

MADE IN ESTONIA 3.0

The Estonian foreign investments and export action plan for the years 2014-2017 for increasing the export capacity of Estonian companies and involving foreign investments

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1. “Made in Estonia 3.0” and connection with existing strategies

The overall goal of compiling the “Growth strategy of Estonian enterprising 2014-2020” (hereinafter referred to as growth strategy of enterprising) is to promote the completion of comprehensive goals of the competitiveness plan “Estonia 2020”, to increase both productivity and employment rates.

The overall goals of the growth strategy of enterprising are based on the following goals of the competitiveness plan “Estonia 2020”, which Made in Estonia contributes to:

1. Increasing productivity per employee to 80% of the European Union average, i.e. increase from 22,700 euros per employee to approx. 36,000 euros.

2. Estonia’s importance in world trading (source: WTO)

Starting level 0.099% (2011), target level 0.11% (2020). An analysis conducted by Enterprise Estonia (hereinafter EAS) and the Ministry of Economic Affairs and Communications (hereinafter MKM) indicates that the export of Estonia must increase by 16 billion euros to reach this goal.

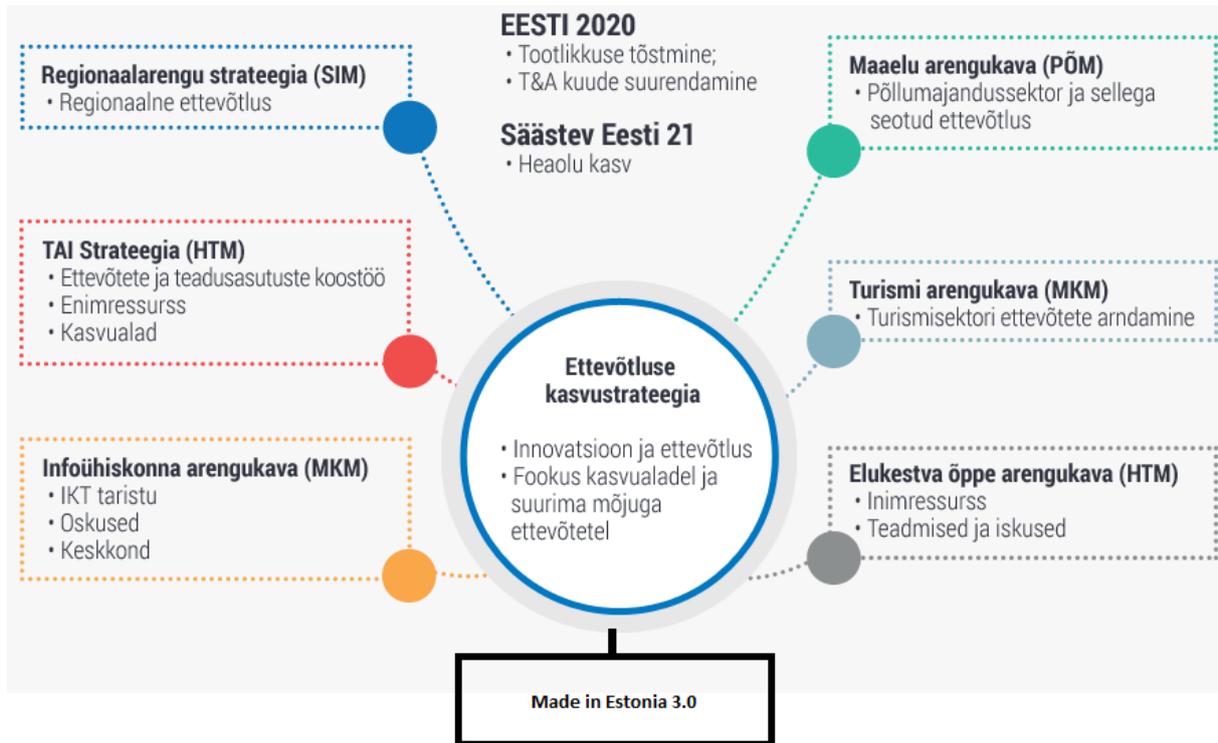
3. Number of exporters (source: the Statistics Board), i.e. starting level: 11,281 (2012) and target level: 15,700 (2020).

4. Change in average export price of product – (Unit Value Index, source: Eurostat) starting level 130.6 (2011) and target level (2020) faster increase of value than the EU average.

“Made in Estonia 3.0” contains the Estonian foreign investments and export action plan for the 2014-2017 period, being a continuation of action plans of the same name in 2009-2011 and 2012-2014.

“Made in Estonia 3.0” is a collection of activities, guidelines and focuses necessary for involving foreign investors and increasing the export capabilities of Estonian enterprises. The specific list of activities of “Made in Estonia 3.0” across 1+3 years is provided in the Appendix.

Figure 1. Connection with other strategies and development plans:



/Figure:

ESTONIA 2020

- Increasing productivity;
- Increasing spending on research and development

Regional development strategy (SIM)

- * Regional enterprising

Development plan for rural life (PÕM)

- * Agricultural sector and related enterprising

Saving Estonia 21

- Increase in welfare

TAI strategy (HTM)

- * Cooperation between companies and research facilities
- * Human resources
- * Areas of growth

Tourism development plan (MKM)

- * Developing companies in the tourism sector

Enterprising growth strategy

- Innovation and enterprising
- Focus on growth areas and most influential companies

Information society development plan (MKM)

* ICT infrastructure

* Skills

* Environment

Development plan for lifelong learning (HTM)

* Human resources

* Knowledge and skills

Made in Estonia 3.0/

Figure 1. Connection with other strategies and development plans

The vision of growth strategy of entrepreneurship 2014-2020 of Estonia in 2020 is as follows:

- integrated into the international business environment
- specialized, reliable, adaptable
- attractive to bold and active entrepreneurs and young talents
- on the crossroads of international business in strong European Union
- having a supportive public sector which proactively leads the development

Goals for 2020:

- increasing productivity and employment rate
- more revenue via products and services with high value added

And the focus:

- Fields with high potential (so-called growth areas). Activities are concentrated in prioritized development of fields with a high growth potential. Information and communications technology (ICT) horizontally across all other sectors¹, health technologies and services², more efficient use of resources³. Growth areas were selected by a qualitative and quantitative analysis and the main criteria for their selection were the potential of Estonian enterprising, the potential of Estonian science, the extent of economic influence and the likelihood for realization.
- Company groups with a lot of potential. Clients involved in enterprising today are divided into groups: large clients, key clients, growth clients and regional clients. Different target groups are supported differently depending on their needs.

“Made in Estonia 3.0” sets the following goals:

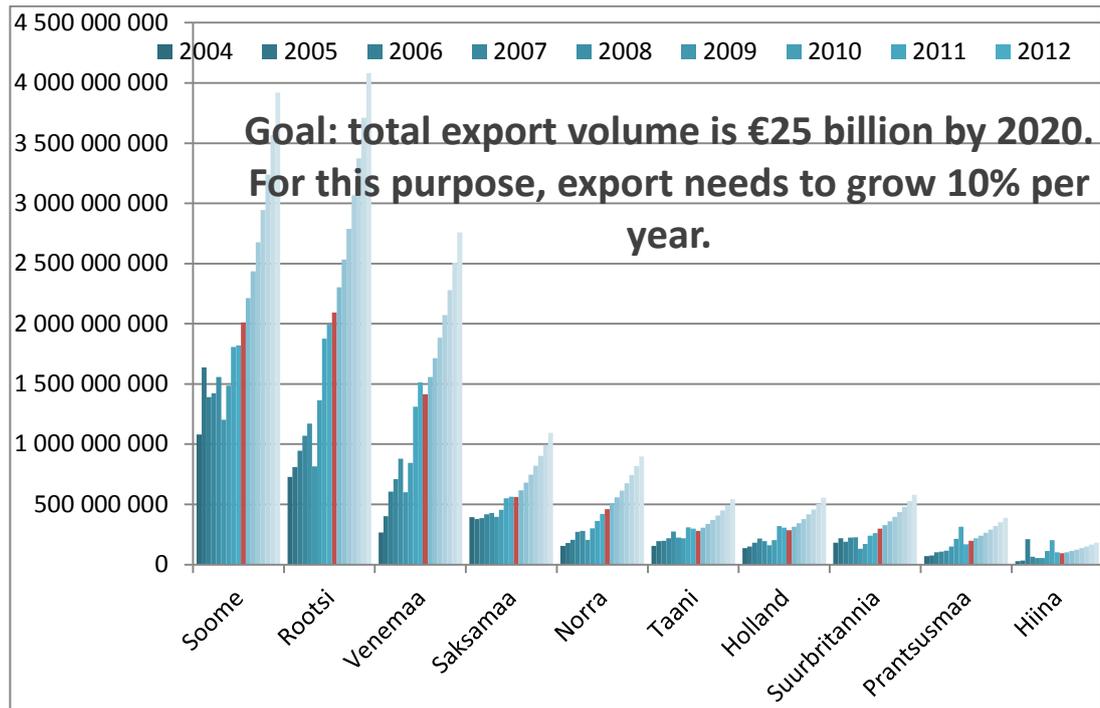
¹ e.g. the use of ICT in industry (automatics and robotizing), cyber security, software development

² e.g. biotechnology, e-medicine

³ e.g. material research and industry, “smart houses”, health-promoting foods, the chemical industry

Export

- Export turnover across all target countries of “Made in Estonia” at least 10% per year
- Increase in number of exports across all target countries of “Made in Estonia” 12% per year (source: the Statistics Board)
- Change in average export price of product (UVI) (UVI- Unit Value Index; source: Eurostat)
- Starting level 130.6 (2011), target level (2020) faster growth of value than EU average



/ Finland, Sweden, Russia, Germany, Norway, Denmark, the Netherlands, Great Britain, France, China/

Figure 2. Distribution of export volumes by target markets

Investments

- Annual investment volume produced by the internationalizing division of the EAS: 70 million euros
- 30 investments per year, which should distribute by country as follows
 - 40% neighbouring countries
 - 43% Hanseatic road
 - 17% faraway markets
- 50% of projects in growth areas
- Value added per employee higher than the Estonian average (approx. 20,000 euros in 2013)
- Increase foreign investments from countries of the Hanseatic Road. Ratio vs Finnish/Swedish investments

1.1 Description of the present situation

a) Export

After the rapid growth of 2011, the export of goods and services saw a moderate development in 2012. In 2011, Estonian enterprises exported their products for 14.7 billion euros. The export volume of 2012 exceeded the export indicators of 2011 by over one billion euros (15.8 billion euros). Export volumes decreased somewhat in the second half of 2013, but a 2% growth was incurred across the whole year. In 2013, the export of goods and services was 16.2 billion euros.

Out of most important product groups, the decrease in export of goods was most influenced by mineral products, metals and metal products. The export of mineral fuels decreased by nearly a third over the year and the import by a fifth. However, this product group is largely involved in re-export. The export of machinery and equipment, which formed the biggest share in export, was 4% lower than the previous year; at the same time 5% more mobile communications devices, which have the biggest export share in this group, were sold to foreign markets. Export of goods saw a small growth in 2013, without considering export of fuels.

There are several reasons for decrease of export. In the short perspective, the reason for slow export growth is the unexpectedly weak economic growth of Estonia's main trade partners: Finland, Sweden and Russia. Deeper reasons can be found in the structure of Estonian economy and the lower than average value added of the European Union.

The number of Estonian exporters has been growing constantly, indicating the increasing international competitiveness of Estonian enterprises. The number of Estonian exporters in foreign ownership has increased significantly. There were 214 foreign companies involved in export in 2004 and eight times more than that in 2011.

For promoting export of Estonian companies, AS KredEx Krediidikindlustus provides credit insurance with state surety for insuring the payment risk of the exporter's buyer. In turn, insured export transactions promote the use of various other financial instruments (such as factoring) through banks.

Since 2012, the export division of EAS has moved from directly supporting enterprises to its own activities and paid services intended to develop export. Central activities are organizing Estonian joint displays at international fairs, providing information and contacts for Estonian exporters with the activity of export consultants on target markets, as well as trainings, informative materials, databases, etc. Feedback received from companies regarding the EAS' own activities has been highly favourable. For example, the companies which participated in six joint displays of fairs organized in 2013 rated the service at the average of 4.4 out of 5. The rating was 3.8 for contact trips.

"Made in Estonia 3.0" sets itself the goal to increase Estonian export turnover, export value added and number of exporters. The action plan provides activities which support these goals.

b) Foreign investments

Companies with foreign shareholding, wherein the shareholding of a foreign investor exceeds one tenth, provide 60% of total export, 36% of employment, 35% of expenses of research and development institutions, 45% of value added to the economy and 28% of higher productivity (based on value added)⁴. Due to that, direct foreign investments are the basis and catalyst for an economy providing higher value added. Companies which focused on export spearheaded the exit from the financial crisis and showed the best recovery. Estonia has received a significant amount of foreign investments, which has included the transfer of skills, technologies and business models to Estonian enterprising activities, by which the received investments have had a big impact on the Estonian economy. By the end of 2013, the amount of foreign investments invested in Estonia was 15,554 million euros⁵, forming 84% of the GDP.

As of the end of 2013, a quarter of foreign investments are made in the financial sector, 15% in wholesale and retail trade and 14% in the processing industry.

⁴ Estonia – the Business Paradise, Technopolis Group, 2012

⁵ Bank of Estonia

When looking at investments by countries of origin, Sweden generally invests in banking. The biggest of those by volume have been the founding of Estonian branches of SEB and Swedbank. Only about a fifth of Swedish investments are made in the processing industry. Finnish investments are more dispersed across sectors. There are nearly 5,000 companies owned by Finns and registered in Estonia. An equal quarter of Finnish investments is directed to the processing industry and real estate, and nearly a fifth goes to retail and wholesale trade. A fourth of Dutch investments goes to real estate, and a fifth to transport and storage. Russian investors have made more than a quarter of investments in wholesale and retail trade and a fifth in real estate and financial services. Half of Norwegian investments has gone in retail and wholesale trade.⁶

Foreign investments have had a clear influence on the Estonian economy, foreign companies are also more productive than local companies (especially in the service sector). Maintaining today's situation is made more difficult by the fact that the main motivation for foreign investors who invested in the Estonian processing industry has been the price advantage caused by cheap workforce. However, this advantage is disappearing due to growing price of resources. The Estonian tax system stimulates foreign investment volumes first and foremost, but does not sufficiently promote the initial decision of the investor to invest, and does not promote attracting investments to Estonia with higher value added.⁷ Spending on research and development in Estonian companies is increasing faster than the European average, but the main weaknesses in the business model of companies are still transpiring, incl. the role in international distributing channels and the companies' innovative capacity. Labour productivity in the Estonian high-tech sector is 4.7 times lower compared to Finland.⁸

⁶ Bank of Estonia

⁷ University of Tartu, Praxis, Law Firm Glimstedt. January 2011

⁸ Eurostat

2. Directions and solutions

2.1 HIGHER VALUE ADDED, MORE COMPLEX BUSINESS FUNCTIONS

For reasons described above, the export capability and foreign capital involvement capacity of Estonian companies is limited and requires developmental support of the state. Development of this capacity is based on the main problems that the Estonian entrepreneurs encounter on foreign markets.

The small share of more complex products and products intended for the final user in the product portfolio of exporters as well as poor product development are the reasons why many companies have not moved significantly higher in the production chain in recent years (this was the claim of 61% of responded production companies and 77% of service companies)⁹.

2.1.1 Increasing the productivity of exporting companies

A survey of export-related problems faced by Estonian companies¹⁰ revealed that companies consider their main competitive edge to be speed, quality of products, and flexibility, which is often due to the small size and low level of automatizing of the companies. However, the problems of Estonian companies are poor marketing skills, weak network of contacts in foreign markets, lack of development and long-term planning. Also added are low knowledge of foreign markets and insufficient protection of the intellectual ownership of products/services. Internationalizing of Estonian companies, i.e. cooperation with foreign companies is rather weak.

At present, the productivity of Estonian companies is 69.9% of the EU average¹¹. Productivity depends on several factors – efficiency of the production management of the companies, complexity of the production and its price on the market, the company's marketing and sales capacity. Productivity also depends on the employees' skills, qualifications and experience, and the company's investments in technology and production facilities.

⁹ Developmental directions of small and medium-sized companies, Praxis 2012

¹⁰ Estonian Chamber of Commerce and Industry (2010) *Survey of export problems of Estonian companies*
http://www.koda.ee/public/Failid/Ekspordiuuring/Eesti_ettevotete_ekspordiprobleemide_uuringu_uldosa.pdf

¹¹ Eurostat

In the future, the EAS will provide help for the company in compiling a development plan as one method for developing productivity. To ensure the longer-term planning of the company's export-related activities, the supporting measures directed to develop companies' export are connected with the company's long-term development plan. Compiling the entrepreneur's development plan is preceded by thorough diagnostics of the company, during which the main strengths and weaknesses of the company are determined. The development plan focuses on removing the shortcomings which hinder the company's development and maximizing the existing strengths. Based on the entrepreneur's development plan, the entrepreneur is offered a series of services, financial support and financial instruments. In providing means of support, those companies which cooperate with EAS in developing the development plan are approached proactively.

Diagnostics allow the companies to eliminate the evident issues and thereby significantly improve the company's production management. Support and financial instruments enable the entrepreneurs to invest in necessary equipment and in developing the company's human resources.

Cooperation with international groups enables Estonian companies to make new contacts and open new markets to Estonian exporters. Companies in foreign ownership have gained better access to foreign markets through the owners and their credit issues are also smaller than those of companies owned by domestic capital¹². Therefore, bringing foreign investments into the country helps solve one of the main problems for Estonian companies, which is making contacts on target markets. Due to that, involving foreign investments in Estonian economy is of crucial importance for internationalizing the economy and developing international competitiveness. To promote cooperation, supporting science and development centres (TAKs) and clusters will continue, thereby strengthening cooperation between companies.

2.1.2 Moving towards attracting into the country foreign investments which provide higher value added.

The main focus (and point of expense) of investments which provide higher value added is innovation and related labour. At present, the Estonian tax and state support system is mostly beneficial for capital investments. Investing in creating intellectual ownership and "smart jobs" needs more attention from the aspect of tax policy. Cooperation between entrepreneurship and research and development infrastructure, as well as better capitalizing on opportunities created with cooperation

¹² Estonian Chamber of Commerce and Industry (2010) *Survey of export problems of Estonian companies*
http://www.koda.ee/public/Failid/Ekspordiuuring/Eesti_ettevotete_ekspordiprobleemide_uuringu_uldosa.pdf

also need to be developed further. So far, the support of a large investor has played a central role in investor service.

In the future, the main focus will be primarily on bringing knowledge-based investments to Estonia. In order to attract investments with higher value added to Estonia, methods need to be developed and applied to attract the desired group of foreign investors to Estonia and connect their activities to the currently functioning enterprising and development environment – TAKs, clusters and research and development resources of universities. Due to the growth areas of the entrepreneurship growth strategy and the need to bring higher value added and investors who create higher-paid jobs in Estonia, the focus groups of the internationalizing division of EAS are service centres (e.g. financial services, logistics services), development and engineering centres. To attract foreign investors, services are increasingly provided to the service sector (ICT, auxiliary services, life sciences), the logistics sector and the industrial sector (cleantech, electronics, machinery and metal industry), but first and foremost, we will proactively aim at the crossroads of focus sectors and growth areas, e.g. use of ICT in making industries more efficient, attracting to Estonia the research and development and higher-level auxiliary service divisions of foreign companies already operating here, etc. The focus is also on supporting the cooperation between potential foreign investors and Estonian entrepreneurs with the opportunities of the Demo Centre, Mektory and the local research and development infrastructure. When supporting a strategic investor, it is planned to set mandatory criteria for the investor, including the partial hiring of Estonian workforce, their training, joining networks, developing curricula together with vocational schools and/or universities, conducting courses for preparing specialists at schools, and also organizing social events.

The focus will be on the following clients:

- Units of large international groups (turnover exceeding 100 million euros, economic activity in at least three countries) with a high value added
- Research and development units of international major companies operating in growth areas
- Datacentres
- Connecting international venture capital and start-up companies, bringing the headquarters of start-up companies to Estonia

According to the conclusions of the Technopolis, the basis for receiving foreign investments with high value added is a strong TA&I basis, innovation-centeredness of the state, a strong basis of education and knowledge, and focused work in attracting foreign investments. High value added is not necessarily connected solely with research and development activities and innovation. Peculiarities will arise in comparison between countries and the central goal is to aim for those investments

where the state can respond with its own capability, which may be related to production, development, knowing certain markets, etc.

It is important to make use of Estonia's bigger advantages in attracting foreign investments when planning the Estonian activities related to foreign investments. Foreign investors have several reasons to come to Estonia. Many foreign companies see Estonia as a gateway to the Northern European and Russian markets. Our geographic location has provided an important logistic advantage – goods produced or transported via Estonia reach over 300 million clients in Europe, Russia, Ukraine and other nearby countries in hours or days. In addition to a good location, Estonia provides a modern infrastructure, novel world-class IT solutions and an educated and experienced workforce. Foreign investors are treated equally to local investors, which has made it possible for many international companies to come to Estonia, such as Ericsson, ABB, Stora Enso, Symantec, PKC, Stoneridge, Vopak EOS, etc. At the same time, these advantages do not currently enable us to differ much from nearby competitors. In order to stand out and create an advantage in attracting investments, value offers must be made more specific, resources must be mapped more precisely and as a result, offers must be consistently developed. It is important to attract new forms of investment and technological solutions. While in the past, the selection has mostly centred on production locations, now the cooperation between companies changes technological solutions and the ways to create them (centres of excellence, testing, merging, green economy, smart buildings, smart materials). Therefore, in attracting investments with higher value added, it is important to connect the opportunities of the local research and development infrastructure with the needs of entrepreneurship, focus value offers and develop more efficient communications and a client management network for servicing and guiding investors.

Competition between countries in attracting investments is increasing and the threat of investments passing by persists. The work of competitors' state investment agencies is systematic, thorough, proactive, constantly developing and done in cooperation with the highest levels of government (for example, IDA and Team Ireland in Ireland; Invest in Finland Bureau and Team Finland in Finland; Innovation Norway and Team Norway in Norway; LIAA and Polaris Process in Latvia, etc.).

In recent years, Estonia has gained fame in the world as a hotbed of technological start-up companies. For example, Transferwise, GrabCad, Fortumo etc.

The state works on developing a beneficial environment for start-up companies and supporting the development of start-up companies with the Start-up Estonia programme through EAS and the Estonian Arengufond. However, in addition to that it is also necessary to work on connecting companies and international venture capital investors. The Silicon Valley agency is involved with that in the internationalizing division of the EAS, the activities on the Estonian start-up venue is also

introduced via a showroom (Demo Centre). Investor service resources intended to service venture capital in Estonia needs to be developed.

Activities:

- Connecting technological start-up companies and capital with the Silicon Valley agency
- Servicing investor visits in Estonia, introducing start-up companies in foreign countries.

Investor service and the regional level

Regionally, the task of the state is offering entrepreneurs an activity base which is as attractive as possible. For this purpose, the focus will primarily be on the development of competence centres, areas of enterprising and the supporting infrastructure.

The second priority in attracting foreign investments is involving investments in regions outside of Tallinn and the participation of regional representatives in the work of investor service team of the internationalizing division of the EAS. More focus will be on after-sale service and motivating the subsidiaries of groups already operating in Estonia to move up in the value chain.

1. Investor service – carried out primarily with the help of investor service team based in Tallinn:

- Responding to investment inquiries and conducting inbound investor visits
- Counselling investment projects
- Cooperation with regional enterprising agencies and regional development centres (hereinafter MAK) to find attractive locations outside of Tallinn and support Estonia's regional development
- Organizing meetings between investors and the representatives of local governments (hereinafter KOV) and the public sector
- Presentations at seminars and trainings which introduce foreign investments with the goal of increasing awareness of the higher capacity of foreign investors in creating jobs with higher value added.
- Further develop and deepen the competence of project managers of investments in growth areas
- Developing cooperation with professional societies, MAKs and clusters

2. More efficient work on regional level in attracting foreign investments:

- Involving regional representatives in the investor service team of the internationalizing division and after-sale service of the EAS in cooperation with county development centres

The clients are foreign companies already operating in Estonia, in order to bring and create business functions and function groups which create higher value added. In order to develop the hotbed for

ideas, the activities of technological start-up companies are promoted and connected with international venture capital.

The following innovations are established with this “Made in Estonia 3.0”:

- Helping entrepreneurs create long-term development plans
- Conducting comprehensive diagnostics for the company to determine its main strengths and weaknesses. Comprehensive diagnostics are conducted by a relevant specialist who visits the company and thoroughly reviews its work procedures
- Providing various services, financial support and instruments to exporters based on their development plan, ambitiousness of activities and needs determined during diagnostics
- Developing a common message and value offers in the framework of growth areas regarding preferred investments, and the means intended to support the receipt of foreign investments with “smart jobs”
- Making value offers and making the messages more specific through growth areas (also more broadly for persons who represent Estonia in foreign countries)
- Developing supporting packages for inter-group mobility and training of executive and developmental employees of large companies
- Connecting investments with local companies, supply chains and networks (universities, MAKs, TAKs and clusters)
- Cooperation with clusters which consolidate Estonian economic sectors. Active participation in developing cooperation networks
- Creating a joint message for the Estonian diplomatic corpus and foreign services
- Applying the measure of enterpriser’s development plan
- After-sale service – strengthening cooperation with foreign investors already operating in Estonia (mainly executed with the help of a national after-sale service team and regional representatives)
- Tighter cooperation with subsidiaries of foreign groups already operating in Estonia for moving the activities of their local units up the value chain
- Creating a platform between local foreign investors and the institutions which affect them (KOVs, central government, energy companies, the Estonian Tax and Customs Board, etc.) for finding faster solutions to the entrepreneurs’ problems
- The most important ingredient of after-sale service is consistency. It is important to keep the membership of the project team stable and keep information in the client management system

- Continuing more systematic cooperation with entrepreneurs' associations operating in Estonia (regional and/or field-based) and the round tables of entrepreneurs who are foreign investors. It is important to turn those foreign companies, company owners and executive employees who operate in Estonia into Estonia's ambassadors abroad.

2.2 INTERNATIONALIZATION OF COMPANIES AND KNOWLEDGE ON INTERNATIONAL LEVEL

Bigger shifts in the growth of countries' productivity and income can be achieved faster than usual by attracting "smart" investments (more productive companies, complicated business functions and more expensive jobs) in the country. This, in turn, is very strongly connected with developing human capital, which needs to be stronger if we wish to be more selective in opening up to immigration.

Working-age population is decreasing in Estonia, which also limits the number of specialists. This means a severe restriction on developing the export capability of Estonian companies and making larger investments or investments which have future growth potential in Estonia. Due to the nature of more complicated business functions and investments, specialists with different qualifications are required. Due to that, importing foreign competence is more necessary than before. In the years 2011-2019, Estonia requires an average of 3,400 working specialists who are increasingly more complicated to find on the Estonian job market with every passing year due to the aging of the population, low birth rate and emigration processes¹³.

The competitiveness plan "Estonia 2020" sets the goal of promoting the influx of persons who create value added in Estonia to increase the state's competitiveness. To reach this goal, the development process for amending the foreigners' act began in 2012, which in addition to ministries also involved various partners involved in job, education and entrepreneurship migration. Amendments which entered into force in 2013 provide a so-called expedited procedure. This means that the arrival in Estonia is simplified for persons necessary for Estonia, who in this draft are top specialists, scientists, lecturers, students and the family members of the above. Previously, a three-week public contest generally had to be organized to find an employee and a permit from the Unemployment Insurance Fund had to be received, whereas the amendment eliminated the obligation of organizing a three-week contest in all cases, but generally did not eliminate the requirement of a permit of the Unemployment Insurance Fund. Requirements of transferring teachers, lecturers and scientists from one position to another also became more flexible. In addition, foreigners gained the option of

¹³ Ministry of Economic Affairs and Communications (2013) Prognosis of labour requirements until 2020 http://mkm.ee/public/Toojouvajaduse_prognosis_aastani_2020_luhikirjeldus.pdf

working simultaneously for several employers, if they also work on the conditions provided in the residence permit. Changes planned for 2014 provide the creation of a separate residence permit for enterprising with a subtype “residence permit for investor”.

Estonia is being actively introduced as an attractive country for working in the framework of “Made in Estonia 3.0”, in which the portal workinestonia.com, currently being developed by EAS, plays an important role. The portal will contain ongoing information about job offers for specialists who are not proficient in Estonian. Previously, there were no activities directed at foreign students which would ensure their integration into the Estonian labour market. Therefore, the portal workinestonia.com cooperates with SA Archimedes to ensure that students also have access to information about job offers.

The European EURES job mediation office also plays a part in introducing Estonia as an attractive target country for working. So far, EURES has successfully helped introduce jobs of local ICT companies in foreign countries. Potential users of the services of EURES are also export-oriented companies.

As a supporting activity for international workforce entering the country, the Ministry of the Interior has begun to develop an adapting programme. The purpose of the adapting programme is to ensure that foreigners who move to the Republic of Estonia know about the functioning of the state and society, organization of everyday life, topics regarding work, study and family migration, and the improvement of Estonian skills and thereby supporting their migration process. Trainings of the adapting programme have a central role, during which basic information (regarding the Estonian society, culture, state, life etc.) and specific information (various topics) are provided to the migrant. New migrants are also offered the opportunity of beginner language studies and they are informed of existing auxiliary services. The adapting programme is a specific activity which decreases the contribution of entrepreneurs in promoting the adapting of employees coming from abroad.

2.2.1 Activities:

a) Export

Information services, counselling and training opportunities:

- Making information available to companies regarding opportunities on foreign markets, enabling the use of international export databases, information materials
- Seminars on the target market

- Trainings in fields that are important for exporters
- Trainings on compiling an export plan for starting and operating companies
- Programmes for in-service training and increasing qualifications for export specialists

Involving foreign competences:

- Promoting international cooperation between companies and making contacts
- Creating opportunities for companies to involve specialists with international competence
- Introducing the opportunities of participating in international cooperation projects to companies

Innovations:

- Creating internship options for Estonian entrepreneurs in foreign companies
- Paid consulting services (for checking marketing materials, test of products' export readiness on the target market)
- Creating the opportunity for companies for sending specialists to internships abroad

b) Foreign investments

Innovations:

- Developing support packages (incl. financial) for in-group mobility and training for executive and development employees of large companies
- Connecting investments with local companies, competence centres, supply chains and networks (universities, TAKs and clusters)
- Preparing the adapting programme intended to help foreigners adapt

In addition, it is planned to develop the capabilities of existing service providers:

- Developing services to better meet the need of target groups
- Improving the availability of services
- Forwarding information about services offered

2.3 CREATING CONTACTS AND EXPANDING THE CIRCLE OF TARGET MARKETS

The Estonian Entrepreneurship Growth Strategy 2014-2020 provides the skill of introducing export to new markets, planning long-term export and developing your own brand, providing export guarantees and creating new business opportunities as important activities. Export-related cooperation via well-working networks is also important. In supporting the development of Estonian export, the focus of support is directed to shortcomings which hinder the export development of Estonian companies. In 2012-2014, the state support for export transitioned completely from issuing direct support to its own activities – consulting, trainings, foreign marketing events and issuing export guarantees. In order to ensure the longer-term planning of export activities of a company, the support measures directed at developing companies' export are connected with compiling the company's long-term development plan.

Here, it is important to connect export activities with the company's long-term goals and long-term strategic planning. Constant cooperation between the company, EAS and AS KredEx Krediidikindlustus is also important, enabling to influence the growth of export capabilities of Estonian companies more extensively and lastingly. Long-term cooperation provides a better overview of the entrepreneur's strengths and weaknesses, which enables to direct state support to eliminating the shortcomings which hinder the entrepreneur's export capabilities. Developing activities which increase entrepreneurs' export competence plays a key role here, because unlike direct financial support, this has a lasting value which increases the company's competitiveness.

One output of this "Made in Estonia 3.0" is ensuring the sustainability of export-related auxiliary services. This, in turn, puts more focus on developing paid services and financial instruments. Several services which were previously free for entrepreneurs will become paid services, or the cost-sharing paid for it will increase. The export-related services of EAS will become more market-based by the increased financial contribution of entrepreneurs, because competing with the service providers of the private market will be necessary for providing the service. What is important here is an increasingly cluster-based approach of export activities, and more focus on a specific target group. Service providing will focus more on professionalism, organizational smoothness and good cooperation with companies and umbrella organizations.

Cooperation with international groups allows Estonian companies to make new contacts and open new markets to Estonian exporters. The survey of Estonian companies' export problems reveals that companies in foreign ownership have reached foreign markets better with the help of their owners,

and credit problems are also smaller for them than for companies belonging to domestic capital. Therefore, bringing foreign investments into the country helps solve one of the main problems of Estonian enterprises, which is making contacts on target markets. Due to that, involving foreign investments in Estonian economy plays a central role in internationalizing the economy and developing international competitiveness.

The key factor of involving foreign investments is cooperation, which does work today and there are very good examples of systematic work with investors, but a more focused and systematic approach is necessary for managing contacts – the problem is the chaotic and slow movement of information necessary to include investments. Cooperation must be tight and meaningful, resulting in staying informed thoroughly and constantly, creating constant input in planned activities and feedback to completed actions, signals from market must reach all parties fast, thereby improving the professionalism of investor service, and more decisions will be made to invest in Estonia.

The solution will be formulating the Team Estonia cooperation network, which will give us a systematic, consistent and fast set of information which allows for input and feedback. Team Estonia, an international cooperation network involved in sale and development of business environment, will consist of representatives of state institutions, private sector companies, professional associations, clusters, TAKs and other organizations, who are responsible for foreign investments. The model of the cooperation network has an important role in the network of Estonian business representatives all over the world, the work of the network will be controlled by the internationalization division of the EAS.

2.3.1 Activities related to export

The priority is export of Estonian companies to markets even farther than the abovementioned main export markets, to minimize macroeconomic risks on close markets. Estonian companies also wish to vary the client base of export by markets and find new markets farther from Estonia.

2.3.1.1 Focus of the activities of EAS

1. Creating new business opportunities:

- National joint displays at international fairs
- Contact trips and creating success stories of export for high-priority target markets
- Contact events based on sectors and growth areas for Estonian companies
- Introducing Estonian companies to sales managers of foreign companies, making contacts

- Online database of Estonian exporters: tradewithestonia.com, and providing sourcing service

2. Support for exporters in entering foreign markets outside of Estonia:

- Export consultants of EAS for most important target markets (Finland, Sweden, Norway, Denmark, Germany, Great Britain, France, Russia, China, the Netherlands)
- Establishing the network of support persons interested in helping Estonian companies (consulting upon entering the market) on foreign markets
- Improving awareness of Estonia and its reputation to create trust for companies
- Introducing Estonia to target groups on foreign markets (incl. at international fairs, contact events, business trips together with the field of foreign investments)
- Creating efficient financial instruments for Estonian exporters and providing export credit insurance

The majority of financial resources are directed to organizing export consultants and international fairs, to ensure the visibility of Estonian companies on the international business scene and access to necessary business contacts. The activity of export consultants is expanded by target countries and in addition to permanent export consultants, the services of so-called associated export consultants will be used, meaning the use of an export consultant depending on present demand. Ten joint displays for international fairs are planned to be organized annually. An average of 11 Estonian exporters participate at each display.

The Estonian insurance market is not attractive enough for large international credit insurers, therefore services were less available in the past than in our bigger neighbouring countries. To change this situation and provide all necessary solutions to local enterprises to minimize credit risks, AS KredEx Krediidikindlustus was founded in 2009. Demand for services has been high and operating volumes have been increasing constantly.

In addition to minimizing insolvency risks of a foreign buyer, credit insurance enables the use of other financial instruments which simplify sale – long-term financing for the buyer (export loan) and factoring – which in turn allows the Estonian exporter to provide beneficial payment conditions to the client, thereby receive more orders and also perform bigger orders without endangering short-term cash flow. As of the end of 2013, AS KredEx Krediidikindlustus has insured payment risks involved with over 2,000 foreign buyers for nearly 70 Estonian exporters in over 60 foreign countries. Export loans are issued to Estonian exporters by SA KredEx. In the case of a loan, the issuer of the loan obtains the claim of the Estonian exporter to the buyer and the buyer of the goods/services of the Estonian exporter will pay back the loan. Export loans are

primarily intended for financing large export transactions. The prerequisite for an export loan is the existence of the exporter's credit insurance.

2.3.1.2 The focus of the activities of KredEx for upcoming years

Creating efficient financial instrument for Estonian exporters and providing various credit insurance solutions. Providing export credit insurance to Estonian companies and creating new means of funding will continue in order to create additional circulating capital for exporting Estonian companies:

- Providing credit insurance to exporting companies
- Important risk factors in selling to foreign markets is different payment practices, uneven availability and quality of credit information, and complicated claim proceedings. Such risks are enough for entrepreneurs to avoid export activities on several prospective markets. A specialized insurer can minimize those risks, financing insured claims by banks is also significantly easier (factoring, loans). In 2013, companies incurred approx. 400 million euros in sales turnover thanks to insurance, this number is expected to grow in upcoming years
- Financing export to introduce the best local and international practices and increase awareness. Active direct sales are performed for local exporters of all size, seminars and information events are conducted

2.3.2 Activities involved in foreign investments

- Organizing visits of business delegations to and from target markets
- Developing the network of contacts related to enterprising and consistent communication on target markets and sectors
- Responding to investment inquiries and conducting inbound investor visits
- Consulting for investment projects

Innovations by export and activities of foreign investments:

- Involving associated consultants to service Estonian companies on markets with no EAS export consultants. Associated consultants have a wider spread and include countries which have potential for Estonian companies as large markets with increasing purchasing power. Due to that, offering help with entering the market is necessary, considering also the cultural differences and barriers involved in entering the market. The countries are also well accessible logistically and the companies have incurred some interest in those countries. Unfortunately, the state cannot invest in creating a network of export consultants in all European countries, therefore we use the network already created by a partner state as a cost-effective alternative

- Export loan and insuring it when performing large projects in foreign countries. It is common for exporting capital goods that the seller also offers the buyer/contracting entity a long-term financing solution (so-called buyer or supplier credit). Unlike Europe and Scandinavia, our local companies do not yet have access to this via banks. KredEx foundation has developed a loan plan for financing such transactions by the end of 2013, political or credit risks involved in the loan are insured by AS KredEx Krediidikindlustus
- Implementing the Team Estonia model
- Making the foreign communication and investment sales network more efficient by improving communication between authorities and with entrepreneurs
- Setting unified and consistent goals to institutions involved in foreign communication related to enterprising
- Developing the Estonian success story and sales arguments (Demokeskus, Mektory)
- Developing the network of contacts related to entrepreneurship and consistent communication on target markets and sectors
- Proactive individual sales to select companies

2.4 ESTONIA'S IMAGE AND DEVELOPING THE ENVIRONMENT

In attracting foreign investments, those countries are successful where the main indicators (incl. productivity, technological facilities, and social infrastructure) are on the best level and who are consistently working with existing and potential investors. Such countries have a clear vision and strategy, regular communication with the investor, a strong sales organization for catching new investors (e.g. Economic Development Board in Singapore, Team Finland), a systematic domestic feedback system (e.g. through IDA Ireland), a think tank observing fields and industrial verticals (e.g. Forfas in Ireland) and they constantly work on marketing with the international image of the country.¹⁴ Improving Estonia's image is important for exporters as well as for catching new investments.

2.4.1 Activities:

- Introducing Estonia in the international business media, organizing introductory events for inbound media delegations
- Investinestonia.com and publications and informative materials introducing the investment environment

¹⁴ Estonia – the Business Paradise, Technopolis Group, 2012

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- Introducing the Demo Centre as the showroom of Estonia’s success story and creating the environment for connecting entrepreneurs and investors
- Introducing Estonia as an attractive country for “smart workforce” in neighbouring countries
- Cooperation and information exchange with investment agencies of nearby countries. The goal is to remain aware of future strategies of the “competition” and map the development opportunities which increase the attractiveness of the whole region (*Talsinki*, Riga as a big city in the middle of the Baltics, Narva-St Petersburg)
- Mapping the Estonian labour market. Age, language skills – creating a constantly updated and dynamic map. Competences of the workforce are the main basis for creating jobs with higher value added
- Promote the training of Estonian employees abroad (partial tax benefits for training costs)

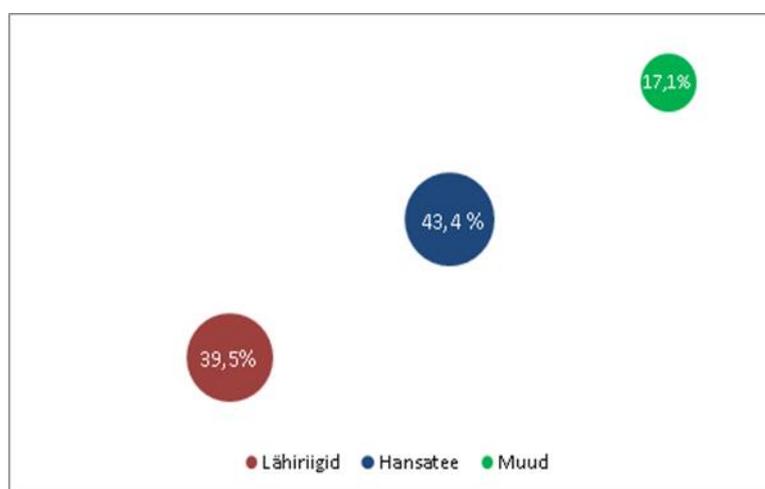
Innovations in developing the Estonian image and environment:

- Introducing Estonia as an attractive target country for “smart workforce” in neighbouring countries
- Launching the *workinestonia.com* portal
- Participating in initiatives important for attracting foreign investments (e.g. work group for international indexes) or spearheading such work groups

3. TARGET COUNTRIES

The main export target countries for Estonia as of the end of 2012 are Sweden (15.9%), Finland (14.5%), Russia (12.1%), Latvia (8.8%), Lithuania, USA, Germany, Norway, the Netherlands and Denmark.¹⁵ 82% of foreign investments come from other EU countries. The biggest investments come from Sweden (28%), Finland (23%) and the Netherlands (10%). Outside the EU, the biggest investors have been Norway and Russia (both approx. 5% of all foreign investments). By adding the countries with the biggest nominal GDP, which are USA, China, Japan, Germany and France, we get a list of countries where Estonia holds significant economic (and also political) interests in regards to foreign investments as well as export.

In the case of activities offered by the EAS, we direct 80% of our activities in realizing the potential of the Hanseatic Road (Sweden, Norway, Denmark, Germany, Great Britain, France, the Netherlands and Belgium). 20% of export is focused on farther markets and neighbouring countries. In attracting foreign investments, 75% is the preference of Estonia's largest foreign investment and export partners, 25% is the focus on Japan, USA, Brazil and China, based on niches and value offers with which Estonia has an advantage in these countries.



/Neighbouring countries – Hanseatic Road – Other/

Figure 5. Distribution of activities of the internationalizing division of the EAS by countries based on the years 2009-2013.

¹⁵ The Statistics Board

The internationalization division of EAS plans to keep its activities by countries generally the same, but in the case of choices, countries of the Hanseatic Road and faraway countries are preferred, in order to vary the range of countries which invest in Estonia.

Neighbouring countries are Latvia, Lithuania, Finland and Russia, which may have a different economic structure, but also a lot of potential for Estonian companies. Finland is generally one of the first choices for an export country, due to its location, openness of the economy, level of wealth and cultural similarities. Finland also has potential for foreign investments, providing the opportunity to bring to Estonia business branches which are higher on the value chain. Estonia continues to have an advantage in terms of the ratio of the cost of labour and quality of work. Knowledge and the business climate are the reason for attracting investments from Finland. Russia is a growing and large market which is a logical choice for the Estonian entrepreneur for logistical reasons. Latvia and Lithuania are the neighbouring countries where a successful start with export provides the push to move on to farther markets.

Countries of the Hanseatic Road, which are Sweden, Norway, Denmark, Germany, Great Britain, France, the Netherlands and Belgium, are a region with wealthy markets and strong economies, they are logistically accessible and culturally understandable for Estonian companies. The high level of development also provides the potential to bring to Estonia foreign investments which offer higher value added.

Faraway markets are the large countries in Asia – China, Japan and India, also USA and Brazil. The Estonian economy is currently very little connected to those countries. All those countries have a lot of export potential solely due to their big population as the potential large number of consumers. China and Japan have potential in involving foreign investments. The long distance and foreign business environment make operations on these markets complicated for Estonian entrepreneurs and state support is required to enter the market.



Figure 6. Distribution of countries

The Ministry of Economic Affairs and Communications have compiled a state programme for Asia, which has created the initial vision for Estonia’s connection to Asian countries until 2020. The goal of the Asian programme is to introduce Estonia’s connections with rising Asian economies. “Made in Estonia 3.0” integrates the activities of the Asian programme, keeping them as one part of the broader action plan for foreign investments and export.

3.1 Development of starting markets

OECD predicts that the growth of real GDP of the “Developing Asian” economies will be 6.9% per year in 2014-2018. Despite being lower than in the period preceding the global economic crisis (2000-2007), this is a strong growth which primarily comes from the continued strong growth rate of China and India. In the case of South-East Asia, the annual economic growth of 5.4% is predicted in the long run. These are high growth rates compared to the older economies surrounding Estonia, which Estonian companies currently strongly depend on.¹⁶

Today, it is predicted that the economies of Asian countries will move towards more large-scale consumption and demand, and closer trade between Asian countries. In the case of South-East Asian countries, the growth is expected to restore in upcoming years mainly thanks to the continued development of the Chinese economy, which in turn also supports the economies of Taiwan and

¹⁶ <http://www.oecd.org/site/seao/Pocket%20Edition%20SAEO2014.pdf>

Hong Kong. Asian Development Bank predicts the economic growth of South Asia to be 6.2% in 2014 after the two-year cooling period¹⁷.

Today, China and Japan hold a leading position in world economy – 2nd and 3rd place respectively after the USA in the GDP ranking list¹⁸. Economic growth is also predicted for both countries for upcoming years. Among starting markets, India and Brazil also have a higher growth prediction¹⁹. The two main trends for both China and India are the growing consumption volume ensured by high saving rates and an increasingly wealthy middle class. In Brazil, the strong pressure for wages is spearheading the income growth for residents.

The second trend is continued urbanization, in which 300 million people should be added to urban areas by 2030 (the trend also involves large investments in infrastructure and transport). According to IMF, China is the first or second largest trade partner for 78 countries, which provide 55% of global GDP today. Japan is making an effort to enliven the economy more and has a very wealthy consumer base. Both countries are also two of the largest foreign investors in the world.

India, China and Japan are different countries in regards to culture, economy and the functioning of the state. All three countries are characterized by a growing interest in trade, investments and improved competitiveness directed outside of their borders. As China and Japan have enormous financial resources, finding opportunities from the outside is becoming preferable or equally preferable to domestic investments.

China has compiled its “outbound” strategy²⁰. After the change in power in 2012, China is playing a more aggressive role on the international economic scene. Various activities are executed to control supply channels, obtain financial assets, resources and technology. China has determined number-based goals for increasing foreign investments and taking Chinese workforce outside the country. China has started negotiations with the EU regarding an investment agreement.

Japan has taken steps towards establishing a policy named Abenomics, opening the economy up more for international competition. This way, it is planned to find new export markets, obtain newer technology, increase the companies’ competitiveness, decrease economic barriers and thereby enliven the country’s economy. For example, topical issues are the free trade agreement between EU and Japan (FTA) and similarly to China, joining the Trans-Pacific Partnership (TPP). Due to that, the

¹⁷ <http://www.adb.org/sites/default/files/pub/2013/ado2013.pdf>

¹⁸ IMF

¹⁹ OECD Economic Outlook, Volume 2013 Issue 2

²⁰ 走出去战略

action plan of “Made in Estonia 3.0” is initially focused on two countries – China and Japan. At present, Estonian companies are most interested in those two countries and both countries also show increasing interest in Europe and Estonia.

3.2 Estonian entrepreneurship on starting markets

For Estonian companies, trade with Asian countries has remained rather modest. Despite steady growth, the trend has been fluctuating a lot. The reasons are different cultural environments, difficulties in finding contacts, trust issues and also the size of Estonian companies and financial means to take large risks.

At present, the most important trade partner for Estonia in Asia is China. Trade volumes with China have been small, the balance negative and very fluctuating (depending on a few large exporters). The overall trend has become more positive and the volumes from trade have increased to 0.81% for export and 3.48% for import by 2012. The second most important country is Japan (see Table 1. Estonian export and import by Asian countries. Source: the Statistics Board). Export to India has grown steadily, but still remains nearly half of that to China. The interest of Estonian companies in Asia is biggest for China and Japan, and the success in those countries today is also the most noticeable. India has come more into focus after the opening of the Estonian embassy in New Dehli in February 2013.

Total trade	China	Hong Kong	India	Japan	Korea	Singapore	Taiwan	Total
Export %								
2010	1.28	0.06	0.21	0.55	0.24	0.03	0.05	2.42
2012	0.81	0.1	0.43	0.53	0.39	0.27	0.04	2.57
Import %								
2010	3.04	0.7	0.17	0.29	0.17	0.06	0.29	4.72
2012	3.48	0.74	0.23	0.27	0.25	0.06	0.34	5.37

Table 1. Estonian export and import by Asian countries. Source: the Statistics Board

Estonian companies require access to mature markets where a wealthy consumer market has already developed (such as the markets of Scandinavia and Western Europe). Such markets are characterized by strong competition and high entry costs. An alternative are large developing market – where finding a niche and its successful use may be somewhat easier.

<u>Mature market and wealthy consumers</u>	<u>Large market, high Gini coefficient, middle class is able to consume more</u>	<u>Developing market and consumption potential for the future</u>	<u>Starting the development, bottom-of-the-pyramid</u>
Japan, Taiwan, South Korea, Singapore, Hong Kong	China, India, Indonesia, Malaysia	The Philippines, Thailand, Vietnam	Mongolia, Laos, Cambodia, Myanmar, Pakistan, Sri Lanka, Nepal

Table 2. Attractiveness of market by Asian countries. Source: MKM

Asian countries require a very different approach by countries and due to the size of markets, it is necessary to focus primarily on one region or city. The key to success for Estonian companies is finding niche products or focusing on a certain market segment (for example, the gift market in China). Developing a brand for very large markets is generally too expensive.

In 2012, export to China most often included electric appliances, mineral fuel, mechanic devices, wood and wooden products. Export to Japan in 2012 mainly involved wooden products, medical and measurement devices and other industrial devices (wooden houses, construction materials, laminated timber beams, doors, windows). 68% of export volumes to India in 2012 was machinery and equipment, one quarter was paper mass and related products, 18% was metal and metal products. Brazil also received machinery and equipment from Estonia, also plastic and rubber products, and medical and measurement devices. Those are mainly so-called old products and business models, which is also understandable considering the novelty of the markets for exporters. At the same time, several European countries have moved toward exporting services (education, environmental technology, IT), which several Asian countries have an increasing need for. Luxury products and design products are also a big market opportunity due to a considerable wealthy consumer base.

Estonia's competitiveness is higher in fields based on local raw materials and for which there is actual need on the Asian target markets (e.g. various products made of wooden materials, food products). The starting markets of Asia can offer export opportunities for Estonia's fast-growing technology-based companies in different stages of development (start-ups). The main success factor on larger and farther markets is the cooperation ability between Estonian entrepreneurs and executing joint marketing activities (e.g. clusters and various joint marketing projects). Local professional associations play a big role in developing a better sales-related cooperation of Estonian companies on faraway markets.

China and Japan are the most important markets in Asia for Estonian companies. For example, Liviko, one of Estonia's oldest alcohol producers, obtained shareholding in a Japanese company to improve its position in entering the Japanese market. Several Estonian companies have also taken steps to export food products to China and Japan. JOIK, the local manufacturer of natural cosmetics, has entered the markets of Japan and China. In addition, Estonian manufacturers of wooden houses and the wood industry in general are showing interest in Asia. Teamwood OÜ, manufacturer of planed materials, is negotiating to export to India and Nordic House, which manufactures wooden houses, has already sent the first container to India. OÜ Vespe, which manufactures planed materials, has been cooperating with clients in South Korea for nine years already and increased sales to that country steadily in recent years. A good example of a high-quality niche product sold to Asia is the sale of "Estonia" grand pianos to Japan. There have also been contacts between Asian venture capital and Estonian start-up companies.

OÜ Krimelte has been exporting joint sealants and construction foams to Brazil since 2009. Viru beer, produced in A Le Coq, has also reached the stores of metropolises of South America's biggest country.

In short, the opportunities of faraway large markets can be summed up as follows:

- Wealthy or growing consumer base,
- Large foreign and domestic investments,
- Interest in new solutions and technology,
- Problems that require solving (food products and environmental factors)

The bigger presence of Estonian diplomatic representation on faraway markets creates additional options for supporting Estonian entrepreneurs. In February 2013, the Estonian embassy was opened in New Dehli, India. In spring 2014, an embassy will be opened in Brasilia, capital of Brazil. A new embassy building will be opened in Beijing, the capital of China, in the first half of 2014. Representatives of companies will also be included in diplomatic delegations to far target countries to form relations with their companies and representatives of the public sector. In the USA, the internationalization division of EAS has a representative in Silicon Valley, the focus of whose activities is on connecting technological start-up companies and capital, but who also consults other companies.

Based on activities directed to Asia, the two export goals are:

GOAL FOR 2020 – the share of Asian export in total export is 6%

GOAL FOR 2014 – 50% increase in export volumes of Estonian companies operating on Asian markets.

Activities:

- Introducing markets to companies – EAS will organize at least one study or contact trip per year for companies to the more important Asian markets. When the purpose of a study trip is mostly getting the feel of the market and initial impressions, then a contact trip is directed at obtaining specific sales transactions. One contact trip will include 8-9 companies, for which 3-4 sales meetings with potential clients will be agreed on with the use of local consultants. It is also important (in cooperation with Nordic countries if possible) to invite delegations of Asian companies to Estonia on purchase trips.
- Organizing target market seminars, trainings and conferences
- Offering the participation of relevant programmes in Nordic countries for Estonian companies
- Informing entrepreneurs of the Asian module (aasiamoodul.ee)

The following innovations will be established with this “Made in Estonia 3.0”:

- Export bulldozer of the Chinese market – the development programme established by EAS for advanced exporters who wish to enter the Chinese market includes help in compiling an export plan, consulting, help with mediating contacts in the target country and also communicating with the country if necessary. 3-5 Estonian companies, which have successfully exported to close countries in the past but for which the Chinese market is a bigger challenge, will be selected to participate in the pilot project.
- Asian information centre – an Asian information centre will be created in the currently operating EAS information centre, which provides information and consulting about Asian markets to companies, and mediates contacts. The work of the Asian information centre will be based on existing databases (including ASIA – Database of People Associated with Asia, jointly developed by Tallinn University, University of Tartu and Tallinn University of Technology).
- Recruiting an export consultant of EAS in China

3.3 Foreign investments

Due to China’s “outbound strategy” and Japan opening its economy to competition, part of which is also companies moving to new markets, the foreign investments of both countries are increasing. In the case of China and Japan, the interests to increase the competitiveness of the economy are the

following (in the case of China, specific goals are provided regarding the volume and growth of foreign investments, also regarding the export of labour):

- Controlling supply channels
- Obtaining assets
- Securing resources
- Obtaining technology and intellectual ownership
- Finding new markets for selling their products
- Finding new business models
- Finding logistic opportunities and opportunities for production

China's foreign investments have been growing since mid-2000 and Chinese companies are active both in the public and private sector. The European market has also become an attractive investment target market. Investments are made with increasing differentiation by different economic sectors and directed into more complex industries and sectors. Capital flow into the financial sector has also increased, which further promotes trade relations, and risk capital into start-up companies, moving higher up in the value chain compared to obtaining purely resources.

The opportunity for selling products and services on the European market is being sought. Smaller companies find it most important to have technology, expert assessment, obtaining brands by takeover, to be more competitive on domestic and foreign markets alike. China has invested relatively little in the European Union, but the volumes of takeover have increased and such transactions have become more common. According to unofficial data, the main recipients of investments in the years 2000-2011 have been France, Great Britain, Germany and Sweden. In regards to number of investments, Germany, Great Britain, France and the Netherlands²¹. Although the volume of investments made in Estonia is small, China has thorough investment guidelines for Estonia, available at: <http://fec.mofcom.gov.cn/gbzn/upload/aishaniya.pdf>.

Even though Japanese companies have been operating in Europe for a long time, the conclusion of a free trade agreement between the EU and Japan is a sign of increased interest in foreign markets. One fundamental principle of the third arrow of Abenomics is the integration of global economy and the desire to stimulate Japanese companies to globalize, find new markets and increase foreign investments.

²¹

http://www.rolandberger.com/media/pdf/Roland_Berger_Chinese_outbound_investment_in_the_European_Union_20130131.pdf

As a small country, Estonia is not attractive as a market, but it may be an attractive location for Asian companies expanding to Europe as a “gateway” to Europe, a test market and logistics centre. At present, Estonia has remained in the background compared to other European countries, considering the attractiveness of investments. Due to that, investment volumes have remained quite modest. At the same time, we are rising to catch the interest of Asian companies with a stable economic environment, innovative IT solutions, successful start-ups and a favourable geographic location.

The Asian programme has provided opportunities for Estonia in the following fields:

- The logistics and transport sector
- Testing market/production centre for electronics/machinery construction
- Centre for science and development cooperation / auxiliary service centre
- Venture capital investments in Estonian start-up companies
- Goals in the field of foreign investments:

GOAL 2020 – ESTONIA IS A GATE TO THE MARKET OF THE EUROPEAN UNION AND THE BALTIC SEA REGION FOR ASIAN COMPANIES.

INTERIM GOAL 2015 – 5 KEY INVESTMENTS HAVE BEEN MADE IN ESTONIA BY RISING ASIAN MULTINATIONALS.

Close cooperation between various institutions is important on Asian markets – embassies, honorary consuls and the administrators and connectors of the network of local Estonians. Matching economic and political interests for more efficient use of resources is also important. Embassies are often capable of helping companies with various problems and the information they have about markets may be valuable for the entrepreneur. Cooperation between foreign representatives of EAS and embassies is important, as it creates sufficient synergy for information exchange. Establishing the Team Estonia model also plays a role here.

Activities:

- Servicing investor visits from Asia in Estonia,
- Introducing Estonia as an investment target in China, Japan and other Asian countries

The following innovations will be established with this “Made in Estonia 3.0”:

- Targeting Asian companies already operating near Estonia for finding an industrial investor – contacts are made with Asian companies and their subcontractors already operating in Nordic countries and Russia

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- Cooperation with neighbouring countries to bring Asian venture capital investments, with the goal of obtaining critical mass of projects to present to Asian venture capital funds. Important partners are organizations which concentrate and communicate with Finland's, St Petersburg's, Latvia's and Lithuania's start-up companies
- Establishing the Team Estonia model