

## “ESTONIA – THE BUSINESS PARADISE”

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How to Pool Forces to Transform Estonia into an International Business Centre – a Target Country for Talented People, Profitable Jobs and Value-creating Foreign Investments?

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  2. Key messages from foreign investors
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## 1. High Value Creating Foreign Investments

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- Knowledge and skills/R&D intensive
  - Attracting talents
  - Creating profitable/highly paid jobs
  - The highest business mandates locally: R&D, innovation, HQ
  - Encouraging international trade, introducing new markets
  - Targeting foreign markets
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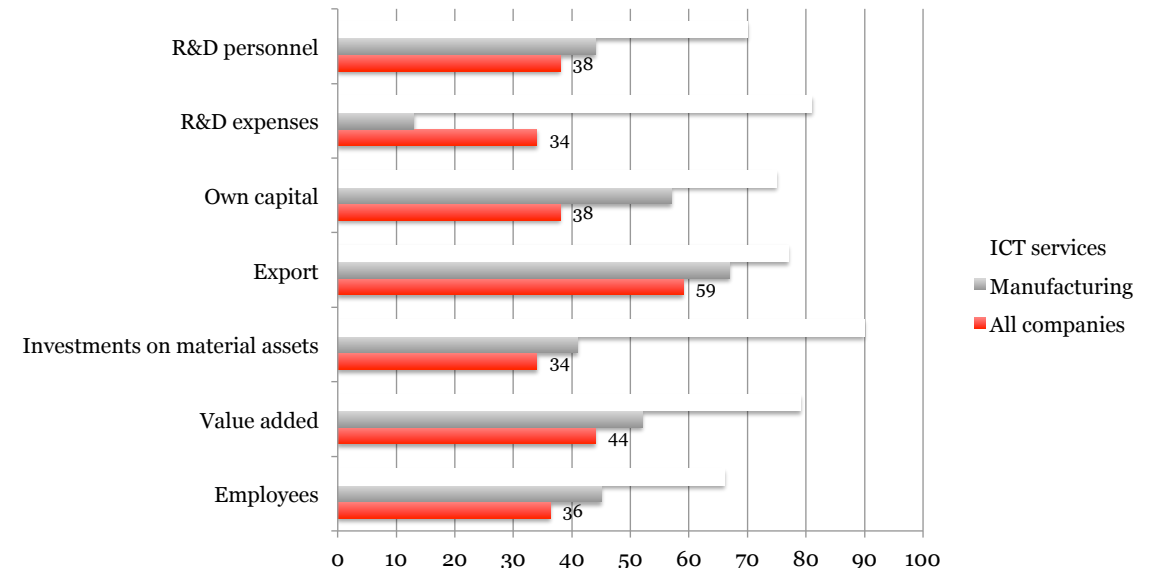
## Components of the study

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- **Six country cases:** Ireland, Finland, Sweden, Singapore, Czech Republic, Lithuania
  - **Statistical analysis and policy research**
  - **Interviews and focus groups:** current and potential foreign investors, enterprise organisations, technology competence centres, cluster organisations, science parks, universities, Enterprise Estonia, ministries, other
  - **Policy recommendations (strategic, operational)**
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Challenge : high involvement of foreign capital in export, but 20% smaller in R&D personnel, R&D costs, an exception - ICT services; a potential for greenfield investments low (UNCTAD)



Data source: Statistics Estonia, 2010 (incl. companies with 20 or more employees )

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## 2. Key messages from the current foreign investors

- **“Estonia is a good product, only selling is bad”**
- Estonia should develop itself and promote as **”Entrepreneurs Paradise”** in Northern Europe, to attract both start-ups and global-scale companies
- **The lack of long-term vision of Estonia’s future**, where we move, what are the next targets, to give clear messages for foreign investors
- **Estonian universities put efforts to compete with each other**, to develop international curricula, to attract foreign education/science managers, to consolidate resources
- **Engineers with business related skills from universities not available**, foreign companies are ready to offer more internships for students
- **To secure highly qualified labour** rather than launching new grants
- To review labour-related taxes: options

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## Case study: FDI-based economic growth - Ireland

- **FDI policy - 50 years**
- **Long-term personal relationship building** with foreign investors through a strong selling organisation and feedback system
- **Strategic think-thank FORFAS**
- **Tailor-made offers by the Government**
- **Four selling arguments 4T:**
  - ✓ *Track-record (in winning and partnering with MNC)*
  - ✓ *Talent pool*
  - ✓ *Tax regime*
  - ✓ *Embrace of Technology*
- 1000+ multinational corporations (85% of the value of total exports)
- 8 out of 10 top ICT global corporations, 8 out of 10 top pharmacy, 50% out of top financial sector players

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### 3. Vision of Estonia's FDI policy and its implementation

#### **ESTONIA – THE INTERNATIONAL BUSINESS PARADISE**

- I. Integrated strategy for the development of international business environment
- II. Strategic co-operation model, TeamEstonia, that integrates different fields
- III. Strategy of growth areas
- IV. Strategy of city-state and Baltic Sea business hub
- V. Regional specialisation strategy
- VI. International and transnational co-operation strategy

**TARGET:** Estonia to become a regional business hub, to achieve structural changes in the economy through active involvement of smart FDIs

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## We need to set concrete mid-term targets, for instance:

- 2 HQ, 3 development centres (Tehnopol, Ülemiste, Tartu), 2-3 exporters to more sophisticated business functions a year
- R&D employment in technology competence centres from 6% to 20% of total in 2020
- At least 10,000 new foreign skilled specialists in 2020 partly to cover the missing 30,000 sophisticated jobs and employees
- 3-5 new international higher education programmes, 1 fully internationalised education and research centre a year
- Opening international convention and exhibition centre (2018)

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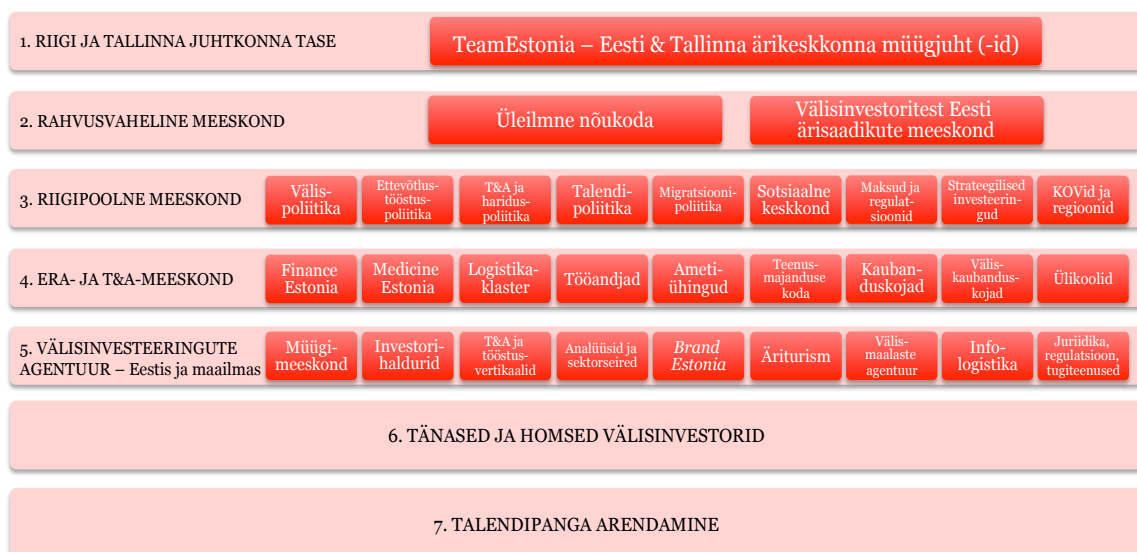
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## I Estonia has to internationalise across the spectrum, setting and implementing specific goals is important at every level



It is also worth conducting comprehensive audits of living, working and business environments for various talent groups from different countries

## II TeamEstonia, that integrates different fields



### III Strategy of growth areas

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- **Developed an opportunity matrix** with seven domestic and international development areas & nine theme categories
  - **Needed actions, for example:**
    - ✓ *National green economy growth programme*
    - ✓ *The establishment of an interdisciplinary and international multi-university IT institute*
    - ✓ *Encourage large scale public procurements with a certain additional obligation to invest into Estonia*
    - ✓ *Competence centres must be connected to bringing strategic investors into Estonia*
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### IV Strategy of “CITY STATE” – for bigger cities

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- **North Estonia** = 57,8% of GDP; Tallinn + Harju County = 62,63% of private sector employment;
  - **Higher education concentrated to Tallinn and Tartu**
  - **Needed actions, for example:**
    - ✓ *Management of the city’s future, urban planning and special key development areas must be gathered into one place (administration)*
    - ✓ *Consolidating universities and developing an interdisciplinary university ranking in the world’s top hundred in ca 10 years*
    - ✓ *In order to realise the Baltic Sea business hub vision, logistic integration and fast accessibility must be ensured at both the north-south and the east-west direction*
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## V Strategy for REGIONAL SPECIALIZATION

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### Needed actions, for example:

- **Estonia's regions must specialise**, for example Eastern Virumaa would see deliberate development of health spas and health tourism, supported by teaching relevant managers and specialists both in Narva College of Tartu University and in local vocational education centres
  - The minimum requirement: **the existence of technical schools offering proper applied education in each region**
  - **The availability of English-language study programmes**
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## VI International and transnational CO-OPERATION STRATEGY

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- “Politicians and analysts should focus on specifying and creating **Helsinki-Tallinn joint economic space.**”
  - There is room for more consistency, **involving *inter alia* both countries' FDI agencies, in order to propose joint offers and actions for foreign investors**
  - **The establishment of double degree programmes** with Finnish, St. Petersburg's, Swedish and Danish universities
  - To consider establishing of **a position of non-departmental foreign economic relations minister**
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**Thank you for your attention!**

The report is available at:

<http://www.technopolis-group.com>

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