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How do foreign investors feel in Estonia?

Friday October 31st, FICE's Chairman Jens Christiansen answered questions from the www.bbn.ee readers.

Originally planned to last between 10 am to 12 am, the Q&A session was prolonged with one hour.

For those who might have missed the online Q&A session, please find the readers' questions and Jens' answers on the following pages.

Sincerely,

Kristiina Sikk
FICE Secretary
SCCE Ombudsman

The screenshot shows the BBN website interface in a Mozilla Firefox browser. The main headline reads "How do foreign investors feel in Estonia?" with a sub-headline "(1 comment)". The article features a photo of Jens Christiansen. To the right, there is a "Latest news" section with headlines such as "American anti-crisis vaccine", "The market is punishing Baltic States for exaggeration", and "Only predict". Below the main article, there is a "Daily poll" titled "Estonian economy is going to recover? (390)" with options for different years and a "SEND" button. The website also includes a navigation menu, a search bar, and various sidebar widgets like "Quick links A-Z" and "Top Reads".

How do foreign investors feel in Estonia?

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What we should do to survive in this hard economic condition?

I am sure most of the businesses all over the world are asking this kind of question. The question is a little bit depressive and does not consist of so much ambition and confidence. It is very hard to "win the battle" if the focus is about surviving.

Actually I believe there are lot of opportunities in the current situation - we just need to seek for them. But getting confidence is not something you get from struggling alone. Let's see what we can do together. Estonia is quite a small country in terms of number of inhabitants. How can we take that into our advantage in the current situation? I would suggest that we could use some of the same tools that are applied when managing successful enterprises.

It is about to make yourself attractive for your business partners, for your wife/husband, for your clients. And more important - to continue doing that also after you have been friends or married or doing business together for 10 years. If you forget to make yourself attractive – or take the good relationship for granted – then it is only a matter of time when it will come to an end – especially when there is big competition in the market.

The same applies for Estonia – the last years have maybe been too easy – it has been like a vacation where the money and business were just flowing in. We have become too comfortable and lazy.

What are the main obstacles foreign investors are facing in Estonia?

Companies (not only foreign investors) are realising that we are all competing in the global market. These are market challenges that the companies should be focused on. But in far too many cases they cannot focus on that as they need to fight with unnecessary local matters - mainly because of too far distance between the real life and need of businesses and the political decisions, and in-efficiency of the administration.

What role do you think foreign investment played in inflating the asset bubble on the Estonian Real Estate Market? Also, which sectors of the Estonian economy do you see as lagging the farthest behind in attracting foreign investment, and why?

Looking for somebody to be blamed will not help Estonia today. To move on and keep foreign investors interests to Estonia FICE believes in cooperation between Estonian Government and local and foreign business representatives. Important areas for foreign investors what need more focus and changes are tax system, education and labour as well as energy and environment.

The current Estonian government seems to lack any sort of strategic vision and/or industrial policy for the next 5,10, 20 years. Is the Foreign Investor Council working with the ESEA and EVEA business groups to issue policy papers on the directions this country should be taking in terms of meaningful economic development in the future (along the same lines as Singapore and Hong Kong)?

FICE is open for cooperation with all local and international business groups and organizations.

After the meetings with Prime Minister and Economic Affairs Committee where FICE presented their proposals on important issues for foreign investors we have set up 3 working groups - tax , education and labour, energy and environment.

These groups will work out a strategy and set goals on those important issues for foreign investors in Estonia and will be presented by the end of November.

Can foreign investors - as a group - expect to have any real influence on policy decisions, apart from perhaps some topical issues?

I would like to answer this together with the headline question:

- Foreign Investors feel both good and concerned (not worried, but indeed concerned!)
- They feel good because FICE has now established contacts with Estonia's Government and Governmental bodies and FICE's proposals have been accepted as valid topics and issues.

The situation in this respect could now be described as:

The wheel has been invented.
The construction has been approved.
Now it should start to roll!

The invention of the wheel symbolizes FICE proposals in the letter and presentation.

The approval of the construction symbolizes that FICE's proposals were included and presented at the economical debate in Riigikogu and nobody really opposed them.

Making the wheel to start to roll symbolizes the upcoming work in FICE's workgroups as well as the upcoming further meetings with the Government and its Committee's and making the things happen!

I believe FICE can influence and contribute in a positive way. Foreign investors don't just come to Estonia just like that. They came for a reason, and on the basis of an assessment of the environment back then.

Likewise, they stay based on an assessment of the environment today. Companies who invest in Estonia also bring experience from other countries, and this experience can be very valuable.

Where is currently useful to invest and why?

Businesses should heavily invest into people to boost the efficiency increase and valuable innovations and product developments.

What can one do to reduce the effects of the crisis?

FICE has made proposals to Estonian Government in most important areas for foreign investors:

- Tax system
- Education and labour
- Energy and environment

As a next step FICE has set up work groups on those issues. Results of their work will be presented at the end of November.

What are the challenges you have faced in Estonia?

FICE have noted and addressed the following important issues for foreign investors and made proposals to Estonian government and governmental bodies:

- Keep tax system simple, transparent and stable.
- Cooperation of the educational system and labour market.
- Better vocational education

Energy and environment:

- Develop new energy sources like nuclear and renewable energy
- Develop transmission connections with Nordic and cross country cooperation
- Better management of the forest resources
- Continue with the efficient use of EU cohesion funds to improve the Estonian transport infrastructure, in particular the road system
- Environment and sustainability are global issues – and opportunities that should be prioritized

Export:

- Focus on export promotion
- Better service and competence in all export areas to be globally competitive
- Promote Estonia as a high tech community – e.g. the creator of Skype, internet banking etc.
- Focus on and improve the transit trade - Create added value in Global Supply Chains via knowledge / science

Business, general:

- Improve co-operation between interested parties: businesses, business communities, government, authorities, etc
- Focus on and support small businesses
- Keep the simplicity and transparency in the business sector
- Keep inflation and salaries down
- Facilitate access to foreign workforce
- Improve business relations with Russia
- *Increased* efficiency must be a national topic!!!

What would be the three suggestion to Estonian government to solve the current economic problems?

The assignment is clear – we need *fast* to make the strategy of the country and make sure that all people are responsible owners and executioners of this winning strategy.

This is of course challenging - but a good start would be if we all start to ask good quality questions - what we *can* do instead of telling what we cannot do. This will also help to bring back the confidence to people and businesses. We don't need a depression right now.

- There is a need for common focus
- There is need for an ambition and a common commitment for the development of a brilliant future of the country and society
- There is need for creating a common understanding of the strategy – among all persons – who can contribute to the successful execution of the strategy
- The situation is in constant change and the interest groups are constantly expecting more out of less. The country, society and the people needs to be ready for that
- Develop Estonia's skills in fast execution of the decided strategies – without the sacrifice of people, time and money

I would like to ask you a question to Mr Christiansen - not so much in your role as FICE Chairman - but in your role as professional success coach for companies and individuals (Christiansen Consulting): What would be your general advise to companies that are facing problems in this crazy market situation?

Don't give up! - but start to act now. There are huge opportunities that just need to be discovered and executed. If your company is like most of Estonian companies then the salaries has been growing faster than the efficiency the last years - and most probably the value added time is less than 10%. Therefore there are a lot of room for improvement - it is "just" about discovering the low hanging fruits - we are happy to help with that. There are also support money available from EAS right now. So in all respects it is right time to invest into people and their execution power.

Monitoring at www.bbn.ee

Kristiina Sikk
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