TALLINN: WE MEAN BUSINESS

TALLINN, THE CAPITAL OF ESTONIA, IS LOCATED AT THE HEART OF THE BALTIC SEA REGION

GREAT LOCATION, POSITIVE SPIRIT!
High-tech, forward-thinking, Western-oriented... and that’s just for starters.

When international investors and entrepreneurs talk about why they choose Tallinn, these are some of the qualities they name. They might also mention the easy tax system, the access to Scandinavian markets and the city’s stunning, Medieval Old Town. The list goes on.

Whatever initially inspires these business leaders to come to Tallinn though, the result is obvious. Over the last two decades, the city has emerged as the powerhouse of one of Europe’s fastest growing economies, not to mention one of its most popular new travel destinations.

The story of Tallinn’s development is far from over though, and there’s a lot more space for growth. These next few pages will provide an introduction to what the city has to offer as an investment market and a place to start up new enterprises.

Even now? Definitely!

The global economic downturn has certainly hit Estonia as it has other Northern European countries. However, the fundamentals that made Tallinn such an attractive place to do business throughout 1990s and 2000s are still very much in place today, and will continue to be crucial once the skies clear. Namely, Estonia is still a country with a highly-educated, English-speaking workforce. It’s still a natural platform for trade between the EU and the growing Russian consumer market. And it still has one of the most business-friendly regulatory systems in Europe.

Whether you’re already shopping for investment opportunities or are waiting for sunnier days, the time to get to know Tallinn is NOW.
Location, location, location...

Sitting at the crossroad between Scandinavia and Russia definitely has its advantages. With strong business ties to both East and West, Tallinn is a natural launching point for those who want to tap into Russia’s growing consumer market while maintaining the stability of working within the EU.

A great climate

...for business.

Zero tax on corporate profit, a flat income tax, and minimal bureaucracy are just the start. This is also a country of no-nonsense, hard-working people who pride themselves on getting the job done.

Value for money

Operating costs such as salaries and rent are about half what they are in neighbouring Sweden and Finland, and generally lower than the EU average. At the same time, access to those markets is quick and easy, and levels of quality and professionalism here are high.

Europe’s cutting edge

Not only is Tallinn ranked among the Europe’s most technology-oriented cities, leading the way in everything from free public WiFi to e-government, it also has a dynamic business community eager to engage in new areas. Current trends are grooming Tallinn as a financial services and software development hub.
TALLINN

IN BRIEF

Tallinn, a city of 404,000, is the political and financial capital of Estonia.

Located on the southern shore of the Gulf of Finland, just 82 km south of Helsinki, it’s also home to a busy cargo and passenger port.

The city is best known for its well preserved Old Town, the area of streets, houses, churches and squares that developed from the 13th to 16th centuries when it flourished as a Hanseatic trading centre. Rapid commercial development that followed Estonia’s independence from the USSR in 1991 has transformed the city centre adjacent Old Town, giving rise to dozens of new hotels, shopping centres, banks and offices.

Most of Tallinn’s inhabitants are ethnic Estonians, who share linguistic and cultural similarities with their Finnish neighbours.

A GLOBAL CONTENDER

Tallinn was ranked the No. 2 city in the world for “economic potential” by the Financial Times’ fDi Magazine, September 2008.

The international think tank Intelligent Community Forum listed Tallinn among the world’s “Top Seven Intelligent Communities of 2009.”

Tallinn is the No. 1 city in the world for free wireless Internet, according to a 2008 Discovery Channel article.

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ESTONIA

Population: 1.34 million
Political system: Parliamentary Democracy; single chamber Parliament (Riigikogu) consists of 101 members
Member of EU and NATO
Member of Schengen visa-free zone
International telephone code: +372
Currency: Estonian kroon. Pegged to Euro at €1 = 15.6466 EEK
VAT rate: 18%
Income tax rate for employees: 21% (flat)
Corporate profit tax: 0%
Average monthly wage: €929 (2008)
GDP in 2008: €15.9 billion
Starting up is a snap... or rather, a click

Estonians like to keep bureaucracy to a minimum, so they’ve made establishing a company a simple procedure. In fact, the whole process can be done online in a matter of minutes.

English? You bet!

Getting around in English is never a problem here. Many locals also speak Finnish and Russian, which will come in handy when you develop partnerships with neighbouring markets.

Taxes

The tax system is extremely straightforward, with a flat 21% income tax and zero tax on corporate profits. Declarations are simple, and 87% of the nation files them online.

Start-up grants available

New enterprises are often eligible for financial support from the city. Specifically start-up grants of up to €6,390 are provided. Contact the Tallinn City Enterprise Board for application details or find more information on our website: www.tallinn.ee

“The Estonian bureaucratic process is incredibly transparent. It took less than two days to set up our company which was almost entirely done through the Internet.

Estonia also has done particularly well in stimulating innovation by supporting young entrepreneurs in bringing their ideas to business reality through its support grants and training programs. Today, our web development agency has clients in Scandinavia, Western Europe and the US, and we can thank Estonia’s entrepreneurial foresight for helping us get our foot in the door.”

Julien Renaud
Co-founder of Versio2 Web Development Agency

Photo by: Toomas Volmer
A HIGH-TECH
CITY

Tallinn has made a name for itself as one of world’s most technology-oriented cities.

Here are some of the reasons:

Everyday use of web- and mobile-based technology is highly popular here, with both business and government driving innovations in everything from m-payments to e-voting.

Tallinn is the world development headquarters of the Internet telephony company Skype, a product itself developed in Estonia.

The city has over 360 public WiFi areas and over 700 public Internet access points, nearly all are free.

Most drivers pay for street parking via sms text message, a system pioneered here.

98% of the country’s bank transactions are done online.

Tallinn is home to NATO’s Cyber Defence Centre of Excellence.
Thanks to their long historic ties with German and Scandinavian cultures, Estonians have a decidedly Western business outlook, coupled with a cool, Nordic temperament.

They’re straight talkers, almost to a fault. In fact, Estonians often undergo special training just to learn how to make small talk with their foreign partners. They also take pride in keeping their promises and getting projects done on deadline.

"The creative use of modern technology and innovation has drastically simplified my working life. The clarity and simplicity of regulation and taxation allows me to focus on the nuts and bolts of my business, rather than waste time on dealing with intrusive or excessive legislation.

The absence of crowds or a long commute in Tallinn has given me a much better quality of life while still offering the cultural and social opportunities of a much larger city.

Estonians are a practical, straightforward and no-nonsense people who generally are well educated and hard working, and although initially they are often reserved, I have been able to find several life-long friends here.”

James Oates
CEO, Cicero Capital
TALLINN LIFE

By far the city’s defining feature is its charming Old Town, a Medieval jumble of cobblestone streets, gabled houses, churches and squares that hearkens back to the days when Tallinn was a bustling, Hanseatic trading centre. Now a protected UNESCO World Heritage site, Old Town remains the heart of the city, a Mecca for tourists and home to a buzzing dining and nightlife scene.

Old Town is where, on any fine spring or summer day, you’ll more than likely find yourself sitting in a sidewalk café and being served beer by a waitress in Medieval garb. At the same time you might also be surfing the Net on your laptop or iPhone – nearly all restaurants, squares and parks in the area offer free wireless Internet.

Just a few metres outside Old Town, the modern city centre offers a range of new hotels, several shopping centres, and even more top-notch restaurants. Tallinn’s tsarist-era Kadriorg Park, with its palace and manicured gardens, and Pirita Beach are a short taxi ride away.

There’s a lot more going on than just eating and Net-surfing though: the city is rife with cultural offerings, from its award-winning Kumu art gallery to its acclaimed, annual Black Nights Film Festival. Even more will be on the agenda in 2011, the year Tallinn takes on the title of Cultural Capital of Europe.
EASY ACCESS

Tallinn has direct air connections with most major European cities; the flight time is usually just 2 or 3 hours. There are also several ferries to and from Helsinki each day that cross the Gulf of Finland in 1.5 to 2 hours. The overnight ferry from Stockholm takes about 16 hours.

Once you arrive at Tallinn’s airport, the city centre is only a ten-minute taxi ride away. The ferry and train terminals are practically in the city centre itself.

Thanks to its small size and compact layout, Tallinn is extremely easy to get around. Most downtown offices, hotels, restaurants and major sites are within easy walking distance of one another.

“To reside in Tallinn carries many benefits, mentally and physically. The nature is unspoilt, the air clean, the education system, excellent. The Old Town is charming and boasts many high-standard restaurants and cultural activities, as well as a rich history.”

Paul Taylor
Member of the Board, Uniquestay Hotels
WHAT’S HOT?

There’s no way to list all of the sectors that are ripe for investment in Tallinn. In recent years newcomers have found success in everything from shipbuilding to worm farming. Here are a few areas that have been drawing particular interest among foreign investors and entrepreneurs.

Real estate

The current economic slowdown has led to a deep cooling trend in the real estate market. That spells opportunity for investors with cash. Properties are now priced at bargain levels, with several prime locations up for grabs.

Software development

It was no accident that Skype was created in Estonia. Thanks to a wealth of innovative companies and skilled programmers, Tallinn has become known as the “Silicon Valley of the Baltics.” A number of foreign companies currently outsource to Estonia for custom applications and web design.

Transport

The city’s traditional role as a transit route for goods going between Western Europe and Russia is taking on a new twist as the city reorients itself towards feeding Russia’s growing consumer market. Tallinn is home to the Baltics’ largest port and has good road and rail links with Moscow and St. Petersburg. Now it’s developing into part of a crucial transit chain between China and Russia.

Financial services

During the country’s economic growth spurt, several asset management and corporate finance houses started up their businesses in Tallinn. Estonia-headquartered money managers and advisors are mainly specialised in the Baltic and Eastern European markets, acting mainly as listed equity, private equity and real estate investors.

Valuable experience from Estonia’s fast convergence to the European Union, Russian-speaking skills and understanding the former Soviet economies gives Estonia’s entrepreneurs a competitive edge in operating in the less developed Eastern bloc.

Setting up a family office, private bank or advisory firm is easy in Estonia thanks to a fast-acting Financial Supervision Authority and high-quality online banking infrastructure, back-office and registry services.

Tourism

Now that the world has discovered the charm of Old Town, Tallinn has become a popular city break destination. More recently, the growth in spa and conference tourism has led to the opening of several new, high-quality hotels in the downtown area.
Estonia’s stable political and economical environment and its membership in the EU make it a popular industry base for manufacturing in the Baltics. Its excellent position close to eastern and western markets, good infrastructure and cooperativeness of local authorities makes it interesting for investors.

Local labor costs are on a reasonable level and people are flexible, highly skilled and well educated, many of them fluent in several languages.”

Vitali Vunsh
General Manager, Elcoteq Tallinn

GDP per capita in the Baltic Sea region, 2008 (EUR)

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<th>Country</th>
<th>GDP per capita (EUR)</th>
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<td>Poland</td>
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Source: CIA World Factbook 2008

ESTONIA’S MAJOR EXPORTERS:

- Baltika – men’s and women’s clothing
- BLRT Grupp – ship construction and repair
- Elcoteq – electronics
- Krimelte – manufacturing of joint sealants and construction foams
- Norma – manufacturing of car safety belts
- Printall – printing
- Stoneridge Electronics – electronics equipment for the car industry
Tallinn has 40 km² of greenery (parks, forests, etc.).
It is located just 82 km from Helsinki.
There are 71 ferry departures to Tallinn per week from Helsinki.

DID YOU KNOW? in Estonia, where the population is only 1.34 million:

- 68% of people use computers and the Internet
- 98% of enterprises use the Internet
- 100% of schools have broadband Internet access
- 53% of enterprises have their own website
- 98% of bank transfers are performed online
- 91% of tax declarations are filed online
- more than 1,164 free WiFi areas have been established