural council
 - SESK, 20years
 - Estonian-Swedes, a short overview

- The entire day, 11.00 -16.00, outside and inside:**
- Folk music and folkdance
 - Song- and dance-cottage
 - Story telling cottage: "That's the way it was"
 - Exhibitions, book table
 - Documentary films
 - The Swedish market square: organizations, village- and boat-associations inform and present handicraft and hand works
 - Hand work cottages, sales
 - The Nuckö race, the children's adventure place, competitions and games

The Great Swedish Day is organized by SESK – Samfundet för Estlandssvensk Kultur (the Association for Estonian-Swedish Culture) and more than 14 Estonian-Swedish Associations and representatives of local Noarootsi Governments



ON TOUR focus



Everything starts somewhere and in terms of building up infrastructure like roads and making cement for the building construction industry, the quarry is where it all begins. focus went to Lääne-Virumaa and visited SCCE's member Voglers Eesti and got an insight.



Viive Tuuna, Administrative Manager and Klas Vogler, Managing Director, Voglers Eesti

- It was my father who founded the company during the 1950's in Sweden, told Klas Vogler. From the beginning the company was in the excavator business, but in 1972 we acquired a rock blasting company and started to develop our expertise in this area.

- We came to Estonia through a Swedish customer of ours, Cementa. They had a cement factory in Kunda and we had acquired experience in blasting limestone, the most common rock we have here in Estonia.

- It is not hard at all to make a perfect rock blasting, said Klas Vogler, Managing Director, Voglers Eesti. It is just to fill up the drilled holes with explosives and let the blast go off! Of course, it requires that the holes are drilled at the right spots and with the right depths and that the explosives are of the right kind and loaded in the right order. That is where experience and expertise counts in this business.





- Our main customer on the cement market is Kunda Nordic Cement, today a member of the international HeidelbergCement Group and our total turnover is budgeted to 50 million EEK 2008.

- Continuing with Estonian figures we blast some 5 million tons of rock, drill some 200.000 meters of blast holes and use 1.000 tons of explosives, all figures per year.

- Out of the 1.000 tons of explosives we use per year, we mix 700 tons ourselves. The recipe might not be a secret as Coca-Cola's but I will not give it out anyhow, smiled Klas Vogler.

- For obvious reasons we need specialists and we want to keep them. Consequently we were not excluded in last year's Estonian wage rally. We ended up at a 20% salary increase 2007 and have a double-digit figure budgeted for this year.

- Our salary system is based on a fixed part and a bonus part and our aim is to increase the fixed part. The summer is a peak season for us with production going to lower levels during the winter. By increasing the fixed part in our salary system we will create a

- We started up in Kunda 1996 by bringing some of our Swedish specialists over here for setting up the business and training our Estonian staff. We have 30 employees today and have invested 50 million EEK here since 1996.



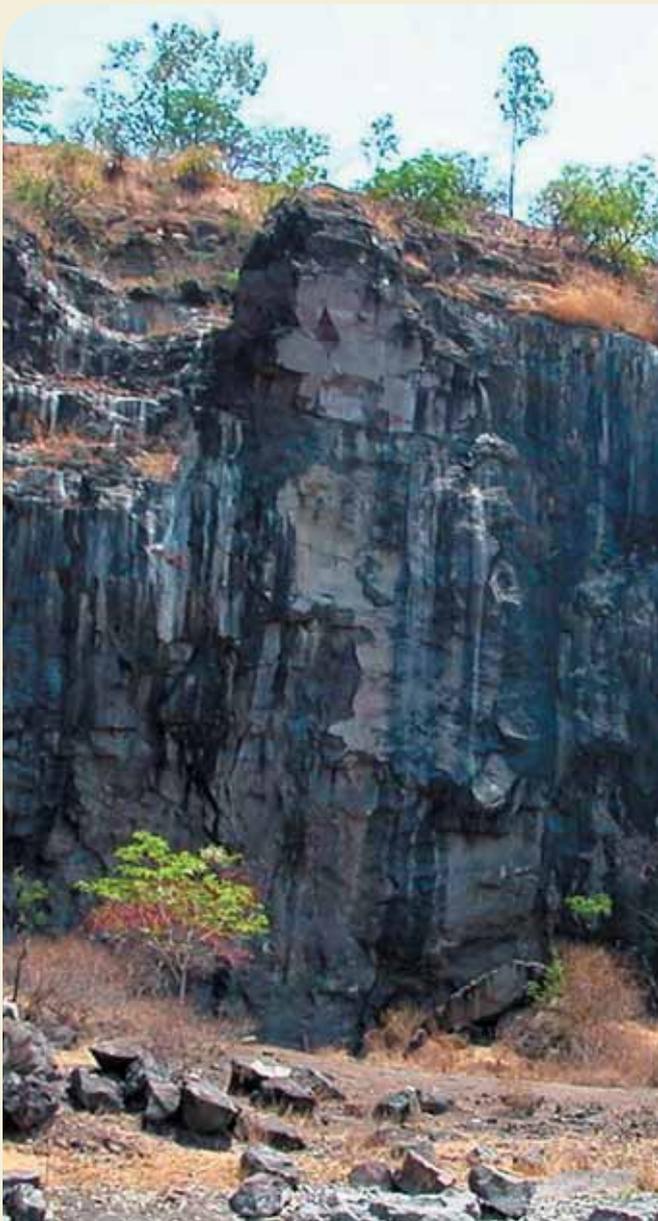
In front of the explosives storage

more evenly spread income for our employees and I believe that is beneficial for both them and us.

- We share the forest industry's problem in finding raw material. It is extremely hard to get permissions to open new quarries in Estonia and the situation is basically a dead end street. Without local quarries, gravel and material for the cement industry has to be imported and the shipment costs for this kind of material are considerable.

- I live in Sweden myself and in average I spend a week here in Kunda per month, concluded Klas Vogler. We have a stable team of key personnel here and in general I must say that we have been lucky with finding the right people and our staff turnover is low.

Text: Megazine, Tallinn



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Caring for the body and soul

Conducting business in a cool, fresh and relaxed mood is not only recommendable; it is a wise advice for a good outcome in any negotiation and Estonia's spa facilities are oases in an otherwise hectic business environment.

Members of the Swedish Chamber of Commerce in Estonia have tried out four Estonian Spa facilities and here are their reports.

Elemis SPA, Hotel Telegraaf, Tallinn



Katrin Isotamm, Head of Public Relations at SCCE's member Hansabank and her husband Lauri reports:

- Our visit took place in early May. We had booked treatments in advance, and went to Elemis SPA slightly earlier to try out the pool area.

- The pool and the area surrounding it is rather small, but convenient and invites to relaxing with a few comfortable bed type chairs available. The pool itself is not meant for swimming exercising and the area is definitely a good place for reading a magazine and relax with a drink.

- In addition to us, there were just a few more guests so it was rather quiet. Maybe a bit too hot and humid,

but otherwise ok. We would suggest to have a set of more creative drinks available than currently in the list, and a larger variety of fresh juices available as well.

- As for our treatments we tried Elemis sun treatment and Elemis massage, both worth going back for :)

- Elemis SPA is not big nor publicly much advertised, and that is probably an advantage. Every client is treated personally.

- The service staff was really friendly and helpful. We faced a small problem when leaving as we tried to pay with a credit card for some products that we had purchased. Due to technical problems, that was not possible and we were offered a delicious set of green tea while waiting. The technical problems continued so we agreed with the service lady to take care of the payment the next day – that is so flexible and nice service.



Spa

It's a short word but it means a lot for the body and soul. The background to the word itself is a bit disputed. Some claim that it is short for "sanitas per aquam" or "salus per aqua" (appr.: health by means of water). A more widely accepted consensus is however that the word comes from the small municipality Spa in Belgium.

Located in the province of Liege, Spa got a reputation as a health resort already during the 14th century. Several hot springs providing mineral-rich water formed the basis for Spa's fame as the water was considered to have healing powers in connection with baths and as drinking water.

Estonia's fame for its spas and health resorts also dates centuries back.

Today's Estonian spa facilities are an important driver for the tourism and the concept itself has developed from a pure health treatment to today's way of well-being for both the body and the soul. In addition to water and, in some cases, also medical treatments, massages originating from all over the world are available and so are a rich variety of beauty treatments.

Hotel Telegraaf

Constructed in 1878 the Hotel Telegraaf building was once an exchange station for the Estonian Telegraph company. Those were the days when the steam locomotive and telegraph changed the world forever.

Following a comprehensive transformation into a unique five-star hotel, Hotel Telegraaf, its Russian cuisine restaurant Tchaikovsky and the Elemis SPA was opened last year.

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Georg Ots Spa Hotell, Kuressaare, Saaremaa

I slept with Georg and tried the Elemis Absolute Spa Ritual! Kristiina Sikk, SCCE Ombudsman, reports:



Kristiina Sikk

- From the soles of the feet up to the head - your body and skin is luxuriously treated for 120 minutes... This is how it begins:

- To stimulate your body to fully receive all the coming luxury, the session starts with a light body brushing with a cactus brush - not with the somewhat sticky part though. Next step is to choose your massage oil. There are many different types, among them the Cellutox oil and the exotic

Frangipani oil. Make your choice by trusting your nose or follow the suggestions of the masseuse.

- The next step is a deep tissue muscle massage. It is quite different from an ordinary massage and is made by rhythmic and deep movements with hands and elbows and it lasts for 45 minutes. After the massage, several masks are put on your face and eyes. When lying there, feeling better and better and several years younger, you will get a bonus scalp massage.



- Georg Ots GO Spa is unique in that respect that every treatment starts with the therapist introducing him/herself and a warm handshake belongs to the beginning as well as to the end of every session. This makes it feel really personal and made "especially for you".

- This feeling of personality follows you all over the GO Spa - at the pool area, reception and restaurant. The service people are relaxed, smiling and caring and



this nice behaviour very quickly hits you as well.

- Since GO Spa mainly focuses on private visitors and not to big groups, there is never too crowded or too loud noises around. Soft carpets with bright yellow strips borrowed from the Muhu national costume are muffling the footsteps in the corridors. Well chosen music is played and personal service creates the special atmosphere in GO Spa.

- Plus - GO Spa's kitchen is really high level - worth a visit even if not staying in the venue. GO and try :)

Georg Ots

Georg Ots became The Baritone Opera Singer during his short lifetime. Aged 55 he died in Tallinn 1975 following a career that took him to operas and concert halls in Europe, United States as well as all over the Soviet Union.

His solo opera debut was a tiny part in Eugene Onegin at the Estonian National Theatre in 1944 and his popularity took a giant leap in 1958 with the movie release of the musical Mister X, based on Imre Kalman's operetta Die Zirkusprinzessin.

After his death, the Estonian Music High School was named after him. A plant, a ferry and a street were also named after Georg Ots and in 1997, Russian scientists gave his name to a newly discovered planet.

And in Kuressaare his name and fame lives on at the Georg Ots Spa Hotell.

'I slept with Georg' has become synonymous with the hotel and a music CD with this title is available

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Strand SPA & Conference Hotel, Pärnu



Õie and Endel Tamm

Named Estonia's Summer Capitol City, Pärnu is famous for its long and white sandy beaches. Pärnu's Strand SPA & Conference Hotel has found a way of making the visitors enjoy their stay year

round by offering both conference and spa facilities. Õie Tamm, Managing Director at SCCE's member Wigéns OÜ and her husband Endel, reports:

- Elo Kriiska, head of the Strand Sales Department took us on a tour of the hotel to begin with. We saw Strand's new rooms, the restaurant, night club, the gym, the beauty center before ending up at the spa and the pleasures to come.



- The Spa is located at the first floor and is quite small but very cosy and has a good atmosphere. After a hot sauna it was very nice to relax in the warm (+30 C) whirlpool followed by a swim noises in the big pool. Generous big windows took the sunshine in and as it



was late morning hours, the pool area was not crowded and we really enjoyed our swim with quiet soft music in the background.

- Following our refreshing swim we took off for the beauty center Dione offering a wide variety of different treatments, like massages, body and face treatments. We chose body treatment and massage. It was not easy to make the choice due to the many tempting options, but finally we picked Chakra Lavastone Massage with Shiatsu and "Oloil" body treatment.

- I really enjoyed the Oloil treatment. The body is thoroughly rubbed with olive oil gel mixed with essence oils and basilica leaves. That is good for the blood circulation and it cleans the skin.

- After the massage, the body is wrapped in plastic and I was lying and relaxing while listening to nice music for some 10 minutes. As a grande finale, the skin is cleaned and creamed and I felt like I had been away, out of the reality, for some time.

- The lavastone massage is done with lava stones placed on your chakra points, for example between your toes. The warm lavastones creates energy giving a feeling of pleasure since the stones are considered to be carriers of positive energy.

- During this massage you feel free, stressless and relaxed. The massage is stimulating your energy channels and your thoughts during the massage are only about here and now. Everything seems light and beautiful and your thoughts are kind of cleaned. The body feels relaxed and light and maybe the stones really transfers good energy as it is said since centuries back.

- We ended our SPA day in a very relaxed mood having a delicious lunch at Strand's á la carte restaurant.

Strand SPA & Conference Hotel

Located strategically in the vicinity of the beach and downtown Pärnu, Strand's spa and conference facilities ensures year round operations as a full service venue for business, conferences, meetings and relaxation.

Being an old Hanseatic city, today's Pärnu is an important meeting place located between Riga and Tallinn. It takes just 2 hours by car to get to Pärnu from both cities on Via Baltica, the E67.

Strand SPA & Conference Hotel
A.H. Tammsaare pst 35
Pärnu

Tel: (+372) 447 5370
Fax: (+372) 447 5371
E-mail: sales@strand.ee
www.strand.ee

GO City SPA, Tallinn



Marek Moorus, Country Sales Manager Estonia at SCCE's member Goodyear Dunlop Tires Baltic, went downtown Tallinn and tried out GO City SPA:

- Being part of Legend Hotels and Spa's with venues like Tallinn's Three Sisters Hotel, Hotel Telegraaf, Kuressaare's Georg Ots Spa Hotel and Albert Hotel in Riga, GO City SPA is indeed an on top establishment in a classy minimalistic format.

- Centrally located opposite Radisson SAS Hotel it is a good place to visit for a break between meetings or after an exhausting day in the office.

- In addition to your pre- booked treatment you will be surprised with extra foot or shoulder massage.

- If you have more specific plans, make sure you book your treatment a few days ahead. Compared to regular spa's I would say that GO City SPA doesn't offer any compromises and really puts you into go mode and makes you ready for making new businesses again.



- The interior design reflects the Scandinavian taste for simplicity and nature. Though the treatment schedule at GO City SPA is busy you don't get any feeling of a crowded venue.

- All Spa elements are available and they are spiced up with a very friendly and caring attitude from the staff.

- As a workout session is finished, massage or a beauty treatment could be a good option for the continuation. A relaxing sauna and some fun in the pool can follow later.

GO City SPA

Opened last autumn, GO City SPA is a lifestyle club, launched as a health club for successful urban people to balance the fast pace of life by taking time outs at the venue.

GO City SPA offers a wide range of membership options. From full year unlimited membership to packages including a limited number of access times.

Located in the downtown business quarters of Tallinn, most clients are within walking distance and for those coming by car nearby parking facilities assures easy access.

GO City SPA
Rävala pst 4
Tallinn

Tel: (+372) 6400 200
E-mail: info@cityspa.ee
www.cityspa.ee

Creative Tourism

Hosted by the Nordic Forum and organized by the Nordic Council of Ministers' Office in Estonia, the University of Tartu Pärnu College, Foundation Pärnumaa Tourism and the Pärnu County Government, a mid-May seminar on Creative Tourism was held at SCCE's member Conference Hotel Strand in Pärnu.

Tartu – it's not a tower, but it is definitely leaning



Madis Tilga, the Nordic Council of Ministers' Office in Estonia, met Ain Hinsberg from the Pärnumaa Tourism Foundation for an interview on tourism and Estonia:

What does a 'cluster' mean in tourism? Is Estonia capable of sustaining its touristic attractiveness? What role does the Chinese play?

The UN World Tourism Organisation has predicted the Baltic Sea region will be positioned between the two most vibrant tourist regions in Europe until 2020. Northern and Central/Eastern are Europe's top tourist havens and the Baltic region is set to continue to benefit from their popularity.

Can single countries benefit from the common branding of the Baltic Sea Region (BSR) as a tourist destination or is it virtually impossible to

promote the unique values of each?

- The Baltic countries, as they are relatively novel and undiscovered travel destinations, will definitely benefit from any common branding of the Baltic Sea Region. This is primarily because they do not yet have their own discernible image as individual locations. Other neighbouring countries are already apparently focusing more on their individual image.

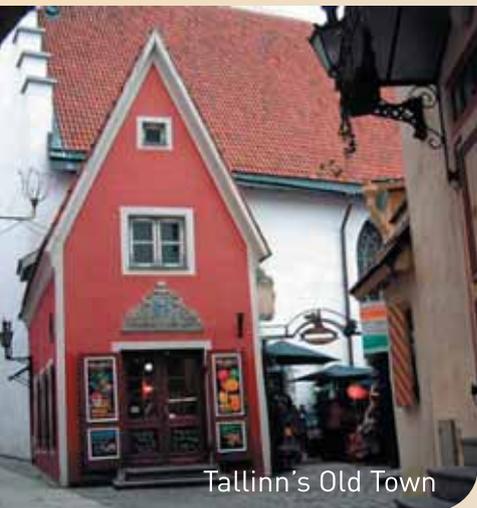
In the present day, where do tourists to Estonia



Palmse Mansion

come from? Are new nationalities arriving or are regular ones returning?

- Estonia receives its tourists mainly from Finland and the domestic market. Together, these account for 71% of overall overnight stays in Estonia. Regarding Finland, recent years have seen the preceding boom in numbers turn into a decline. Tourists from Sweden, Germany, Latvia, Russia, UK and Norway altogether constitute some 20% of overnights in Estonia. In 2006 and 2007 the growth of domestic or 'inner' tourism has reimbursed the declining numbers in incoming tourism. The fact that Estonia has been losing tourists from its main markets while tourism in Europe in general



Tallinn's Old Town

are soaring, reveals Estonia's diminishing competitiveness in the region. The most relevant factors for this decline in attractiveness are the high prices of goods and services, inadequate price and quality relations, poor service quality, the small number of

cheap and convenient direct transport connections from Europe's major tourist markets and, last but not least, the lack of attractive and unique tourism products.

Would it be possible to brand the Baltic Sea Region for Chinese tourists? How could that be done?

- It can be achieved only with joint Baltic Sea Region and Chinese branding as Chinese tourists generally do not discern such tiny countries. Instead they focus on larger regions in 'mainland' Europe.

Which are the present day innovative solutions in tourism?

Matching traditional product development and innovation.

What does a cluster mean in tourism? Are there examples in Estonia?

The National Tourism Development plan (2002-2005) partially stemmed from the principle of clusters. It implies the regional concentration of enterprises related to tourism and which co-operate with each other or supplement each others' activities. Noteworthy clusters in Estonia could be Extended-Pärnu, Extended Otepää, Lahemaa, Extended Kuressaare and Extended Haapsalu.

Interview: Madis Tilga, the Nordic Council of Ministers' Office in Estonia

Sven Jerring visits Runö 1938



Sven Jerring (1895 – 1979) was a legendary reporter and his voice more or less personalized Sveriges Radio, the Swedish public service Radio, for many, many years.

During an autumn week back in 1938 he visited the Estonian island Runö (Est.: Ruhnu) south of Saaremaa in the bay of Riga and some of the recordings made at that time are preserved and available for listening on the internet.

Sven Jerring wanted to describe the daily life of the 300 Estonian-Swedes living on Runö at that time. He found an isolated Swedish culture where many traditions dated back to medieval ages.

One of the recordings available on the internet describes how the young Estonian-Swedish Runö couple Johannes and Maria goes to the priest and announce that they want to get married. In another recording the Runö inhabitants Mr Frisk and Mr Melin remember how World War I hit Runö. Mrs Maria Melin tells about the daily life on Runö and in the fourth recording the listener is taken to a Sunday service in one of Runö's two churches.

The language spoken in the recordings is the special Swedish dialect once spoken on the island, runskan, and it is still fully understandable for a Swede.

The recordings are available at this direct web address: www.sr.se/cgi-bin/Mall/artikel.asp?programID=1602&artikel=2027633 but an easier way to find them is to enter www.sr.se and write Runö in the search (sök) box.

The Estonian 90th Anniversary Year 2008

Throughout 2008 each month has a dedicated subject as Estonia celebrates the 90th Anniversary of the Republic.

June is dedicated to Eesti Pank, Bank of Estonia. One of the most important actions in restoring the independence took place in June 1992 as the currency reform took place and Estonia adopted its own currency.

July will be dedicated to the local governments all over Estonia. Many communities, cities and villages will offer their citizens and visiting tourists events and exhibitions connected to this years Anniversary.

Exile, Resistance and the Restoration of Independence will be in focus during August.

"Without this era, which caused many people to suffer, our country would definitely be much different today", said the Estonian State Chancellery as the monthly themes of the Anniversary year was introduced. "Let us remember our compatriots, and at the same time feel glad for the restoration of independence".

In September it is time for the schools to start again and the Estonian schools are all the Anniversary theme of this month. Among several other activities the Estonian Ministry of Education and Research will launch an essay competition for the students headlined "I Notice and Discover".



The Swedish Chambers of
Commerce PanBaltic 2008 Open
Golf Tournament by Meriton
Hotel Group took place May 16th
at SCCE's member the Estonian
Golf & Country Club.



Launched in Riga last year, this was the 2nd edition of the PanBaltic Golf Tournament arranged by the Swedish Chambers of Commerce in Estonia, Latvia and Lithuania.

The golfers were members of the Swedish Chambers of Commerce in the three Baltic countries and many had also brought their customers. First tee off was set to 09.30 and an hour later all golf competitors from Estonia, Latvia, Lithuania and Sweden were out on Estonian Golf & Country Club's challenging Stone Course.

Apart from some chilly winds it was ideal weather conditions for golf and that was not only experienced by the competing golfers. Additionally there was also a group of golfers-to-be and they took part in a very thorough and hands-on demonstration and introduction to golf.

The Tournament was played in Stableford format and the 2008 winners were:

Winner	<u>Ago Markvardt, Tallinn</u>
2nd	<u>Claes Fagerström, Swedbank, Stockholm</u>
3rd	<u>Ain Hanschmidt, Tallink, Tallinn</u>
4th	<u>Martin Seppälä, Excedea, Tallinn</u>

Closest to the pin (1,75m) **Aleksandrs Cakste, Hotel Valdemars, Riga**

Longest Drive (263m) **Sten-Olof Schöldström, Tetra Pak, Sweden**

On behalf of the Swedish Chambers of Commerce in Estonia, Latvia and Lithuania I would like to thank all participants for joining and putting up a great spirit in golfing and business networking.

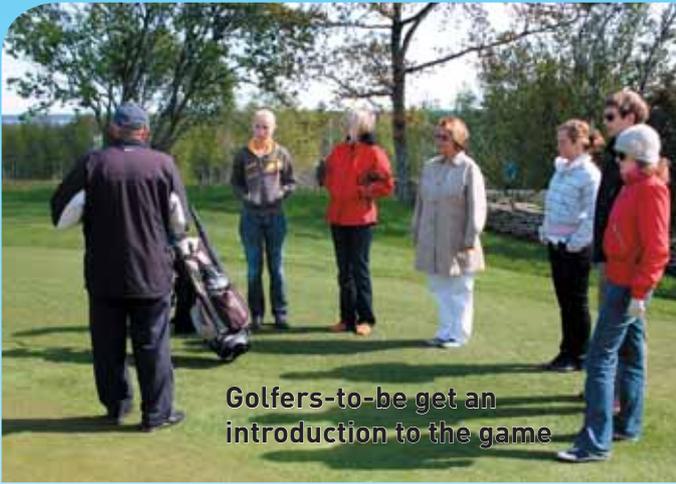
My thanks also go to our main sponsor; Meriton Hotel Group, our sponsors; Swedbank, Estonian Air, Vin & Sprit and all the contributor's to our fantastic prize table; European Centre Golf Club – Lithuania, Goodyear Dunlop Tires Baltic, Radisson, Sirowa, Swedbank, Tallink, United Motors – BMW.

Text: Kristiina Sikk, SCCE Ombudsman



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Golfers-to-be get an introduction to the game



Kaija Silaraja, the Swedish Chamber of Commerce in Latvia hands over 1st Prize to the 2008 Winner, Ago Markvardt

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E-tickets, new terminal and even more new routes and aircraft to come

During May Estonian Air ticket offices, call center, online reservations as well as travel agents provide E-tickets instead of paper tickets.



- Moving over to E-ticket is a historical moment for Estonian Air, says Peter Arvidsson, Vice President Commercial, Estonian Air. Together with our brand new website with improved booking opportunities, these enhancements mean significantly improved customer conveniences when booking and travelling with us.

- Our new website offers several new features, among them a new reservation system allowing our customers to book flights with Estonian Air and its partners like SAS, Wideroe, Blue 1 and Spanair and with more airlines to follow. For example; Estonian Air nonstop to Barcelona and SAS or Spanair on the return flight via Copenhagen or Stockholm.

- During this summer we will also introduce internet check-in and self-service check-in kiosks at Tallinn Airport.

- The new website also include a blog (<http://blog.estonian-air.ee>), where our employees are sharing information and thoughts about our company, aviation in general and travelling. The blog is also open for public comments.

- I think that everybody agrees with me when I say that Tallinn Airport has got a great new terminal, continues Peter Arvidsson. Right now we can use the new south-side gates and the need for bus transports to remote stand parked aircraft has decreased significantly. After the summer the north-side gates will be opened as well and we have already noted that the security

control at the airport has become more effective and smooth.

- We also look forward to May next year when we plan to launch the first of our new CRJ900 jet aircraft, says Peter Arvidsson. Performing like our Boeings but with fewer seats we will use these aircraft for departures where the Boeings are too big. For example the mid-day Stockholm flight and Hamburg and Vienna during the winter.

- Additionally the CRJ900's are ideal for us to add more flights to destinations like Brussels, Moscow and Kiev as well as open up new destinations. We are currently looking at Düsseldorf and Zurich. Nice might also be a future option for our summer season timetable.

- We got a fantastic response on our new route to Rome inaugurated this spring, concludes Peter Arvidsson. This is of course inspiring for us when we plan our future expansion and the CRJ900's are the right tool for us to build up traffic as well as keeping our flight frequencies up to the level our passengers want and expect from us.



More Swedish companies to Estonia

With offices in Stockholm, Karlskrona, Turku and Hamburg, the Virri & Gärde & Nordlin law network expands and recently opened an office in Tallinn. Named Advokaadibüroo Virri & Gärde & Nordlin OÜ the law firm is specialized in commercial law in the Baltic region.

The network provides a wide range of legal services, facilitating cross-boarder trade as well as local business and assist in inter alia drafting agency and sale of goods contracts, establishing business, conducting mergers and acquisitions, and representing clients before authorities, courts and arbitral tribunals.

Advokaadibüroo Virri & Gärde & Nordlin OÜ joined the Swedish Chamber of Commerce in Estonia in connection with their May opening and Henrik Leffler, tel.: (+46) 8 660 00 41, Email henrik.leffler@garde-nordlin.se, will be happy to provide more information on their legal services.

newsflashes

The Great Swedish Day in Birkas, August 20th



Arranged by the Swedish Cultural Council, many other Estonian-Swedish organizations and supported by the Swedish Chamber of Commerce in Estonia, The Great Swedish Day will be arranged in Birkas (Est.: Pürksi) the centre of Nuckö (Est.: Noarootsi) Wednesday, August 20th.

Starting at 11.00 the day will be filled with music, folk dance, exhibitions, documentary films and a market, all reflecting the Estonian-Swedish culture and traditions through the years as well as of today.

The main events will take place at Nuckö Municipal Hall, Birkas Mansion, Nuckö Gymnasium and Lyckholm's Museum.

Estonian-Swedes – a new section at www.swedishchamber.ee



Several organizations in Estonia and Sweden preserve and provide information on the Estonian-Swedish culture and traditions – both from the past as well as of today.

In a new section at SCCE's website, the Estonian-Swedish organizations are given the opportunity to inform about their upcoming events and also to publish links to their own websites.

- The Estonian-Swedish touch of Nuckö and the islands is picking up again, says SCCE's Chairman Anders Hedman. Not only as a hub for the Estonian-Swedish population but also in terms of Swedish-Estonian business, commerce and trade. We hope that this new section of the Chamber's website will contribute to making the close relations between our two countries even more visible.

Meriton's new Conference & Spa Hotel is taking shape



Currently under construction, the Meriton Conference & Spa Hotel will not just be another new hotel in Tallinn. Meriton Hotel's General Manager and Board Member, Heinz M. Weisl looks forward to the spring 2009 opening:

- It's definitely not just another hotel that we are building adjacent to the Meriton Grand Hotel Tallinn right now, says Heinz M. Weisl. It is more of a new concept in the upper class that we will launch next year.
- Combining bigger state of the art conference and spa facilities with high class accommodation and restaurants will create a venue covering a wide range of our market. The biggest room at our conference floor will be able of accommodating up to 400 seated conference guests and we will be able to offer cocktail receptions for up to 600 people. Additionally, and located on the upper 7th floor, we will have a multifunctional room with a terrace overlooking Tallinn's Old Town.
- The new spa and wellness area will probably set new standards to in-house facilities like this in Tallinn, continues Heinz M. Weisl. Our concept will include a swimming pool, a relax pool with massage beds and jacuzzies, the Kneipp's barefoot walk, Finnish, aroma, salt and infrared saunas, steambath, heated sunbeds,

newsflashes

solarium, body treatment rooms, a salt chamber, a beauty salon and a fitness center with all the equipment needed for a gym- and exercise-workout.

- As for dining two restaurants will be opened and we will have bars in the lobby, the Spa- and the conference-area. Café Mademoiselle, a well known venue and brand in Tallinn by now, will also be included.

- 301 guestrooms, including 280 standard rooms, 12

family rooms, 4 suites and 5 suites with sauna will make sure that we can accommodate our guests the way they expect from us.

- We have more in the pipeline as well, concluded Heinz M. Weisl. In addition to the new Meriton Conference & Spa Hotel, Meriton Grand Hotel Tallinn, Meriton Old Town Hotel and Villa Mary we plan for the new Meriton Garden Hotel, located in Tallinn's Old Town, to open during 2010.

The Estonian Chamber of Commerce in Sweden inaugurated



Anders Hedman, Chairman of the Swedish Chamber of Commerce in Estonia and **Taave Vahermägi**, Chairman of the Estonian Chamber of Commerce in Sweden

The Estonian Chamber of Commerce in Sweden was inaugurated Friday, May 23rd at the Estonian Embassy on Tyrgatan in Stockholm. Anders Hedman, Chairman of the Swedish Chamber of Commerce in Estonia, reports:

- The weather was perfect and about 60 people attended the inauguration ceremony. Estonia's Prime Minister Andrus Ansip was there and held a positive speech on the shape of the Estonian Nation.

- Even the 0,4% GDP growth in the first quarter of 2008 was by Ansip transformed into something positive and as a natural development.

- Ansip also mentioned all the Swedish investments

in Estonia and how important they have been for the transformation of Estonia.

- The Estonian Chamber of Commerce in Sweden has elected Taave Vahermägi from Kavardi Consulting as its Chairman of the Board. Other members of the Board are; Peeter Aspe - Hellström Law Firm, Mango Kask - MAQS Law Firm, Kadri Land - Tallink Silja AB, Ivar Veskioja - Tavex AB, Fredrik Åberg - More Group and Rein Malm - RM Consulting AB.



Taavo Veskimägi, Peeter Aspe, Andrus Ansip, Kadri Land, Mango Kask and Ivar Veskioja

newsflashes

Reflecting the real value

There was a time when coins reflected their real value and in 1644 a Swedish 10 Daler Silver Mynt-coin weighed 19,7 kg.

During the 17th century Sweden was the leading European nation in terms of copper production. Consequently the Swedish coins of those days were made of copper and the simple reason for making these huge and heavy coins was that they were easier to transport than hundreds of smaller ones.

This required special transport arrangements and the wallets of those days were actually sleighs – called drög – or a backpack-construction for carrying a smaller number of coins.

This summer The Royal Coin Cabinet – the National Swedish Museum of Economy – is highlighting the history of these biggest-in-the-world-coins in a special exhibition. Also included in the exhibition is the history of Riksbanken, the Swedish Central Bank being the oldest central bank institution in the world as well as the world's first bank-note, issued by Stockholm Banco 1661.

The Royal Coin Cabinet is located just opposite the Royal Castle in Stockholm at Slottsbacken 6.



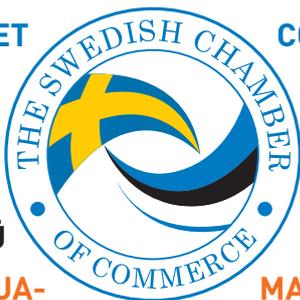
10 Daler Silver Mynt



Swedish wallets of the 17th century

Right in the midst of the business

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



The Swedish Chamber of Commerce in Estonia

ps.

As this issue of **focus** is published, more or less exactly six years have passed since a friend of mine became a millionaire! She had found a piece of land and it didn't take long for the rest of her family to agree that they should acquire that land and build a house there.

She scanned the internet to find out on the available financing options and found one bank where you could apply for financing of this caliber online. She did and just a couple of minutes later she was a millionaire! The loan was approved and the interest was low and nice.

About a year ago she was a multimillionaire – on paper. Real estate prices skyrocketed and she followed the local market and got quite a good picture on prices paid. I think I can say that she got a very practical demonstration during the last six years on what a skyrocketing economical growth does to pricing versus substance value.

Personally I have a very good daily indicator on the inflation as well. Not so far from our house we have a gas station and the pylon displaying the fuel price is visible from one of the windows. Years have a tendency to pass quickly, but were it really that many years ago when you paid below ten Krooni per liter of fuel? As I write this the pylon says 18:00 per liter.

Establishing Estonia on a sustainable level of economical growth and getting the inflation down is hopefully on many decision makers agenda right now and in this issue of focus the local Estonian, Swedish and international economies are highlighted from several different and important angles.

focus on tour takes us this time to Lääne-Virumaa and Voglers Eesti in Kunda. It was



interesting to see a quarry in operation and realize that this is where it all begins in terms of building roads and making cement for the construction industry. I must confess that I felt a bit small as we visited the well guarded explosives storage and walked around tons of explosives ready for use.

Conducting business in a cool and relaxed mood is important and focus has had patrols out, including me, testing some of our Estonian Spa Facilities.

I would like to this opportunity to thank you all for an exciting and interesting winter and spring together and look forward too seeing you, both old, new and members to be, as SCCE takes off for the autumn in August.

Personally I hope for a somewhat better summer weather-wise compared to last year and hope that all of you will have nice vacations.

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

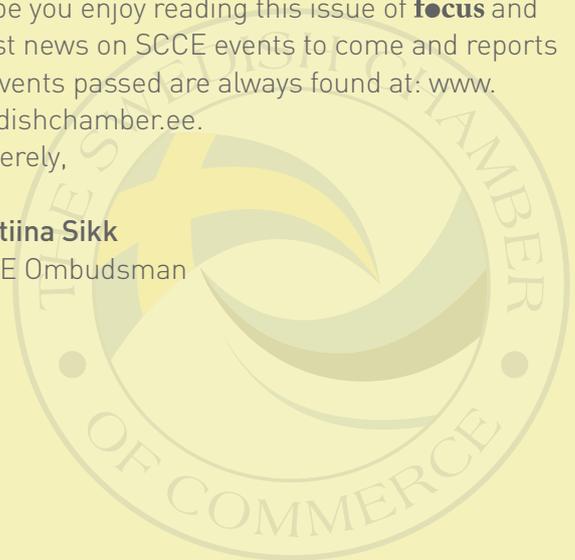
Sincerely,

Kristiina Sikk
SCCE Ombudsman

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

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

www.swedishchamber.ee.





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