Export Opportunities in the Baltic States
Baltics

General Overview

The Baltic States of Estonia, Latvia and Lithuania are located at the crossroads of Northern and Eastern Europe, on the East coast of the Baltic Sea. They are among Europe's fastest-growing markets and have become known as the Baltic Tigers due to their periods of economic boom, which began in the year 2000.

Economic Overview

In 2005 economic growth reached 10.5% in Estonia, 10.3% in Latvia and 7.5% in Lithuania. Estonia is among the ten most liberal economies in the world, while Latvia and Lithuania have been praised for their macroeconomic stability, low inflation and low budget deficits. All three countries are planning to adopt the Euro (Estonia and Latvia in 2008, Lithuania in 2010).

The Baltic economies are expected to continue growing at an annual rate of 5-10% until at least 2010 and create opportunities for companies wishing to export to these markets.

Key Indicators 2005

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<th>Estonia</th>
<th>Latvia</th>
<th>Lithuania</th>
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<tbody>
<tr>
<td>Population</td>
<td>1.3 m</td>
<td>2.3 m</td>
<td>3.4 m</td>
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<tr>
<td>GDP</td>
<td>Estonia: 10.5%</td>
<td>Latvia: 10.3%</td>
<td>Lithuania: 7.5%</td>
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<td>Total Exports</td>
<td>Estonia: €6.2 billion</td>
<td>Latvia: €4.0 billion</td>
<td>Lithuania: €9.5 billion</td>
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<tr>
<td>Total Imports</td>
<td>Estonia: €8.2 billion</td>
<td>Latvia: €6.9 billion</td>
<td>Lithuania: €12.5 billion</td>
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<tr>
<td>Inflation</td>
<td>Estonia: 4.1%</td>
<td>Latvia: 6.7%</td>
<td>Lithuania: 2.7%</td>
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<tr>
<td>Unemployment</td>
<td>Estonia: 3.2%</td>
<td>Latvia: 9.2%</td>
<td>Lithuania: 4.5%</td>
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- English is widely spoken
- Easy access to Russia and CIS
- Business friendly environment
- Low corporate tax rates
- Recipients of EU Funding

Source: EIU
Travel

The Baltics are accessible from Ireland with both Aer Lingus and Ryanair offering direct flights to Riga (Latvia). Estonian Air fly direct to Tallinn (Estonia) and there are several direct flights from Dublin to Vilnius (Lithuania) with both Air Baltic and Lithuanian Airlines.

Trade Statistics

Ireland – Estonia
Irish companies have had a successful track record exporting to Estonia. Exports have grown from €12.9m in 2004 to €14.6m in 2005.

Ireland – Latvia
Irish exports to Latvia for 2005 were €6.3m and are showing an increase of 7.5% for the first half of 2006.

Ireland – Lithuania
Irish exports to Lithuania reached €13.4m in 2005 and are showing a 5% increase for the first half of 2006.

Opportunities in the Baltic States

Targeting markets among the new EU member states can be a major challenge and it can sometimes be difficult to decide which market offers the greatest potential for your company. With this in mind Enterprise Ireland has put together a snapshot of sectors in the Baltics which are most of interest to the companies we work with on a day to day basis.

Estonia

Telecommunications

Telecommunications is among the fastest-growing markets in Estonia. The state sold its shares in Eesti Telecom via an open tender to a consortium of Swedish and Finnish firms in January 1999. The results of these investments can be seen today as Estonia tops the list of Internet users, and has the highest ratio of computers per inhabitants in Central and Eastern Europe. Connection rates to the Internet are even higher than those in some countries in Western Europe.

The annual growth rates of the IT market have hovered around 20% in recent years. Eesti Telekom is the dominant player in the Estonian telecommunications industry and provides both the fixed line and mobile services. In 2001 new service providers entered the market for fixed line services. The Estonian mobile communications market is dominated by four operators: EMT (1991, belongs to Eesti Telekom), Elisa (1994, belongs to Elisa Communications), Tele2 (owner Tele2 AB) and Bravocom.

Estonia leads the way among the Baltic States in Internet usage and today about 55% of the population is using the Internet. Internet banking services have experienced rapid growth. By the end of 2005 there were over 1.2 million Internet bank customers in Estonia (population 1.4 million). Internet banking has become a common channel through which a citizen performs cash transfers, pays taxes, pays for services, communicates with the tax authorities, etc.
**Biotechnology**

Estonian biotechnology is at an embryonic stage with 15 research institutions and about 1700 people involved in the fields of medicine, biotechnology and chemistry. In the late 1990s the Estonian government launched several programs to promote health/medicine and biotechnology. Total expenditure on R&D is around 1.5% of GDP. The objective in developing R&D in biomedicine is to encourage closer co-operation between clinical medicine and molecular biology research.

At present the 11 core biotech enterprises have about 145 employees. The focus of these companies is on developing and marketing technologies for genetic research and providing services relating to diagnostics and therapeutics. Their main areas of competence of the Estonian companies are:

- Custom designed chip development;
- Genotyping based on Arrayed Primer Extension technology (APEX);
- Functional genomic and proteomic services and equipment (epitope tagging technology);
- DNA analyses (finding DNA variations);
- DNA vaccine development (HIV, cancer);
- Applications of transgenic animal technologies

**Construction**

In 2005 the Estonian construction market grew by 17%. The construction of residential buildings has shown the fastest growth, accounting for 19% of total construction activities. Road construction and the laying of new electricity and telecommunication lines is growing rapidly thanks to EU support programmes.

The turnover of construction companies in 2005 reached €2.49 billion, which is 27% higher than in 2004.

**Construction production by type of construction, 2004**

<table>
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<tr>
<th>Type of Construction</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Civil Engineering</td>
<td>38%</td>
</tr>
<tr>
<td>Residential Buildings</td>
<td>18.5%</td>
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<tr>
<td>Non-Residential Buildings</td>
<td>43.5%</td>
</tr>
</tbody>
</table>

Source: Statistical Office of Estonia

Construction of residential buildings is happening mainly in Tallinn, Tartu and Pärnu. Between them these three cities represent 70-80% of the market for residential buildings.
**Latvia**

*Information Technology & Telecommunications*

Latvia has fully embraced the information age, with annual revenues in the software sector of approximately €30 million and an annual growth rate of 150%. The sector’s competitive advantage stems from its highly qualified human resource of more than 8000 IT graduates and an additional 6000 in universities and colleges. Continued support for IT within the education system is key to further development. The computer literacy rate for ages 15 to 30 exceeds 90%. Core competences of the Latvian IT sector include customised IT solutions, financial applications, localisation, implementation of large-scale projects and application services. Computer hardware accounts for more than half of the IT market. The Government has placed the highest priority on IT development and is keen to see Latvia serve as an IT hub for the Baltic region.

Latvia has one of the highest mobile-phone penetration rates in Central and Eastern Europe, and mobile telephony is one of the fastest-growing sub sectors of the telecommunications industry.

*Environmental*

Throughout Latvia there are many heavily polluted industrial areas, crumbling infrastructure, and abandoned military bases. Latvia is eager to invest funds and resources in environmental protection in order to meet EU and other international standards. Both the Latvian Ministry of Environmental Protection and municipal governments have implemented several environmental projects, ranging from wastewater treatment to landfills. Potential opportunities in the environmental sector are consulting services, wastewater treatment technology, ozone-friendly industrial technologies, pollution control equipment for oil and transportation industries and water supply and sewerage development.

**Lithuania**

*Information Technology & Telecommunications*

Lithuania has a competitive advantage in several areas including IT/computer hardware and software development, pollution control equipment/environmental services. The IT sector in Lithuania is growing at an annual rate of 30% and has a total value of approximately €2 billion.

By implementing programs for e-government, a knowledge-based economy, and a knowledge-based society, the Lithuanian government has clearly made IT development a priority. In fact, Lithuania was the first of the Baltic States to adopt a law on electronic signatures. The IT sector employs 10,000 qualified specialists, and the government plans to implement programs aimed at increasing that number.

The mobile market in Lithuania is home to three main players, Omnitel, Bitė GSM and Tele2. Omnitel is the largest of the trio, claiming 37% of the active subscriber market by June 2006. The penetration rate is high and continues to grow, with many users subscribing to more than one operator to take advantage of specific tariffs. In a bid to boost revenues all cellcos have been upgrading their networks and launching new services. All three were awarded 3G licenses in February 2006 and have wasted no time in implementing networks. At time of writing all the major cities in Lithuania were covered by 3G networks of one or more of the three cellcos.

*Environmental*

The environmental sector is an area of growing concern in Lithuania. Having signed an association agreement with the European Union in 1996, Lithuania must now pass legislation conforming to EU environmental laws. Some estimates call for spending €50 million annually in order to meet EU requirements by 2015. The bulk of these funds would be used to improve wastewater treatment, sewage networks, and waste management. With new legislation and regulations, opportunities will abound in fields ranging from protection and prevention, to remediation, monitoring, and waste disposal.
Useful Information Sources

**Estonia**
Embassy of Ireland,
Demini Building,
Viru 1/Vene 2, 4, 10123 Tallinn, Estonia.
Tel: +372 6811888
Fax: +372 6811899

Embassy of the Republic of Estonia,
Riversdale House, St.Ann’s, Ailsbury Road,
Ballsbridge, Dublin 4.
Tel: +353 1 2196730
Fax: +353 1 2196731

**Latvia**
Embassy of Ireland,
Valdemara Centre, Kr. Valdemara 21,
LV-1010, Riga, Latvia.
Tel: +371 703 5286
Fax:+371 703 5323

Embassy of the Republic of Latvia,
14 Lower Leeson Street, Dublin 2.
Tel: +353 1 6621610
Fax: +353 1 6621599

**Lithuania**
Embassy of Ireland,
Gedimino pr.1, LT-01103, Vilnius.
Tel: +370 5 2629460
Fax: +370 5 2629462

Embassy of the Republic of Lithuania,
90 Merrion Road,
Ballsbridge, Dublin 4.
Tel: +353 1 6688292
Fax:+353 1 6680004

**Enterprise Ireland**
Merrion Hall, Strand Road,
Dublin 4.
Baltics Market Manager: Philip Singleton
Tel: +353 1 2066465
Fax: +353 1 2066397
E-mail: philip.singleton@enterprise-ireland.com
Web: www.enterprise-ireland.com/estonia
www.enterprise-ireland.com/latvia
www.enterprise-ireland.com/lithuania