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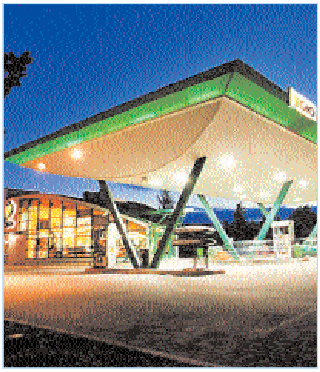

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INTERNATIONAL MAGAZINE FOR DECISION MAKERS
The BALTIC COURSE

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It seems that during the last spring-summer quarter *BC* has provided only good news for our CEO and businessmen readers. The first good news is connected with Latvian government's initiative in Asia; to be exact, in its most developing country, China. The official visit of Latvian side followed the meetings of Ministers with China authorities. Our magazine closely followed the initiative, and even accompanied Latvian delegation to China. There are reasons to believe that if everything goes well, the co-operation might lead to prospective advantages of the Baltic business (see our reports on the issue in this *BC*). At the same time it seems strange that neither Estonian nor Lithuanian officials ventured high level visits of that kind.

The second good news could be regarded as functional to the first one, i.e. trade with China can be particularly advantageous to the Baltic States and Latvia's transport sector; geographical position of the Baltic States could be used in order to explore Asian trade routs to Europe. We publish a review on Latvia's Transport Minister's visit to China.

As soon as we have touched upon transportation issues, we have decided to have a look at present situation in transport sector, mainly railways, in the three Baltic States.

For the first time our magazine has analyzed quite peculiar but actively growing business in the Baltics, so-called ritual service. What do the closest relatives and friends do when someone dies? How many cemeteries are there in the Baltics, and what kind of service is expected on the way to the last refuge? Readers can find some interesting facts and figures about the problem in the three states in the present *BC*'s issue.

BC's section on the European Union is devoted to three important issues for the Baltics. The first one is about concerted efforts of the EU and EEA (e.g. Norway) to provide additional assistance in the development of the Baltic States. Second is devoted to a contemporary EU legal background after negative referendums on the draft Constitution in France and the Netherlands. We publish a short review of the presently valid Nice Treaty (entered into force in February 2003). Third, *BC* starts publishing a series of four articles on the EU financial markets and financial integration, the theme of a great interest to our readers. As soon as the theme itself is rather complicated and stretches across several interrelated subjects, we decided to concentrate on the most interesting and important for our magazine's CEO and management readers.

Eugene Eteris,
***BC*'s International Editor**

LITHUANIA'S MINISTER OF ECONOMY RESIGNS

Lithuanian Prime Minister **Algirdas Brazauskas** has accepted Minister's of Economy **Viktor Uspaskich** resignation. Prime Minister accepted Uspaskich's resignation on June 20 after the Minister had returned from a business trip to Russia. The Labor Party, where Uspaskich is chairing presently, decided not to terminate the governmental coalition agreement and nominated **Kestutis Dauksys** to the vacant post as the new Economy Minister.

Before his resignation Mr. Uspaskich succeeded in signing agreement to allocate EUR 28 million from EU funds to support eight energy projects in Lithuania.

ESTONIAN LOGISTICS CHAIN BECOMES PAN-BALTIC

Estonian logistics company *Balti Logistika* has opened subsidiaries in Lithuania and Latvia. *Balti Logistika*'s board member **Vallo Arumae** said that expansion of business to the neighbouring Baltic States would be an important step in company's development, reported *Aripaev Online* news agency. In three years the turnover of both subsidiaries, *Balti Logistika UAB* in Lithuania and *Balti Logistika SIA* in Latvia, is expected to provide at least 30 percent of the group's total turnover.

Balti Logistika provides logistics services to various international air, road and sea transport chains. It also represents international logistics company *Exel* in Estonia and the courier delivery company *Marken* in the whole Baltic region.

LATVIAN COMPANIES CREATED THEIR OWN CHAMBER OF COMMERCE IN LITHUANIA

A chamber of commerce for Latvian companies in Lithuania, *Latvijos Imoniu Rumai*, has been organized by 22 Latvian companies. The move was necessary due to broad presence of Latvian businessmen on Lithuanian market. Lithuania is Latvia's second largest trade partner with total turnover of around 1 billion euros a year.

LATVIAN RAILWAY TO BE TRANSFORMED INTO A HOLDING

Latvian government has upheld Ministry's of Transport proposal to reorganize the state-owned railway company *Latvijas dzelzcels (LDz)* into a holding, and ordered the Ministry to carry out all reorganization procedures by the end of the year.

As a result of the reorganization, *LDz* will become the parent company of the holding which will consist of three subsidiaries. In addition to the existing passenger service subsidiary *Pasazieru vilciens*, two new subsidiaries will be created — *LDz Infrastruktura* for management of infrastructure and *LDz Cargo* responsible for cargo transportation.

EUROSET EXPANDS INTO THE BALTICS

Russia's largest mobile telephone service provider *Euroset* is planning to open a retail chain in the Baltic States, reported Latvian business daily *Bizness&Baltija*. *Euroset* is the largest mobile telephone dealer in Russia and the CIS countries with a retail market share of more than 17%. The company has already 1 300 sales outlets in the region, and its turnover in 2004 was around USD 1 billion. *Euroset* has positioned itself as a discounter, targeting mass-market consumer segment. The company is an official partner of the leading global mobile telephone producers and works with them directly; therefore it can offer its clients very attractive prices. The newspaper said that *Euroset* will begin its Baltic expansion from Estonia, where it is probably going not only to sell mobile telephones but work as a virtual mobile operator as well.

Internet publication *SotaWEEK* reported that *Euroset* is already recruiting top managers for work in the would-be Estonian unit. In particular, the vacancies have been advertised in mass media in St. Petersburg. *Euroset* spokeswoman **Tatyana Gulyaeva** told *SotaWEEK* that the company indeed planned to expand to all the CIS countries as well as the Baltic States.

THIRD MOBILE OPERATOR IN LATVIA

Bite GSM, the Lithuanian subsidiary of the Danish telecommunication concern *TDC*, will change its name to *Bite Lietuva* upon starting operations on the Latvian mobile telecommunications market.

"We are happy that we have won the tender and are ready to start negotiations about finalizing the license terms immediately", said *Bite GSM's* Managing Director **Jesper Theill Eriksen**. He said that the company's goal was to provide consumers with advanced, competitive and cost-friendly services.

According to the European Commission document concerning regulation of electronic communications market, in 2004 mobile telephones were used only by 59% of Latvia's population, the second lowest rate in the EU.

Bite GSM parent company *TDC* is the leader on the Danish telecommunication market and has already heavily invested in mobile companies in 10 European states. *TDC* offers integrated solutions for fixed-line and mobile telecommunications, Internet, data transmission, cable TV and directory inquiries.

LITHUANIA'S UKIO BANKAS OPENS AN OFFICE IN MOSCOW

Lithuania's fifth largest commercial bank, *Ukio Bankas*, has opened a representation office in Moscow.

"A considerable number of our customers have operations in Russia. The opening of our office is aimed at helping them to further consolidate their positions in that country and meeting their financial needs," said **Edita Karpaviciene**, the bank's Chairwoman.

This is *Ukio Bankas* second representation office abroad. Last November the bank opened an office in the capital of Ukraine, Kiev.

Businessman **Vladimir Romanov** is the bank's largest shareholder, as well as some companies related to him. *Ukio Bankas* share capital presently is about 106.7 million litas.

EESTI ENERGIA WAITS FOR A PROPOSAL FROM RUSSIA'S ENERGY GIANT

Estonian energy company *Eesti Energia* and Russian electricity monopolist *Unified Energy Systems of Russia (RAO UES Russia)* may jointly build a gas-fuelled power plant in the northwestern Russian town Pskov. The project would cost over six billion Estonian croons, reported national daily *Eesti Paevaleht*.

RAO UES Russia made its proposal to *Eesti Energia* already four years ago, but the plan got stuck. Now Estonian company is waiting for the Russian partners to make a more concrete offer.

Eesti Energia board member **Lembit Vali** said that the plan was to generate electricity in Pskov from natural gas which was much cheaper in Russia than in Estonia. Both companies would share the construction costs and the new plant would be selling electricity to Estonian customers.

"That way we won't have to invest so much in power generation ourselves," said Mr. Vali, adding that the only concern about Pskov project investment was instability situation in Russia's business environment. He said that Russia had already launched a similar project in cooperation with Bulgaria.

LITHUANIA'S INNOVATION AWARDS

Innovation awards were handed to 19 Lithuanian companies. The winners in the category "Innovative Companies" were *Sonex Software Development, Elektroniniu masinu perdirbimas, Igis* and *Megrame medis*. The awards for the most innovative projects went to companies *Igis* and *Audejas*. The winners in the category "Innovative Products" were *Teltonika, Vilniaus Vingis, Norta* and *Lumen*. Eight of the companies awarded for their innovation efforts were paid 90% of costs involved in participation in Hanover International Fair in April.

FOREIGN INVESTMENTS REACHING EUR 90 MLN

Latvian Investment and Development Agency (LIAA) expects to bring to the country EUR 90 million in foreign business projects. The plan is quite realistic because in the first five months of this year LIAA has made agreements about implementation of three projects with total value of EUR 50 million.

More than 250 local businessmen attended LIAA's June meeting with heads of Latvian foreign trade representations around the world. Latvian Minister of Economy **Krisjanis Karins** said that diplomats and LIAA officers deserved credits for increasing local businessmen activity in expanding to foreign markets. The same is also true about inflow of foreign capital to Latvia. This year foreign trade representations had worked on more than 60 investment projects and 12 of them have been regarded having good prospects.

At present Latvia has nine foreign trade representations in Europe, i.e. in London, Hamburg, Paris, Moscow, Stockholm, Amsterdam, Oslo, Copenhagen; and one in Asia, in Almaty. The tenth such office will be opened in the US this year, and during the next two years two more offices will be opened, one in Asia (presumably in Japan) and one in Eastern Europe (in the Czech Republic or Poland). There are also economic departments attached to Latvian embassies in 26 countries.

DIGITAL TV HAS COME TO LITHUANIA

Traditional television in Lithuania is being replaced by the more advanced digital television. General Director of Lithuanian Radio and Television Centre **Algirdas Vydmontas** said that the digital TV network will cover such major cities as Vilnius, Kaunas, Klaipeda, Sauliai and Panevezys already in 2006.

RUSSIA'S EUROCHEM ENTERS LITHUANIA

The leading producer of mineral fertilizers in Russia *Eurochem* has taken direct control over the largest Baltic phosphate fertilizer plant, Lithuania's *Lifosa*. *Eurochem* bought 91.15% shares in *Lifosa* this March for 191.6 million Lithuanian litas. In 2005 *Lifosa* which receives most of raw materials from the Russian company has planned a profit of 660 million litas with about 25% growth compared to the last year. This year *Lifosa* intends to start modernization of its sulphuric acid production unit. The project costs are estimated at 22 million litas, and the company hopes to receive 8 million litas from the EU structural funds. With the EU support, the upgrading of the production unit will take two years and is to be completed at the end of 2006.

A NEW BANK IN LATVIA

A new bank *DnB NORD*, created on the basis of the existing *NORD/LB Latvija* bank, will start its activity in Latvia on January 1, 2006. The bank's owners have an ambitious plan, i.e. to make *DnB NORD* the third largest bank in Latvia by assets already in three years' time.

Norddeutsche Landesbank (Nord/LB), the largest bank in North Germany, and Norway's *DnB NOR* financial services group have agreed on setting up a joint venture *DnB NORD* in six North and Eastern European countries. Corresponding cooperation and organizational agreements for the new bank have been signed simultaneously in Denmark, Finland, Estonia, Latvia, Lithuania and Poland.

The new bank's capital will be EUR 350 million and assets will reach EUR 2.5 billion. The German bank will hold 49% of shares in *DnB NORD*, and Norwegian side will control 51%.

PAN-BALTIC MOTOR SHOW

The three Baltic States intend to organize joint motor shows in the future. The first Baltic international motor show will take place in 2008 in Estonia and afterwards will be held annually in one of the Baltic States in the second half of April.

"There is no European precedent for several countries holding motor shows together," said **Urmas Pold**, Estonian representative in International Organization of Motor Vehicle Manufacturers (OICA).

SIEMENS TO UPGRADE LITHUANIAN RAILWAYS

Lithuanian state-owned railway company *Lietuvos gelezinkeliai* (Lithuanian Railways) and the consortium of *Siemens* companies have signed an agreement on implementation of a project worth 92.5 million litas. The consortium consists of *Siemens* companies in Germany and Finland as well as of company's Lithuanian branch *Siemens Lietuva*. The money to upgrade some transport infrastructure parts, e.g. signal, telecommunication and power supply systems along the railway stretch Sauliai — Klaipeda has been granted by the EU cohesion fund. It is planned to complete the project in 2,5 years. The EU funds were used last year to complete upgrading a transport corridor, to start renovation of railway-crossing bridges and to carry out other projects. All in all over 500 million litas of investment will be allocated for Lithuanian railways this year, and about half of this money will be from *Lietuvos gelezinkeliai*'s funds. Last year investments topped 350 million litas, including 238 million litas provided by the railway company.

LATVIAN TRUCKING ASSOCIATION CELEBRATES ITS 15TH ANNIVERSARY

Latvian association of international road carriers Latvijas Auto has celebrated its 15th anniversary. Having survived several crises, the association members marked the anniversary with growing in size. After Russian economic crisis in 1998, the number of transport companies has reduced by 15-

20% while the total truck fleet increased by 5-10%. As compared to 2000, the amount of international road haulage has doubled in terms of tons and has grown by one-third in terms of ton-kilometres. The growth was largely due to accession of Latvia into the EU. Some negative aspects of the EU membership have been mentioned as well. Thus, competition has increased, costs of trucking companies are growing fast, and lines on the border with Russia have become even more longer. Truckers still depend on participation in the TIR system. Nevertheless, *Latvijas Auto* has kept its main slogan — "Go ahead! Only ahead!"

NAVAL PORT TO BE BUILT IN LIEPAJA, LATVIA

A naval port will be built in Latvia's south-western port of Liepaja in the coming years with the help of NATO funds, told the press **Edgars Rinkevics,** state secretary in Ministry of Defence of the Republic of Latvia. At present Latvian National Armed Forces are already using several piers in Liepaja.

After renovation of existing piers and construction of some new ones, a separate naval port will be constructed and all

necessary infrastructure facilities created. All required documents have already been submitted to NATO.

Judging by experience, it will take 1-1,5 years from the time the documents were submitted until the decision about granting funds is made, said the official from Latvia's Defence Ministry. Liepaja port is expected to accommodate a naval base which will be used also for operations by NATO military ships. The project's costs have been estimated at EUR 3-5 million.

If NATO approves the project, Liepaja's naval port will become the second facility to be built in Latvia at the cost of the NATO alliance. Construction of the first facility — the military airport in Lielvarde, eastern Latvia, will be soon discussed at the Latvian Cabinet of Ministers.

HANSABANK INVESTS IN KVEST

The largest Baltic financial group *Hansabank* will increase its share capital in its Russian subsidiary *Kvest* bank by EUR 79 million. Upon completion of the capital increase procedure, *Kvest* bank will have a capital of EUR 80 million, said *Hansabank*, which acquired 100% ownership in Moscow-based *Kvest* bank for EUR 2.5 million. *Hansabank* is negotiating the sale of 15% stock in *Kvest* bank to the European Bank for Reconstruction and Development (EBRD) and expects to complete the deal in the third quarter this year.

LATVIAN FASHION DESIGNER MAKES IT TO WORLD TOP 10

Latvian fashion designer **Anna Osmushkina** has made it to the Top 10 of the most popular fashion designers in the world and ranks third in the annual list of ratings published by www.top-fashion-designers.info this August.

It was probably no surprise to anyone that the No. 1 on the list was **Donatella Versace**, who continues the work for her brother. Four of the ten most popular fashion designers were from the United States: **Jennifer Gamboa** (2nd place), **Calvin Klein** (4th place), **Carolina Herrera** (6th place) and **Anna Sui** (8th place). France, the non-disputable fashion design cradle, was represented only by two designers, i.e. **Hubert de Givenchy** and **Karl Lagerfeld**, ranked 9th and 10th respectively.

Along with Versace, the list features one more Italian designer, **Giorgio Armani** (5th place), as well as one Japanese designer, **Yohji Yamamoto** (7th place).

Anna Osmushkina's Fashion House will celebrate its 7th anniversary this year. For six years Osmushkina has annually attended fashion shows in Paris, Milan, London, San Francisco, Dusseldorf and Las Vegas. Her name has been mentioned in the international publication "2000 Outstanding Intellectuals of the 21st Century" "in recognition of outstanding contribution in the field of world's high fashion design".

In 2004, Cambridge International Biographical Centre (England) handed Osmushkina the Diploma of Honour and a medal "The 21st Century Award for Achievements". At the same time the American Biographical Institute's Governing Board of Editors (ABI), nominated Anna for the title of The Woman of the Year 2004. Another possible nomination could follow, the Noble Prize laureate 2004 for outstanding achievements and special contribution to society's development.

Hidden away in the heart of Riga, Hotel Bergs has the last word on comfort and standards, yet retains the intimacy of a family home

Best boutique hotel in Riga

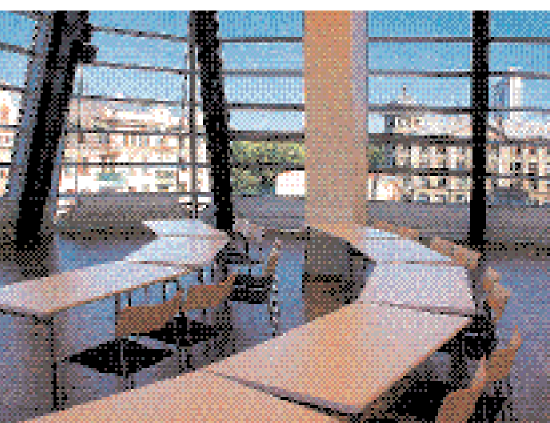
Recently featured in Condé Nast Traveler's Hot List 2004 of the 100 best new hotels and in the Top 10 Boutique hotels worldwide in Tatler's Travel Guide 2005, Hotel Bergs has confirmed its mounting reputation among discerning boutique hotel travelers.

Hotel Bergs successfully achieves an ambiance of understated elegance by blending distinctive contemporary design with the architectural tradition of 19th century in Riga. The hotel comprises two historic buildings connected by a glass roof that allows light to flood the atrium. Loftlike bedrooms in shades of grey and white are surprisingly spacious for a structure dating to 1895, with luxurious stone-and-chrome bathrooms.

The Hotel Bergs restaurant which has a nice veranda and summer terrace, is one of Riga's leading restaurants well known for its fine cuisine and outstanding service. The hotel offers also a number of facilities for conferences, meetings and special events.

Part of Bergs Bazaar, a charming arcade of alleyways and courtyards, Hotel Bergs offers all the state-of-the-art conveniences expected in a top-level hotel, yet retains the intimacy and comfort of a family home.

For more information, or to make a reservation, call +371 7770900 or visit www.hotelbergs.lv



Compass for Railway Service

By Mikhail Tuzhikov
"Transport Rossii" correspondent in the Baltic States

Organization for Cooperation of Railways (OSZhD) convened a conference in Jurmala (Latvia) on June 5-7th, 2005. The conference was devoted to competition and marketing issues in the sphere of railway transport. Participants shared their views on some important topics discussed during the conference.

KALMAN SOMODI.

ERIKS SMUKSTS.

BORIS LUKOV.

ZUBAJDA ASPAEVA.

WE ARE PARTNERS, COLLEAGUES AND FRIENDS

Chairman of OSZhD Committee, representative of Hungary, **Kalman Somodi** said, "The conferences of that type are convened for the third time in a row, and we call them "compass-conferences". These conferences serve as a reference point in our assessment of our partners in railway cooperation, i.e. expeditors, operators of railway companies and combined cargo transport operators. Free exchange of opinions can help in creating mutual trust, partnership contacts and in strengthening personal ties among specialists".

TO PLAY ON YOUR OWN FIELD BY FOREIGN RULES

The head of cargo shipment division in State Joint Stock Company *Latvijas dzelzcels* (Latvian Railway) **Eriks Smuksts** noted, "Latvian government still does not pay due attention to a new trend, the shipment of con-trailers, i.e. cars with containers on a railway platform. Neither subsidies nor funds are provided; therefore at the conference we closely follow the reports of other states' representatives, who share their experience in dealing with state authorities.

Having joined the EU, we started following European transport regulations which were quite different from the "broad rules" we were used to previously. In this regard, a lot of questions have appeared and our present technology development level could not match the European rules. On the one side, we have to eradicate a lot of nuisances in order to secure the market; and on the other side, we have to work according to the EU rules".

EVERYONE HAS TO BE INFORMED ON OTHERS' POTENTIAL

Boris Lukov, General Secretary's Senior Deputy of the International Coordination Council for Trans-Siberian Transportation said, "Chairman of our Coordination Council **Vladimir Jakunin** (Chairman of *JSC Russian Railways*) is guiding our work concerning cargo transportation from China and South Korea to Europe. We are competing quite successfully with the sea transportation routs heading from China and South Korea around African continent in order to avoid bottle-necks at Suez Channel. It takes about 30-45 days to follow the sea route to Hamburg; by a railway route it is two times faster.

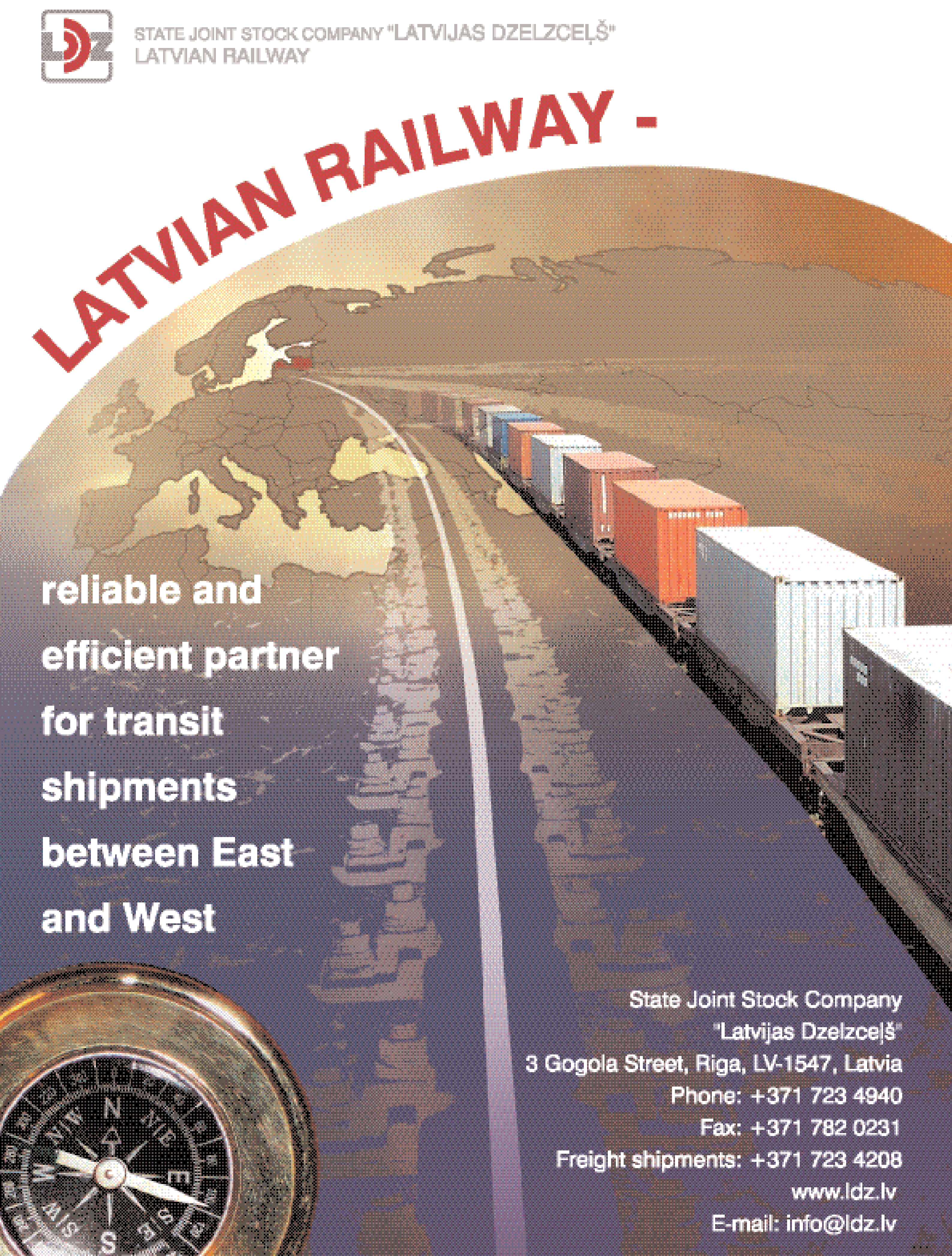
Much more complicated is the tariff issue. Russian tariffs are quite competitive as it concerns South-Eastern Europe or the Baltic region; however the situation is completely different on the routes to Central European countries. Our problem is in the fact that in order to reduce transportation costs of containers, ship-owners use big container ships that can take up to 6 500 (of 40 feet capacity) containers, which equals 65 full-scale container trains. This is the background upon which ship-owners can reduce tariffs and gain an advantage in competition on these routs.

We see the aim of the conference as to inform everyone about others' potential and to develop new successful projects. We have launched a new project from the end of July — a weekly container train called "Mercury" carrying cargo from Kaliningrad and Klaipeda to Moscow through Belarus Republic. We plan to combine the train-routs "Baltica-Transit" and "Mercury" in the near future in order to work together on the Asian direction.

PROFITABLE CONTAINERS

OSZhD Committee member from Kazakhstan, Chairwoman of OSZhD's Cargo Transport Committee **Zubajda Aspaeva** said, "Alongside 27 permanent member states of OSZhD, railways systems of five observer-states are included in the organization; France, Finland, Greece, Germany and former Yugoslavia are actively participating in the forums' work.

This form of cooperation allows us to increase the efficiency of Eurasian transport routes usage. For example, cargos from China are transported through territory of Mongolia and Russia to Finland; or they can be brought by another route — from China through Kazakhstan, Russia and Belarus to Poland and Germany. Goods from a rapidly developing province Urumchi in Western China proceed in the direction of Central Asia through Kazakhstan's territory to Uzbekistan, Turkey and Iran. •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New Ways for Financing Railways

By Mikhail Tuzhikov

This April Latvian capital Riga hosted an international conference on funding railroad development projects organized by the European Commission, the European Investment Bank (EIB), the Community of European Railway and Infrastructure Companies (CER), Latvian state-owned railway company *Latvijas dzelzcels* (Latvian Railway) and its passenger service subsidiary *Pasazieru vilciens* (Passenger Train).

RIGA, APRIL 2005: The conference was organized with financial support from TAIEX, EIB and CER.

Organizers of the conference aimed at discussing negative trends emerging in financing railway systems and wanted to demonstrate the lack of an adequate state financial support to maintenance and development of railway infrastructure in Europe.

It was not therefore a coincidence that financial support for the conference came from the European Commission (TAIEX — the Technical Assistance Information Exchange Office created by the Commission to help Central and Eastern European countries with preparations for integration into the common market), EIB and CER.

DIFFERENT APPROACHES

Amount of cargo transported through the territory of European countries has been growing all the time while the network of motor roads, linking southern EU territories with its central regions, as well as the centre with the Balkans and the Baltics, has remained the same. Expanding highways appeared to be a rather complicated, time-consuming and costly work. In addition, growing fuel prices reduced the efficiency of road haulage.

Europe has already been suffocating from exhaust fumes discharged by numerous vehicles running along its highways. It seemed therefore reasonable that citizens in Western European states wished to improve their environment using electrified railway lines. Moreover, railways in the old EU member states run below their full capacity.

Situation is very much different in Eastern Europe, in particular in the Baltic States, where the railway transport load figures are several times higher than that in the old EU member states. There are two reasons for this.

Firstly, the railway companies' potentials in post-Soviet countries allow for huge amount of various cargos to be brought to the EU or carried through it as transit goods. For example, in 2004 the load per kilometer of *Latvijas dzelzcels* railway infrastructure was 9.8 million cargo ton-kilometers. The situation in Lithuania and Estonia is roughly the same while in other European countries the railway load is three or even five times less.

Secondly, contrary to most European railway companies, *Latvijas dzelzcels* as well as Lithuanian and partly Estonian railway companies have been working on a free market of transport services for more than 10 years without any significant financial assistance from the state. And these railway companies have been transporting not only cargo but passengers as well.

Such disparity did not occur overnight, it developed through decades, and **Andris Zorgevics,** Chairman of the Board of *Latvijas dzelzcels*, underlined this aspect also in his speech. "Further integration of the EU and Baltic railway systems is hampered not only by different rail gauges in the Baltics and Poland but also by different approaches to organization of railway operations and issues of safety, which greatly differed for at least the last 50 years. Only now the Baltic railways are being adapted to the EU standards both at the companies' cost and with the EU financial assistance".

Based on the given presumptions, the participants of the conference identified to review all possible options for funding railways as their main objective. There are not that many of them, e.g. the EU investments can come from the Cohesion Fund, the structural funds and the support from so-called TEN programs (Trans-European transport and energy networks). This financial assistance will make up a significant share of the required total investment, but still the railway companies have to raise the remaining amount themselves.

ANDRIS ZORGEVICS: Further integration of the EU and Baltic railway systems is hampered not only by different rail gauges in the Baltics and Poland but also by different approaches to organization of railway operations and safety.

WHERE TO GET MONEY FROM?

The EU is allocating substantial amounts of money for improvement of railway and transport infrastructures, but these funds are evidently insufficient for the industry development. How is the problem to be solved?

The Community of European Railway and Infrastructure Companies (CER) unites railway companies from 44 countries. Alongside all EU member states, CER members include railway companies from Bulgaria, Romania, Turkey, Albania, Croatia, etc., hence there is an idea to supplement the EU funding with money from those accession countries and private investments. After all, the railway is not just a service to be paid for by the state, but also a huge industry on the EU scale where many companies make profits.

CER's economist **Edward Calthrop** defined such interaction between the state and commercial enterprises as "a long-term contract between government agencies and non-governmental partners". This kind of cooperation is presently known as Private-Public-Partnership (PPP).

CER's Executive Director **Johannes Ludewig** shared this view with his colleague and called on "national railway companies to find a common language with their governments and municipalities in order to raise local funds that are required in order to get the EU funding".

PPPS AIMED TO HELP EVERYONE

Peter Testoni, Vice-Director of Swiss Federal Transport Office, in his report about Swiss railway infrastructure modernization explained how the PPP really works showing that smart combination of financial instruments and reasonable transport policy can yield good results. "Swiss transport policy combines continuity in modernization of railway infrastructure with actions coordinated with the European transport policy for rational use of all kinds of transport where one means of transport complements the other", said Swiss representative.

Unlike Switzerland, a non-EU member, Estonia is a EU member state but cannot boast much in its achievements while using PPPs, said **Christopher Aadnesen**, Chairman of the Board of *Eesti Raudtee* (Estonian Railways), presenting his company's annual investment scheme. Nevertheless, he definitely supported introduction of PPP's arrangements in the railway industry, as they would result in:

• Long-term contractual agreement between public agencies and private business;
• Being an instrument for building and operating infrastructure;
• Meeting the public demand for service facilities;
• Sharing of skills, know-how, and assets;
• Sharing of risks as well as rewards.

What kind of benefits would the PPP bring to the public sector? First, it would save costs, show better results and get facilities it could not otherwise afford to acquire. Second, the builder/operator will be paid according to the contract.

What advantages will the private sector get from PPP's? First, this will mean new opportunities for projects and business. Second, it is aimed at building, operating and maintaining railway facilities. Third, it insures that the payments, based on the contractually-agreed mechanism of fees, tolls, etc., are provided by the government

Moreover, the government's obligations are quite simple: laws must allow for such PPP's arrangements; actions by the government process must be in line with the PPP's ideology; and the government must ensure priority in subsidizing PPP's projects.

To put it short, in theory the idea is great, but for now the Baltic railways lack adequate funding. •

AVERAGE ANNUAL INVESTMENTS IN EESTI RAUDTEE, MLN EEK

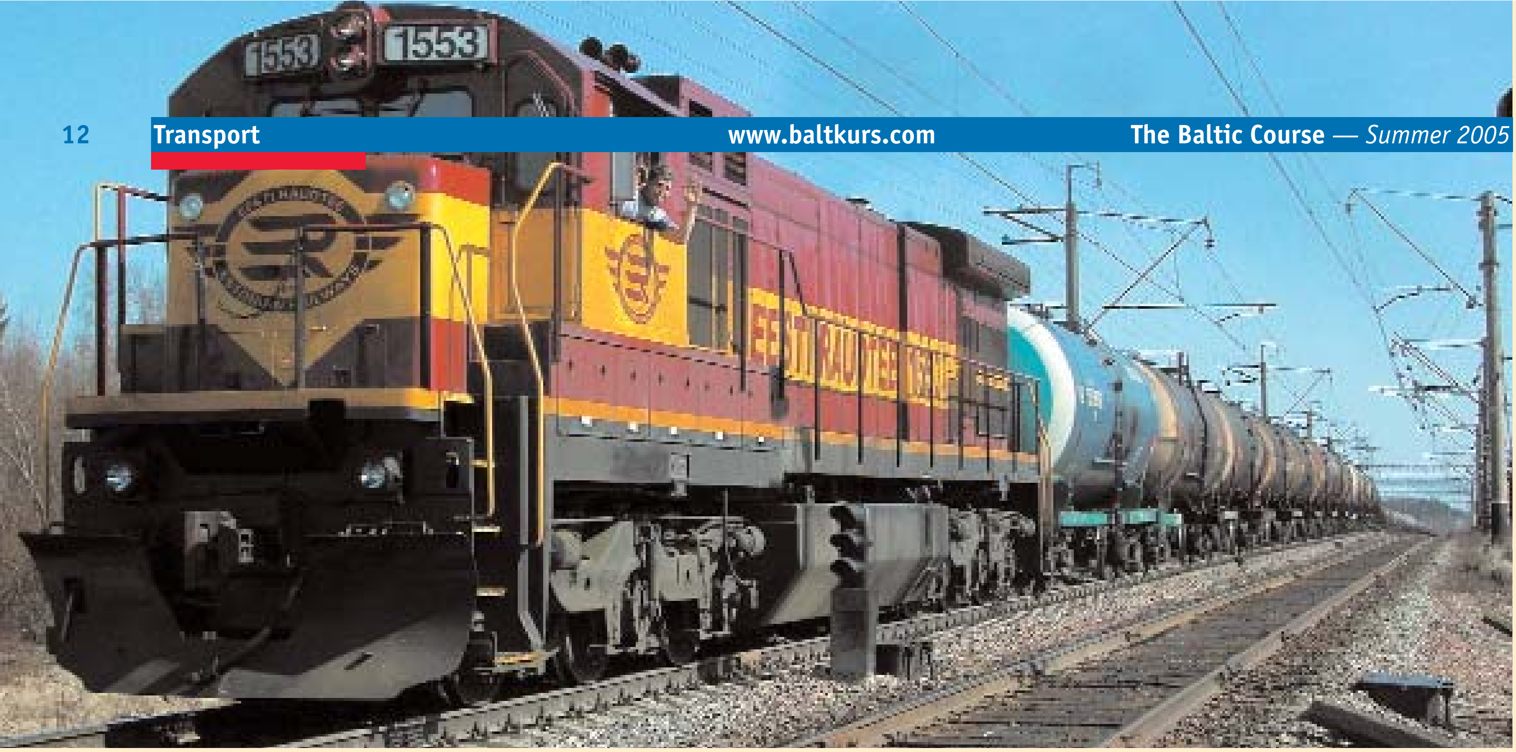
	1994-2000	2001-2004	2005-2009
In development of Eesti Raudtee (public funds)	3	0	0
In development of Eesti Raudtee (Eesti Raudtee's own funds)	107	313	246
In infrastructure (public funds)	39	0	0
In infrastructure (Eesti Raudtee's own funds)	210	292	424

Source: Eesti Raudtee.

LATVIJAS DZELZCELS CARGO TURNOVER, THOU T

	2004	2005	2005/2004, %	2004	2005	2005/2004, %
	May			January — May		
Cargo turnover	**4642**	**4540**	**97.8**	**21954**	**22987**	**104.7**
including:						
Domestic cargo	222	244	109.9	742	809	109.0
Export cargo	242	171	70.7	976	813	83.3
incl. through rail terminals at ports	172	76	44.2	503	355	70.6
Import cargo	3897	3709	95.2	18293	19025	104.0
incl. through rail terminals at ports	3574	3293	92.1	16456	17004	103.3
Transit by land	281	416	148.0	1943	2340	120.4
Transported by types of cargo:						
Oil products	1895	1614	85.2	10011	9515	95.0
Ferrous metals	141	171	121.3	692	798	115.3
Mineral fertilizers	559	614	109.8	2801	3265	116.6
Mineral products	187	246	131.6	583	734	125.9
Timber	131	158	120.6	690	824	119.4
Chemicals	102	77	75.5	519	409	78.8
Coal	1280	1425	111.3	5103	6110	119.7
Sugar	125	19	15.2	245	87	35.5
Grain	25	29	116.0	164	176	107.3
Others	197	187	94.9	1146	1069	93.3

Source: Latvijas dzelzcels.



Estonian Railways — Development Prospects

By Valentin Zvegintsev
Special report for BC

***BC*'s representative met management board of *Estonian Railways* (*ER*) and found out about *ER*'s last year achievements as well as plans for the future. *ER*'s Chairman of the board Christopher Aadnesen and *ER*'s Marketing Director Rene Varek shared their views on the work of *ER*.**

THE BEST FOR THE CUSTOMERS

ER is constantly developing; this involves both infrastructure measures and maintaining efficient relations with customers. According to *ER*'s Chairman of the Board, presently the most important issue for the company is to provide the best service for its customers and partners.

"Our team puts all necessary efforts in order to increase the traffic capacity, to speed up cargo transfer and to reduce transportation time. Following this year's plan we would like to lay down 40 thousand new sleepers, to repair 35 km of rail-tracks, which means that we have to install 70 km of rails; at the same time we want to build 25 km of new rail-tracks. In financial terms it means that this year we intend to invest about 317 million crones into rail-way development. Providing rail-way services is a complicated business, and we try to find all possible ways to increase traffic capacity. We have to acknowledge that our efforts insure certain positive outcomes; some years ago our railway traffic capacity was at the level of 31 trains per day, presently the capacity is increased to 40 trains and will continue growing in the future; we consider it to be very good statistics.

Besides, we are trying to increase both our rail-way capacity and that of the operators which are using our infrastructure. We are proud to admit that *ER* is fulfilling its obligations towards its partners — the railways in Russia and Latvia", notices the *ER*'s Chairman of the Board.

"As to development prospects, our efforts to renovate Narva railway station should be mentioned. The renovation will allow a 50% increase in traffic carrying capacity. Alongside this project we are developing a plan for a new railway station construction on the South-East border in Kojdula. This project would allow us, first of all, to reduce the wagon cycle time from Russia to Estonia through Pskov-Pechora station and secondly, implement our obligations to the EU concerning Shengen agreement. Until the new station is built, we made a temporary train service station in Tartu and temporary border station in Orava; we have also increased the number of locomotives on the railroad route Tartu-Pechora. *ER* invested heavily in the development of the railway track from Tallinn to Tapa; and if some years ago this railway shoulder was one of the slowest and inconvenient traffic routes, presently it has become one of the most efficient in the region.

Estonian Railways Company has increased the number of locomotives in use", continue *ER* representatives, "they are practically all of American origin, built in 1980s and 1990s and completely modernized. We are very proud of what we have done previously," Mr. Aadnesen goes on, "and we are glad that we have implemented all what we planed. We pay particular attention to competition conditions in the market; for the reason I was offered this position is that I was an expert in this field".

During discussion due attention was devoted to Estonia's almost a year-and-a-half membership in the EU and consequent changes. According to Mr. Aadnesen, there were pros and cons for Estonia in joining the Union, "it was necessary for us to implement various EU directives, but it had

RENE VAREK: Estonian Railways have new line in development, i.e. creation of a unified client's service center.

become easier to acquire support from different EU funds and sources. Besides, EU membership made it easier for the country to get various material and spare parts for railways from EU countries at cheaper rates. According to EU requirements we were obliged to open our transport service market, which we did and became the first ones in the EU with a completely liberalized transportation service market. As to Russia-Estonia border treaty which is not ratified by Russian side, *ER* officials think that it would hamper neither *ER* work, nor its relationship with Russian partners." As Mr. Rene Varek observed, regardless of political inconveniences, all planned works were going on smoothly both from Russian and Estonian side.

FACING THE CLIENT

ER Marketing Director, Mr. Varek, is quite convinced about Estonian potential in conducting railway service. "In 2004 we managed to transport 42,8 million tons of cargo, which represents a 3% increase as to 2003; this year we plan to reach a 6% growth. About 80% of all cargo still represent transit goods, about 9% — internal cargo, 8% — imported goods and 1,5% — goods for export", said Mr. Varek.

He said that this years' development was also quite good. *ER*'s emphasis on increased competitive advantages produced positive impacts on the company's activity; although railway market liberalization did not produce the positive effect some politicians had expected. As to the issue of "most popular goods", the first place occupy oil products with 72% of the total turnover, coal on the second place — 7%, followed by fertilizers — 7% and schistose products.

ER is constantly developing and brings to the market new services in order to increase traffic carrying capacity. Hence, one of *ER*'s recent efforts is connected to container services, which according to Mr. Varek have good potentials. He said, "Presently, container railway line from the Baltics to Asia was rather successful. We would like to make close links with China, and we would like to expand Tallinn-

CHRISTOPHER AADNESEN: Estonian Railways are fulfilling its obligations towards its partners.

Moscow rout. Our main problem is to find capacities for return cargos, as we are interested in returning fully-loaded containers and not the empty ones", adds Mr. Varek.

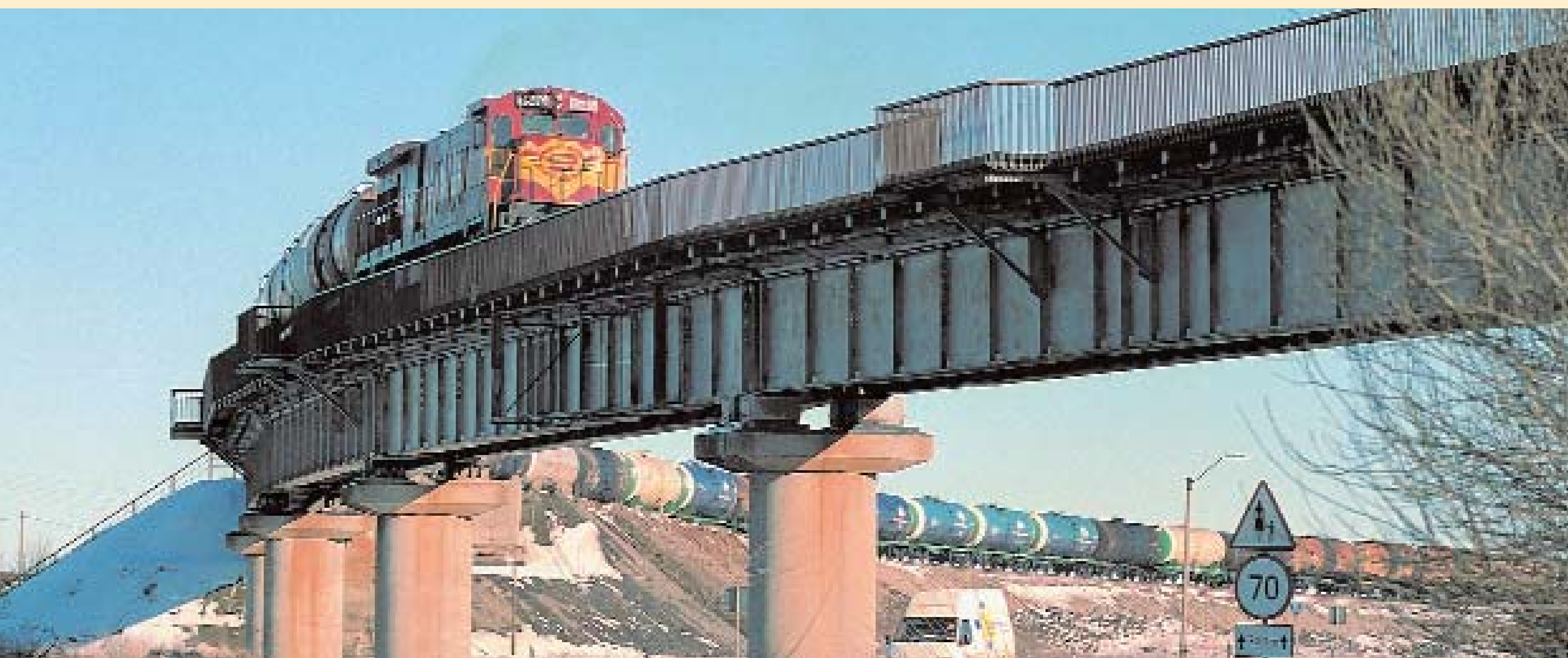
Another prospective direction — regular and everyday container trains on the route Tallinn-Moscow. The main reason *ER* continues to elaborate container transport on that route is almost constant volume of transit cargoes, which so far has been the main source of the company's income.

Besides increasing containers' traffic capacity, *ER* has another line in development, i.e. creation of a unified client's service center. "So far", adds Mr. Rene Varek, "our clients were trying to match with the railway schedules; we want to make it the other way around, i.e. our clients would make their orders first. However, we do realize it's quite difficult to implement such a task".

PROBLEMS OF THE RAILWAY MARKET

ER's Chairman of the Board, Christopher Aadnesen, expressed his concern over the problems Estonia started to face after the full liberalization of railway services. "Estonia is the first country in Europe to liberalize its railway market service", he said. "Complete liberalization means that country's 100% traffic carrying capacity is subject to tenders. Several European countries closely follow Estonian development in this field. Of course, we have some problems on the way...

Thus, some difficulties appeared in transportation orders; we have to admit that the presently existing system is far from being perfect. For example, some traffic operators cancel their orders the last moment, which means that the already acquired "quotas" are returned to the state, what brings inconsistency to all other clients. The operator does not bear any responsibility and does not pay any reimbursement. On top of that, it's rather difficult to work in Estonia as the government does not provide any assistance or financial support. Regardless of all that *ER*'s authorities are looking with enthusiasm into the future and hope to eradicate all the difficulties." •



Estonia's Oil Transit Business Potentials and Russian-

By Igor Teterin
Vice-President of ONAKO EESTI Grupp, Estonia

The Baltic States found themselves in a completely different situation after accession to the EU. The conventional phrase "Baltic transit" is starting to lose its initial meaning. This fact was mentioned at the 10th international transport and logistics conference *Trans-Russia 2005* in Moscow. The conference participant presents excerpts from his report.

IGOR TETERIN: A number of Russian companies found it worthwhile and profitable to enter Estonian market.

THE EU AS A NEW FACTOR IN COINCIDENCE OF INTERESTS

It would be wrong to conclude that importance of Estonia in Russian oil business has increased greatly after May 2004, when the EU admitted 10 new members. It has already been estimated that after the enlargement, 54 percent of Russian foreign trade would be with the EU member states. The EU enlargement also made Europe and Russia even more closer neighbors because the border between them, alongside Finnish border, now includes two small Baltic states, i.e. Latvia and Estonia.

What would be the benefits to Russian and Baltic businessmen from the EU enlargement? Common European currency euro would soon be common also for the Baltic States. Present borders and customs checkpoints are already Russia's borders with the whole European Union. "Specific" Russian trade with Europe "via Baltics" will be gone as well as conventional phrase "Baltic transit" would start losing its meaning.

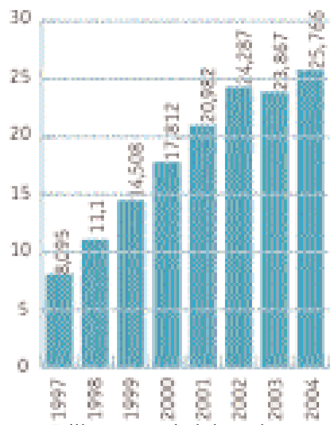
For the last decade the Baltic States were generally perceived as a kind of buffer region performing a middleman's role in trade between Russia and the West. Today cargo flows from Russia and the CIS countries to Latvia, Lithuania and Estonia enter the EU internal market directly with all the consequences of tariffs and preferences. This is where the European system of quality standards and certification, strict environmental requirements, the system of mutual guarantees to safe transportation, etc. is applied.

Few years ago the author, speaking at various international transport conferences, predicted that the attitude of the Russian oil business to the Baltics would change after the Baltic States joined the EU. The region's potential will be re-evaluated basing on purely pragmatic purposes of Russian partners of the Baltics. Moreover, huge Russian financial capital will be insistently knocking on the Baltic door in order to defend Russian interests in the region without any mediators. Basically, this is what we are witnessing now.

RUSSIAN BUSINESS EXPANDS

During the last two years a number of Russian companies found it worthwhile and profitable to enter Estonian market in order to consolidate their interests in this country. Nobody obstructed their efforts in expanding into new markets. Certain concern that Estonian rank-and-file will forbid entering Russian capital on their territory turned out to be needless and ungrounded, because the current country's investment doctrine has been free of ideological components. "We wel-

TOTAL CARGO TURNOVER THROUGH TALLINN PORT, MLN T



Source: Tallinn port administration.

-Baltic Transport Cooperation Prospects

come any investments whatever their origin – whether they come from West or East, North or South", was the common position of politicians and business people in Estonia lately.

Liberal investment climate in Estonia has resulted in growth of foreign investments to EUR 6.068 billion, or EUR 4 500 per capita recently. It is one of the highest figures among post-Soviet countries. It should be mentioned that now Russian capital occupies only insignificant share in Estonia's total investments, i.e. only 1.4% of foreign capital investments. But the latest trend of large Russian businesses entering Estonia can change the picture quickly.

A characteristic detail – large Russian companies have now taken the lead in investment flow to Estonia. Thus, Russia's big company *Severstaltrans* with annual cargo turnover of more than 50 million tons has entered Estonia through its subsidiary *Spacecom*, which plans to send 7-8 million tons of oil products through Estonia each year. The company has started building its own terminals near Muuga port. The project includes also a pipeline to tanker quays. *Severstaltrans'* investment activities in Estonia are characterized by the fact that total assets of its Estonian subsidiary were over USD 125 million at the end of 2004.

Another company, *Kuzbassrazrezugol* has built in Muuga port a coal terminal with annual capacity of 5 million tons, which is a major project in Estonia. This large Russian company, which has reloading capacities in Ust-Luga port in Russia, prefers to develop reloading business in Estonia. *Uralvagonzavod* came to Estonia a couple of years ago and together with *AVR Transservice* organized a rail car assembly plant *UVZ & AVR* in Ahtme. Working at full capacity, it will produce up to 3 000 oil-tank cars a year. Repairs and technical maintenance of the rolling stock is also planned here, servicing up to 2 000 rail cars annually.

In North-East Estonia, in Sillamae, a new port which could become the largest in the country after Tallinn and Muuga is being built. Among participants of this project are *LinkOil* transport operator, several companies from *KINEX* group, and *Bank Rossiya*. Competent experts say that the abovementioned companies make investments in Estonia through Finland.

Interest of Russian capital in Sillamae port is quite understandable: it is an ice-free port that can handle a great variety of cargos, e.g. oil and oil products, timber, cars, foodstuff. The planned capacity of oil terminals is 7 million tons a year. Russian border is just 30 kilometers away from Sillamae, therefore the transportation costs in the Estonian territory could be under USD 1 per ton. The new railway terminal will be able to serve trains with up to 100 cars. Another advantage is that the port is situated in a free economic zone and processing of transit cargos here will be exempt from Estonian taxes. Moreover, the status of a free economic zone for the next 10 years has been agreed in the accession treaty between Estonia and the EU.

Abovementioned facts make it quite clear why Russian capital today is not only demonstrating "simple" business activity but showing certain expansion in acquiring Estonian transport market.

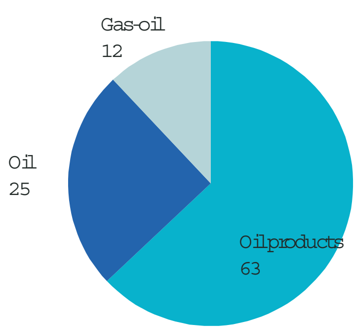
FROM DEPOSITS IN THE EAST TO CONSUMERS IN THE WEST

There is another important aspect of mutually beneficial contacts between Russian and Estonian capital, e.g. greater cooperation in building logistic chains and diversification of markets currently served by operators registered in Estonia.

As for cooperation, it is important to refer to practices used by several companies. For example, Estonian transport company *AVR Transservice,* which is a rather serious oil-transport company owning more than 1 800 railway-tank cars. It is to be said that the company is using only the latest and most advanced tank cars currently available on the market.

These company's assets have been possible because *AVR Transservice* is a co-founder of the rail car assembly plant

BREAKDOWN OF OIL TRAFFIC THROUGH ESTONIA IN 2004, IN %



Source: Tallinn port administration.

UVZ & AVR in North-Eastern Estonia. The project is being carried out together with the Russian industrial giant *Uralvagonzavod (Ural Train Factory)*. The new company will produce up to 3,000 oil-tank cars a year and also will provide repairs and technical maintenance of the rolling stock. Being a co-owner of the rail car assembly plant, *AVR Transservice* is in a position to upgrade its rail car fleet to the extent necessary for meeting all clients' demands.

Modern-day oil exporters prefer to work with partners, who are able to provide a full cycle transportation of energy resources, i.e. from deposits somewhere in the East to consumers in the West. This kind of service is provided exactly by the companies characterized above, and one of them is *Marine Tanker Service*. The combination of rail and maritime transport linked in a common logistics chain allows Russian oil companies to serve long-term contracts.

Service capacities of the mentioned group of the companies in transportation of oil products through Estonia are augmented by a specialized laboratory *ONAKO Lab* which develops recommendations concerning compliance of products, being loaded into tankers, to Western standards. The laboratory has the technologies for improving quality of oil products delivered to the terminals in railway tank-cars.

FLEXIBILITY AND BUSINESS SUCCESS

Another issue concerns different models for structuring one's business used by the same group of companies and based on diversified envelopment of various transportation sectors.

Recently, when strained political relations between Russia and the Baltic States created certain risks for transit business development in Estonia, many local transport operators started to look for alternative models to structure their business. Typically, they were based on broad business cooperation with Russian colleagues active in operations outside the Baltics.

Some examples might help to illustrate how these models work.

• For example, *AVR Transservice*, being a qualified transport operator, gladly provides their rail car fleet for transportation of oil to the CIS countries. This is being done when the market situation makes operations outside Estonia more profitable.

• All other units of the group can operate efficiently in a quite autonomous way. Thus rail car assembly plant *UVZ & AVR* makes rail tank cars which are bought by transport companies in different countries. *Marine Tanker Service* shipping company works on the spot market, operating from Scandinavian ports to the Mediterranean region. Only specialized laboratory *ONAKO Lab*, being a small unit, serves local clients.

• Flexibility possessed by companies in the group enables them certain flexibly which helps to adjust to changing market conditions. That, in the end, ensures economic efficiency of operations by each of the companies involved in the group.

FORECASTS AND PROSPECTS

Estonia today is a country which objectively holds interest and prospects for Russian transport business. Moreover, Russian interests in Estonia will only grow in the coming years. This fact is related to a number of important circumstances.

First of all, Moscow has already started to assess its relations with the Baltic States along the ways of European politics and, sooner or later, these relations are bound to become harmonious. Good neighbor relations, economic reasons and benefits from cooperation, these are the pragmatic priorities on which such cooperation will be built. As a result, Russian business through the Baltic States will get a chance to secure a footing in the common EU market and reap substantial benefits.

The market situation itself is prompting intensive cooperation. At the end of the last year the Center of Strategic Research, which is a think-tank for Economics Ministry of Russia, published results of an interesting study under the title "On possible directions for Russian oil transport infrastructure development". The study was based on four forecasts concerning growth of hydrocarbon extraction in Russia, e.g. from highly optimistic scenario to strictly conservative one. When analysts of the sector extrapolated these oil extraction forecasts and compared them with transport infrastructure capacities, the ultimate picture did not look very good.

It turned out that even if the most conservative forecast was true, the deficit of Russian export capacities will be around 30-40 million tons of crude oil a year. If the situation followed the optimistic scenario, the deficit of transport capacities can reach 60-70 million tons. Moreover, experts in the Center of Strategic Research believe that the new pipeline projects will not be able to solve the problem in the nearest future.

What kind of conclusion can be made? In medium terms, it will be very important for Russia to arrange its oil exports through all possible channels, including the Baltic States and their ports dully equipped for that purpose. Various types of alternative transport means to pipelines would have to be used, mostly transporting oil by railroads. In this respect services by Estonian transport companies which have large rail car fleets will be in demand not only in the Baltic direction but also for transportation of oil to northern ports, as well as China and South-East Asia. •

RUSSIA UNITED

ALL-RUSSIA SCIENTIFIC AND INDUSTRIAL FORUM
ARCJSC "Nizhegorodskaya Yarmarka"
Nizhny Novgorod, November 1-5

Coordination committee:
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Organization committee secretariat on preparation and holding of the Forum
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11, Tverskaya str., 103905, Moscow
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10th All-Russia Scientific and Industrial Forum "Russia United" will be held in Nizhny Novgorod from 1 to 5 of November

The Forum will be held on the Instructions of the Government of Russian Federation and under the support of the Counsel of Federation of the Federal Assembly of Russian Federation.

The organizers of All-Russia Scientific and Industrial Forum "Russia United" are:

RF Ministry of Science and Education, RF Ministry of Economic Development and Trade, the Counsel of Federation of the Federal Assembly of Russian Federation, State Duma of the Federal Assembly of Russian Federation, Chamber of Industry and Commerce of Russian Federation, Russia Union of manufacturers entrepreneurs (employers), Russian Union of producers, RF President Plenipotentiary Office in Privolzhsky Federal District, Nizhegorodsky region Government, ARCJSC "Nizhegorodskaya Yarmarka".

FORUM GOALS AND OBJECTIVES

• To determine the role of Russian regions in contemporary federal and regional policy, to demonstrate achievements in science, industry and social field.
• To discuss, analyse and elaborate strategic ways of perfection of the support of innovation activity in science and industry, conditioning for forming of Russian market of competitive science intensive products, developing of modern technologies in the most significant segments of Russian market.
• To contribute to the favourable investment environment in regions on the basis of market mechanisms and state regulations.
• To contribute to the development of efficient structural policy in Russian scientific and industrial enterprises, financial institutes, small-scale business.

All-Russia scientific and industrial Forum "Russia United" will join official delegations of the Government of Russian Federation, Federal executive authorities, the Heads of regional Administrations, the Counsel of Federation of the Federal Assembly of Russian Federation, the State Duma of Russian Federation, representatives of industrial and commercial enterprises and organizations, financial institutes, business circles, famous scientists and public persons from Russia and other countries.

Information support of All-Russia Scientific and Industrial Forum "Russia United" is given by ITAR-TASS.

All-Russia Scientific and Industrial Forum "Russia United" comprises two main parts:

1. **Congress** consists of a number of conferences, subject seminars, 'round tables', presentations of the modern projects and programs which comprise meetings of the representatives of legislative and executive authorities, financial institutions, science, production and business.

Congress welcomes heads of federal and regional executive authorities, leading Russian scientists and manufacturers, representatives of financial and business circles; Congress also presupposes participation of numerous international public men, businessmen and scientists.

2. **Exposition part of All-Russia Forum is exhibition** of Russian manufacturers, scientific and production enterprises and firms that elaborate and produce competitive production of high quality.

The general exposition of All-Russia Forum is formed by four parts:
— Expositions of regions and cities of Russian Federation;
— Expositions of innovation and investment projects of Russian enterprises;
— Sector expositions representing the most important branches of industry;
— Other countries expositions — "Intercontact".

SPECIALIZED PROJECTS OF THE FORUM

• **LEADERS OF RUSSIAN INDUSTRY**
• **CONGRESS** OF THE PEOPLES OF RUSSIA (ORGANIZER — ASSOCIATION OF THE PEOPLE OF RUSSIA)
• PROGRAMS OF **TESTING CONTESTS**

FORUM PRICES (ALL PRICES INCLUDE VAT OF 18%)

• Registration fee (per each organization) 150 M.U.
• 1m^2 of unequipped indoor exhibition space (inside the halls) 100 M.U.
• 1m^2 outdoor exhibition space (outside the halls) 40 M.U.
• Freelance participation 150 M.U.
• Congress registration fee 120 M.U.

1 MONETARY UNIT EQUALS THIRTY ONE RUBLES

Organization Committee Secretariat on preparation and holding of the Forum
RF Ministry of industry, science and technologies
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DIO is Headed for the Leading Position on the Estonian Fuel Market

Estonian motor fuel market is not a large one as it consumes only about 800 000 thousand tons annually (500 000 tons of diesel fuel and 300 000 tons of gasoline). Almost all fuel in Estonia is imported from Russia, Belarus and Lithuania, and only an insignificant amount arrives by sea from Scandinavian oil refineries. In 2000 Estonian brand of environment-friendly fuel, DIO with a green-leaf logo, appeared on the local market. As soon as authorities forbid mixing home-produced fuel with traditional one, *Oiliken* company came up with a new technology aimed at purification and enrichment of standard oil products. The new technology permits a double reduction of hazardous emissions in the air and at least a 5-6% economy in fuel consumption. Interest in DIO products is growing, and for now only DIO can provide a sustainable competition for *Neste, Statoil* and *HydroTexaco* brands.

Oiliken started working on the Estonian fuel market back in 1994 as an importer and a wholesaler. In 1996 the company added to its assets an oil storage facility in Maardu (5 kilometres from Tallinn and 2 kilometres from Muuga port) which had the status of a customs and excise bonded warehouse. As sales grew, 13 new modern reservoirs were built in 1997-2003 in addition to the two existing ones and total storage capacity increased to 13 000 cubic meters.

The operation and development of the oil storage facility is the responsibility of a subsidiary *NCC&PO AS*, which has planned further expansion of the storage capacity to 30 000 cubic meters and also intends to lay a pipeline to the Muuga port. This would definitely increase the company's potentials enabling it to operate not only on the local market but as a transit terminal as well. After all, terminals in Tallinn port handle almost 25 million tons of oil products annually with more than one million tons used for bunkering alone.

The prospective introduction of the new strict EU standards in Estonia can pose a threatening decline in sales (because Russian oil products fail to meet the demand of the regulations) and, on the other side, can create extra advantages for European companies.

Oiliken decided not to give up without a fight and made its goal to find out whether it was possible to improve quality and environmental characteristics of standard Russian fuel not at the refinery but in Estonia and without resorting to mixing procedures. For several years laboratory tests were being carried out at the production facility of the Dutch company *WRT BV* and the Estonian Ecological Studies Centre with the participation of experts from Russian Academy of Applied Science and Research. As a result, a new technology was created for refined purification, processing and enrichment of standard fuel through use of a number of special additives.

NCC&PO: New extension of the terminal completed in 2003.

A certified fuel enrichment plant was set at the territory of Muuga port terminal. There were produced diesel fuel DIO and high octane gasoline 95 Euro-DIO which satisfy the EU requirements and even outperform them in some environmental and economic aspects. Thus, lowering sulphur contents in diesel fuel from 0.035% to the standard level of 0.005% has led to a 7-12% reduction of soot and sodium sulphate in vehicle's exhaust and for DIO gasoline the reduction is 30-50%.

At first *Oiliken* was worried that their new product will not be able to compete with standard fuel as its minimum retail price per litre is (EEK 0.15-0.2) above the average price level. Once the pilot project was launched on wholesale market, it became necessary to create its own retail network as well. A small retail chain consisting of three gas filling stations was bought in 2001. In four years it expanded to ten gas stations, including one in Latvia. The first step into Latvia was made in 2002 and currently *Oiliken* is the only company licensed to sell such fuel both in Latvia and Estonia.

Development of the retail chain is the responsibility of *DIO Oil Est AS*. All new gas stations have been built according to the EU standards. Following the suit of Scandinavian colleagues, *DIO Oil Est AS* started building unmanned gas stations. It has to be said that, in spite of

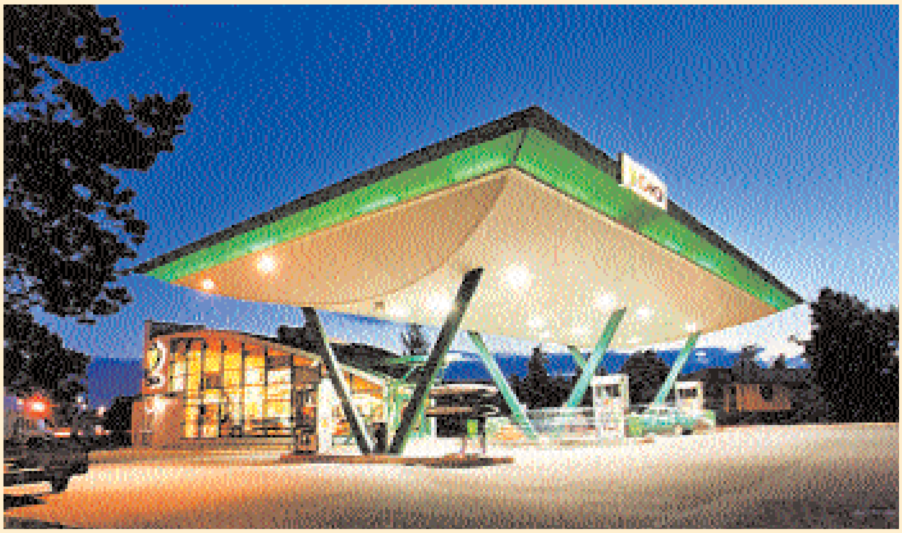
TALLINN: Opening of the first completely automated gas station DIO.

some sceptics' opinion, popularity of automated gas stations is growing and clients appreciate speed and convenience of service.

The company provides an exclusive offer supplying clients with mini-stations dispensing gas using special petrol-fuel plastic cards. A stationary facility, which can dispense between 1 500 and 10 000 litres of fuel daily, is convenient for use at permanent locations for operation and parking of vehicles like bus stations, car lots and motor depots, city utility services, in farm fields, warehouses, wood-processing centres, boat stations, etc. There is also a mobile version which dispenses 200-3 000 litres daily and will suit organizations which regularly send their vehicles from one location to another (construction business, tree-logging, services sector). There are 25 such mini-stations in operation to date.

New fuel has become increasingly popular, paving the way for creating a franchise chain. Individual owners of the gas stations in small chains started treating sale of DIO fuel as a privilege, because drivers had appreciated the quality of this fuel and the green-leaf logo attracted new clients. As the company's sales manager **Vallo Vilbiks** notices, over 30 such gas filling stations sell DIO fuel in Estonia by now, and DIO client cards are accepted in more than 45 stations in Estonia as well as in certain stations in Latvia, Lithuania, Poland and Russia.

DIO Oil gained success largely due to the strategy for entering the already saturated Estonian market and using a well-structured branding which was crucial for pushing aside European players.



PARNU: DIO gas station.

Gas stations brandishing popular European trade marks *Shell, Statoil, Neste* appeared in Tallinn already in the early 1990s and immediately won prosperous clients, counting on their wish to enjoy benefits of civilization in their homeland. But the rush calmed down after a few scandals over the sale of sub-quality fuel and the confession of Scandinavian companies that they bought their best-selling products from a Lithuanian refinery in Mazeikiai or on the free market.

Now, after Estonia joined the EU and various European oil brands have lost their flare of novelty, Estonians have logically developed a product striving for self-identification, which is quite typical for small nations. Popularity of fuel with the green-leaf logo and quality superior to the European standards is growing fast. •

Bus companies prefer fuel produced by DIO.

Seizing Chances and Using Oppor

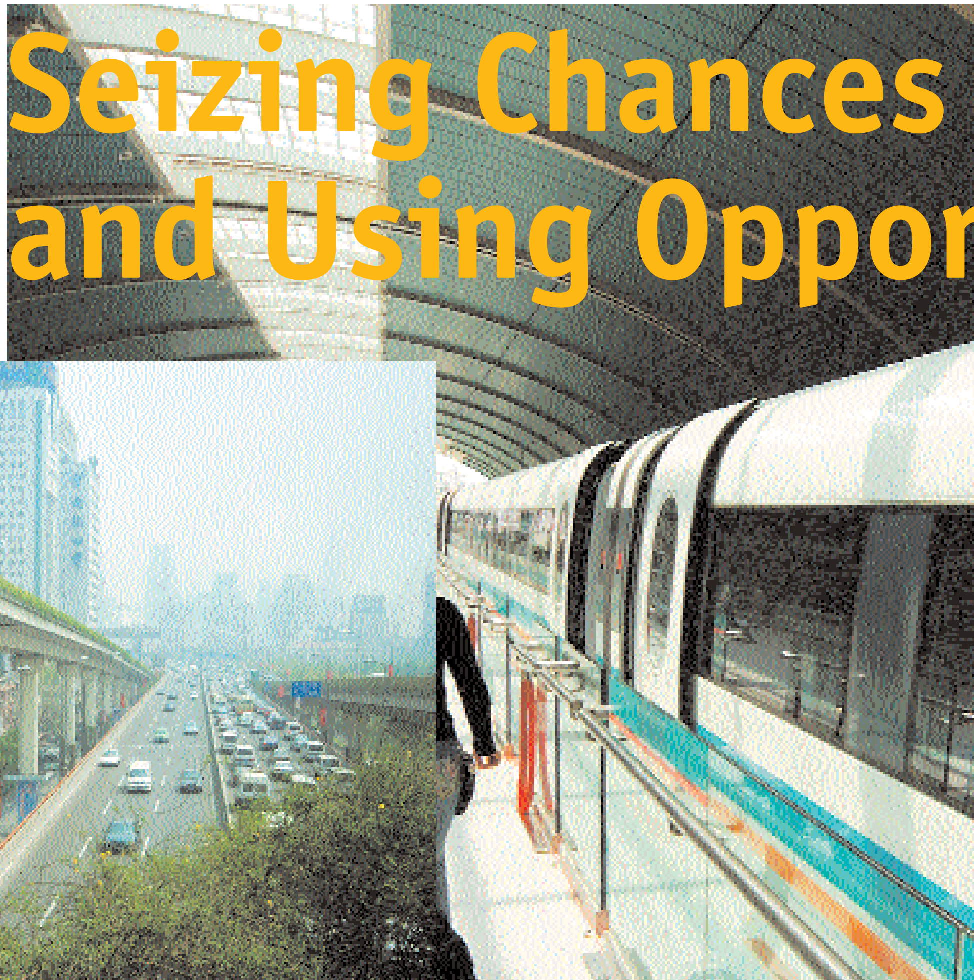
By Olga Pavuk

Latvian Transport Minister Ainars Slesers made an official visit to the People's Republic of China in late April. *BC* also visited China at the same time and gained first-hand experience of unlimited opportunities offered by the great country. Latvian Transport Minister believes that China is about to become one of the main players in the world economy and Latvia as a coastal nation should seize its chances by cooperating with this emerging superpower in transportation of cargo to the European Union. China's Minister of Communications Zhan Chunxian has promised to come to Latvia.

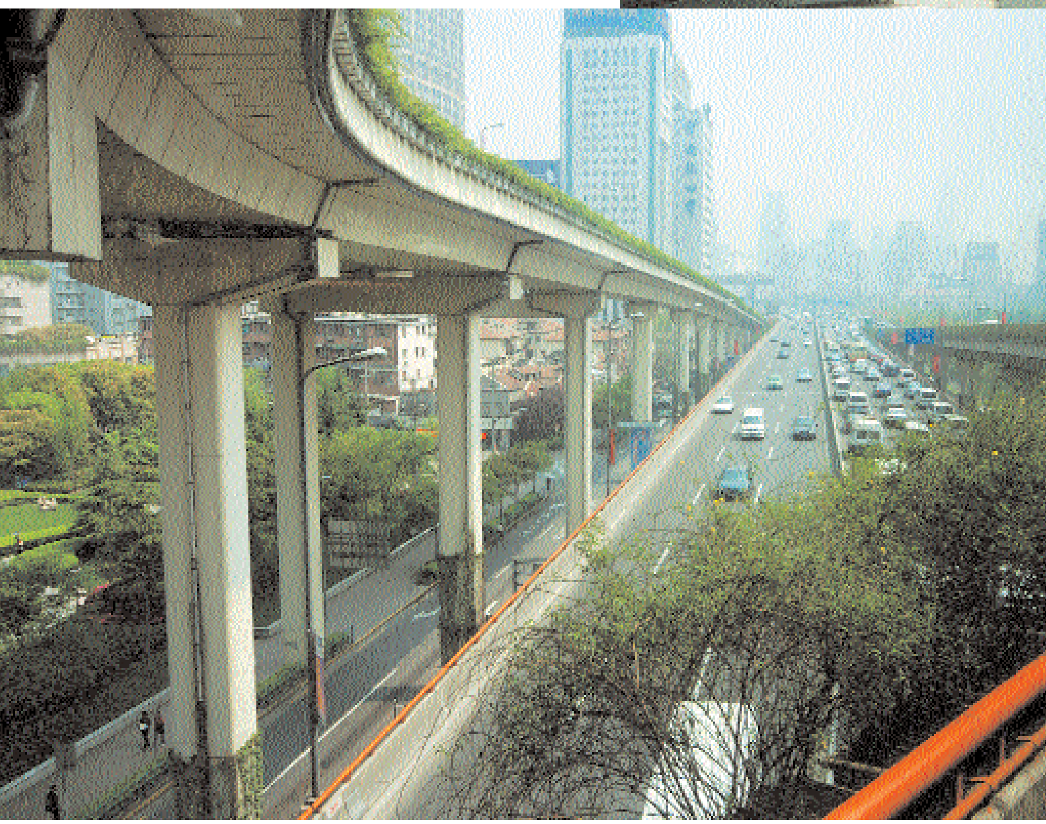
***BC*: Mr. Slesers, what are your impressions from this visit?**

China is indeed becoming one of the main players in the world economy. Big countries, big world markets like Europe, America, Japan, etc. just cannot ignore China. Today China is in a state of transition from a country with export economy to a country with a domestic market, which is interesting to many world companies.

It is no secret that China is often referred to as the biggest workshop in the world, that Chinese-made products fill shelves of retail stores in many countries. And those are not just textiles and cheap manufactured goods but also hi-tech products. Of course, this will have a significant impact on the world economy, considering cheap labor which is abundant in China.



SHANGHAI: Monorail track to the airport. The train tra



SHANGHAI: Bridges rise above old six-storey buildings.

As to human resources, I would like to point out that China has a population of 1.3 billion people which is one billion more than in Russia. This comparison shows how huge the Chinese market is in general. All largest cities and ports — Beijing, Shanghai, Dalian, Hong Kong and others — demonstrate this country's dynamic growth.

***BC*: What interest can big China have in tiny Latvia?**

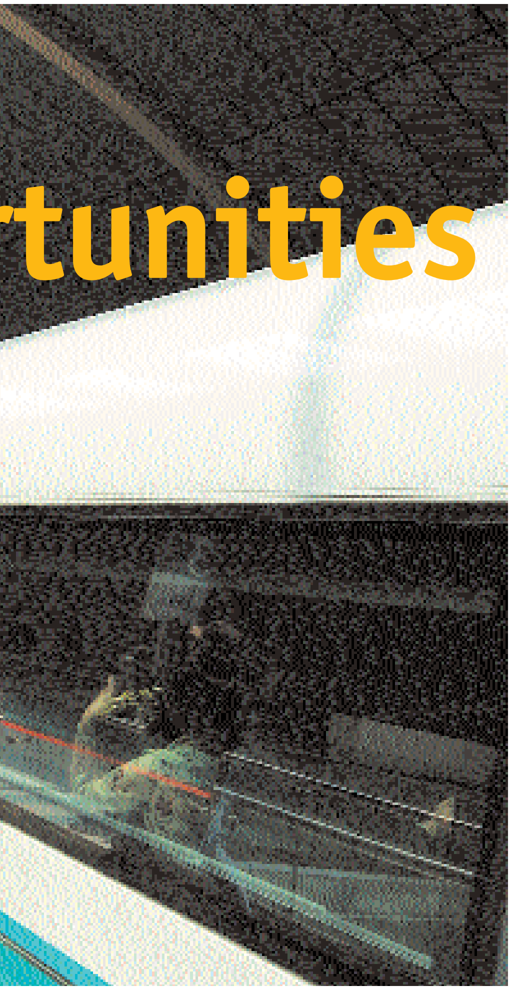
It was important for me as the Transport Minister not only to become acquainted with China's development but to find out how we can cooperate with this country and build business relations. Last year I visited China in the framework of the state visit; we met with government officials, Chairman of the People's Republic of China and talked about Latvian-Chinese relations.

Leaders of both states reached an agreement on long-term cooperation. Latvia's accession to the EU made us interesting for China, and the latter regards Latvia not as a separate country but as a part of huge European market composed of half-a-billion consumers, the region which is, actually, the richest in the world. This opens vast opportunities for us.

***BC*: What have you seen in China and whom did you meet?**

Together with representatives from all Latvian ports we visited all major Chinese ports. I would like to note that the cargo turnover at Dalian port alone is 100 million tons a year and will double in four years, not to mention Shanghai, Shenzen and Hong Kong ports(for comparison: annual turnover of all Baltic ports totals 55 million tons).

The organization of the meetings can be described as being on the top level; we met the head officials in



vels at 415 km/p/h.

Chinese cities and ports. In Beijing we had talks with China's Communications Minister Zhan Chunxian and Railways Minister **Liu Zhijun** and continued to discuss organization of a transit corridor between China and Latvia. Such corridor could play a very special role in export-import of perishable foods. We also visited two largest shipping companies: *China Shipping Company* and *COSCO*, and vice-presidents of the companies noticed that they wished to inspect Latvian ports personally.

The Chinese government representatives accompanied us on this trip; everything was organized on the highest level.

***BC*: What was the key idea of your visit to China?**

The idea was very simple. We suggested our Chinese partners to consider Latvia as a location for distribution and logistics of Chinese goods in the Eastern and Central Europe as well as in neighboring CIS countries. Our advantages are ports, railways, motorways and a unique geopolitical position; this is what attracted Chinese interest. I am certain that we will find a way to begin cooperation which would serve not only Latvian and Chinese, but also Russian interests. Transportation by sea is one way which is already being used, and the other would be transportation by railway through Kazakhstan and Russia to Latvia.

If we succeeded in getting at least one percent of Chinese cargo turnover destined for Europe, Latvia would have work to do for many years to come.

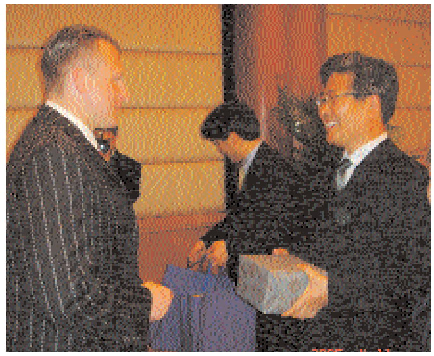
***BC*: What are the main results of your visit?**

At the meeting in the Ministry of Communications in Beijing, the Chinese Minister underlined that if he was to choose a cooperation partner between the three Baltic States, he would choose neither Lithuania nor Estonia, but Latvia and only Latvia. This choice was based on bilateral relations between our countries, on agreements reached between our presidents and on personal contacts between our ministries. I should also say that neither Lithuania nor Estonia have made state visits to China.

I have already arranged for normal "ministerial relations" with our Chinese colleagues, and we work using direct contacts. If we manage to get Chinese cargos sent to Latvian ports, we will be speaking about business worth not just millions but billions of lats.

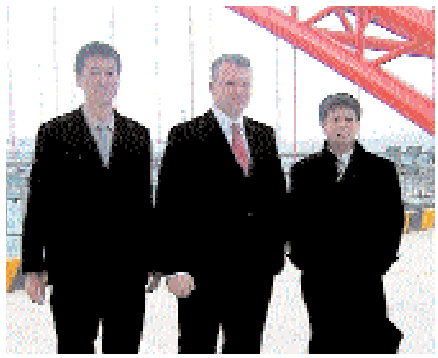
Last May I attended the summit of European transport ministers in Russia and met there Russia's Transport Minister **Igor Levitin**. We talked about Latvian-Russian relations concerning cargo transit and about possible cooperation in carrying cargos from China to Europe. This issue should interest Russia too.

Alongside China, we also work actively with Japan. If we can arrange links between Japanese coastal area and Europe through Trans-Siberian railway, it would be possible to speak of big and good business. For Latvia it would mean thousands of new jobs, multi-million and billion revenues which we will be able to get already in the near future. •



BEIJING: Latvia's Transport Minister Ainars Slesers and China's Minister of Communications Zhan Chunxian.

BEIJING: Latvia's Transport Minister Ainars Slesers and China's Railways Minister Liu Zhijun.



DALIAN: Dalian port representative, Latvia's Transport Minister Ainars Slesers, Administrative Director of Dalian port Kai Hui.

HONG KONG: Ainars Slesers, John R. Harris, Hong Kong International Terminal (HIT) project advisor; Roger King, Honorary Consul of LR in Hong Kong; David Chen, HIT Commercial Manager.

Chinese Factor

By Mikhail Tuzhikov

The Chinese-Latvian relations have entered a new stage — from contemplation to negotiations. Frequent exchange of delegations between the two countries has underlined serious intention of Latvian leaders in establishing strong business relations with one of the biggest Asian countries.

For comments on prospective development of such cooperation *BC* turned to **Cai Yingzhou**, Trade and Economics Advisor at the Embassy of the People's Republic of China in Latvia.

LIEPAJA: Chinese delegation at the meeting in Liepaja City Council.

CHINA IN THE EU

China, having marked the 30th anniversary of its diplomatic relations with the EU in May 2005, offers to Baltic States, the EU newcomers, a launch-pad for building comprehensive relations. Suffice it to say that the EU is the biggest China's trade partner with the trade turnover reaching USD 177.28 billion in 2004, that is a 33.6% percent growth compared to 2003. For comparison, the same data for the US-Chinese foreign trade last year was USD 169 billion (34.3% increase), and the trade with Japan was USD 167 billion (25.7% growth).

China with its five thousand years of history has become a global space explorer and nuclear superpower, the world's third largest country by area and the largest by population, consuming more metal, coal, meat and grain than any other country on the planet. This opens enormous opportunities for cooperation. Many well-known European companies participate in major construction projects in China. Their share of the Chinese market keeps growing, providing solid revenues. *Airbus, Volkswagen*, magnetic hover train, nuclear power station Dajavan, *Nokia, Ericsson*, etc. all these enterprises clearly reveal strong economic partnership between China and the EU.

RIGA PORT: General Manager of the port Leonid Loginov meets Vice-Minister of Communications of the People's Republic of China Shu Jiuan.

One should not forget that the traditional Chinese inventions like silk, gunpowder, paper and chinaware enabled China to create strong trade ties with the rest of the world for centuries. At present, China also is an important player on the world market; its external trade in 2004 reached USD 1,156 billion, rising by 35.7% compared to the 2003 figures.

Nowadays China started expanding into the world market with toys and popular consumer goods. But now it has flooded the vast Eurasian and American territories with their hi-tech products as well. For example, sales of Chinese electronic goods reached 2.65 trillion yuan (USD 320 billion) in 2004, about a 40% growth compared to 2003, and export of IT products was USD 2000 billion last year.

The plans of Chinese textile industry's workers are quite ambitious as well, i.e. to occupy 40% of the world textile and clothing market and to increase textile export up to USD 65 billion in 2005. Taking into consideration the fact that China exports women's underwear to the EU at the average price of 7.9 US cents per set, any comments on beating the offer would seem superfluous. The same situation is true about Chinese footwear production; the average price on exported to Latvia pair of shoes is USD 2.38.

The mind-boggling growth of cheap Chinese clothing and footwear imports to the EU (showing a growth by 1 000% and 700% respectively in the first quarter of 2005) has sent European textile and footwear producers into deep shock. The EU trade commissioner **Peter Mandelson** and Chinese Commerce Minister **Bo Xilai** were able to stop panic by signing on June 10 in Shanghai an agreement about certain limits in textile and clothing exports from China to the EU until the end of 2008.

To sum-up the picture of Chinese-EU relations, it should be mentioned that over 100,000 Chinese students study in the EU member states. By the way, the enrollment competition among applicants for Sinology studies at the Faculty of Modern Languages in the University of Latvia was 13 persons per one place. One cannot help remembering flourishing China during the rule of the Tang dynasty when the country was far ahead of Europe by standards of living and education.

LATVIA AND CHINA

Chairman of the People's Republic of China, the General Secretary of the Communist Party of China Central Committee **Jiang Zemin** came to Latvia on a state visit in 2002. In April 2004 the president of the Republic of Latvia **Vaira Vike-Freiberga** made a return visit during which she met the new Chairman of the People's Republic of China **Hu Jintao** and the Premier of Chinese State Council **Wen Jiabao**. Afterwards a number of Latvian ministers and business representatives visited China.

Through mutual efforts the trade turnover between Latvia and China reached USD 199 million in 2004, increasing by 53.1% compared to 2003. China's main export products to Latvia are electronic appliances, textiles and footwear; while Latvia exports to China IT equipment, computer hardware, timber and metal works.

Last year about 50 Chinese companies, providing mainly catering and other services, were registered in Latvia. The number of Latvian businesses in China is much smaller — just 6; the pharmaceutical company *Grindeks* (already 5 years on the Chinese market) and the telecommunications company *SAF Tehnika* should be mentioned here. It is true though that the latter's sales in China have shrunk from 61% to 15% in the recent years' output.

The leaders of the People's Republic of China are interested in stepping up mutually beneficial relations with the Baltic States; these relations would facilitate the flow of goods in the East-West direction. The agreements about maritime and railway transport signed during the visit of Latvia's President to China created favorable conditions for transportation of Chinese goods to Europe by the Trans-Eurasian railway and through Latvian ports.

Latvia's Transport Minister **Ainars Slesers**, who was in China in April this year, visited Shanghai, Hong Kong and Shenzen ports, had talks with China's Minister of Communications **Zhan Chunxian** and Railway Minister **Liu Zhijun**, concerning bilateral cooperation in railway transport.

Chinese delegation headed by the country's Vice-Minister of Communication **Shu Jiuan** made a return visit to Latvia on May 29-31, 2005. Representatives of China's transport industry visited Riga, as well as Ventspils and Liepaja ports in Latvia; also flew to Lithuania to visit Klaipeda port there.

Latvian Transport Minister at the conference on May 31 said that he "had succeeded in making Chinese delegation interested in using opportunities offered by Latvian ports. The visit of Chinese delegation to Latvia soon after receiving the invitation suggests that Latvia can become a logistics and distribution center in the direction from China to Europe".

PERSONAL OPINION

Cai Yingzhou listened to *BC*'s correspondent and with oriental politeness agreed with the European outlook on the Latvian-Chinese relations, however philosophically remarked, "I'm going to provide you with my personal opinion only".

China's Vice-Minister of Communications Shu Jiuan would not comment on his impression from visiting Latvian ports. He only said, "We want to examine the situation in all ports, and then we will be able to consider the ways for further cooperation".

One might ask, why such a cautious approach from Chinese side? Well, firstly, as officials have underlined, it is because China has many alternative options for cargo transportation, e.g. by air, by sea and by land. Secondly, China and the Baltics are interested both in East-West and also in West-East transport directions. China can provide Latvia with cargo turnover of about 200 million tons a year but there is hardly anything it can transport back to China. It is true; there is no profit in carrying air.

SHANGHAI: A large city and port.

Thirdly, Shu Jiuan is responsible only for the air and sea transport, but railways are in the competence of Liu Zhijun. Moreover, the railway tracks lie not only in Chinese territory but also go across several CIS countries and, first of all, Russia. Consequently, interests of several countries, many ministries and agencies have to be put together and only then the implementation of global plans can begin.

"Unless all links in the transport chain are fastened together and "Chinese factor" ceases to be the only attraction, intentions are all we can talk about", said Chinese diplomat. •

CHINA STATISTICS, IN USD BLN

Years under review	2004	2004/2003, %
GDP	1649.43	+9.5
Value-added of agricultural products	250.64	+6.3
Value-added of manufactured products	874.61	+11.1
Value-added of service industry products	524.18	+8.3
Total capital investments in registered capital	846.65	+25.8
External trade	1154.74	+35.7
Total retail turnover of goods on the consumer market	651.85	+13.3
Exports	593.36	+35.4

Source: Agency Sinhua.

Final Refuge

By Angela Rzizheva
From Riga, Latvia

There are about 200 firms involved in funeral services in Latvia and about one-fourth of them are registered in Riga. However, to arrange a funeral is not an easy assignment: sometimes the coffin is not up to the deceased dimensions, the bodies can be easily confused, and the elocutionist can get drunk. People in the service do whatever they like with the perfect impunity. The only reason for that is the lack of any standards regulating funeral services in Latvia.

The situation is trivially simple: in order to open an undertaker's office it is enough to register the business in Company Register of the Republic of Latvia. All the pertinent authorities, such as Ministry of Finance, Ministry of Economic Affairs, or Riga City Council refused to deal with licensing. National Parliament (the Saeima) refused to tackle the certification issue. Strange enough but the state authorities regulate any other entrepreneurial activity in great detail. What is so different about the funeral service? The only reason the official bodies refused to deal with the issue was the notion that such services could not harm private persons, thus the activity was not a subject to licensing. However, those in the funeral services business are of different opinion. Though they hardly speak about their business, they are quite unanimous that a regulatory background is highly needed for funeral services. When such law is adopted, only those who are willing and are able to provide quality service could stay in the market. Presently only personal contacts and the work experience can guarantee the quality of so-called "ritual" services.

THE QUALITY OF SERVICE IS A FIRM'S GOODWILL

Alongside a wide range of civilized services developing in Latvia, some are apparently just lagging behind. Funeral service is among them, e.g. quite often instead of ordinary catafalque an old "Opel" is offered for transportation of a body. The deceased are often held in private premises instead of regular hospital morgue. Sanitary issues are that of being much desired. If the weather were too hot the people in the funeral service would just apologize for inconveniences. This is the result of a lack of sufficient regulations. During the last nine years Latvian Funeral Service Association (LFSA) has been hopelessly trying to attract legislature's attention. Two years ago LFSA took its own initiative and elaborated a professional service standard. LFSA's member of the Board **Aina Andersone** said, "Presently 15 firms acquired our accreditation papers; our association unites 30 firms, 25 of them work in Riga. In order to acquire our certificate, a funeral company has to be in the market for at least 5 years. It's necessary that a company already has an agreement with a morgue, where the bodies should be kept until the funeral. We closely follow that a company has special means of transport — catafalque".

But unfortunately as it came about, even LFSA'a members do not provide quality service. According to Aina Andersone, there have been complaints from clients concerning delivery of a deceased to the cemetery, about unsatisfying funeral ceremony procedures, etc. "We take seriously every complaint and in cases of poor service we provide remuneration", added Andersone. According to law, the relatives of a deceased, in case of an inadequate funeral service, can claim to the state inspection — Consumer Rights Protection Centre; although these cases are extremely rare.

HUNTING "DEAD SOULS"

The lack of an adequate regulation hampers competition service as well. The heads of two undertakers' offices, who wished not to be named, have told *BC*'s correspondent that some of the companies have unofficial agreements with hospitals: funeral agents are the first surrounding the deceased person's relatives in order to make a funeral contract.

Quite often funeral agents make agreements with doctors, when the last ones inform an undertaker's office first and only afterwards the relatives on the patient's death. But according to law, such behaviour is illegal, as any information about patients' health is confidential and could not be revealed to third persons. Because of violating the rules on confidentiality, doctors can be fined to the amount of 20 minimum month wages. Policemen and local authorities follow doctors' discrepancies. When a lonely person dies in the apartment, the neighbours are the first to call an ambulance. Then the deceased is taken either by the city ambulance or by a vehicle from a morgue. Finding out the deceased address, the authorities call a corresponding undertaker's office which gets a death certificate and a two-month deceased person's pension. Funeral expenses at a common city cemetery are about 40 LVL. In case a deceased's relatives do not show up within two weeks, the funds left are shared between local administration and an undertaker's office. Police authorities do not interfere in these atrocities but, on the contrary, actively "participate" in the business. If a person dies accidentally at the street, according to law, the police are to be called upon. The latter somehow inform about the accident the local undertaker's office.

When *BC* asked about what measures LFSA takes to regulate funeral business, Ms. Andersone revealed that in practice it was extremely difficult to catch a doctor in the act of trading "dead souls". As a rule, all doctors said that it was relatives' idea to contact a certain undertaker's office. And most of the time relatives, being in deep sorrow, do not want to be involved in any investigation.

As to the dead bodies discovered on the streets, quite honest competition has been arranged: an open tender has been organized for all funeral companies. Only nine firms were chosen to take part in providing such service; they work in shifts. In case the police have discovered a dead body, they call a funeral company on duty, which delivers the body to medical investigation. In that case municipal authorities cover all the expenses.

TO SUSTAIN HONEST COMPETITION

According to **Konstantin Zhiharev**, the president of the oldest Latvian undertaker's office *Rantan,* even during competition events on funeral service performance the competition rules and principles can be violated. That happened, for example, around the issue of the right to dig up tombs at country's municipal cemeteries. According to the tender's rules there could be only one winner, though the tender should have been divided between several undertakers' offices.

Tender for municipal cemeteries' tombs was arranged by the City Council's Communal Service Department in order to regulate the funeral services, explained Cemetery Administration Deputy Chef at City Council's communal service **Bertulis Pizich**. The main criteria were service expenses and experience. Quite naturally, the tender's winner was *In Memoriam Ltd*. Mr. Zhiharev is puzzled about the tender's outcome, "How else other firms can acquire the needed experience if *In Memoriam Ltd.* gets the right to fulfil municipal order for the 15th time in a row?" *Rantan* has decided to appeal against City Council's decision in order to strive for a just decision.

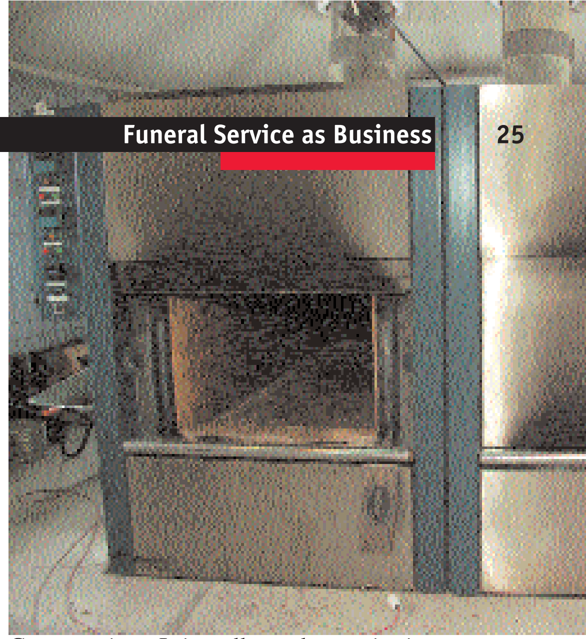
200 LVL FOR A FAMILY BURIAL VAULT

Besides the choice of a funeral company, the deceased person's relatives should think of the place to bury the deceased. As Mr. Pizich informed *BC*, Riga City Council administers 19 cemeteries out of which only two, in Jaunciems and Bolderaj, are so-called open cemeteries. Additional two — in Martina and Tornjakalna are completely closed for rituals. The rest 17 cemeteries are available for burials only if some relatives have already been buried in the cemetery. Even in that case the place would cost about 200 LVL. The times when so-called charity donations were enough to bury criminal businessmen at the prestigious *Rainis Cemetery* are in the past. However, relatives and friends managed to immortalize the names of businessmen next to prominent tombs of Latvian scientists, cultural workers, military people.

BERTULIS PIZICH: Riga City Council administers 19 cemeteries.

Presently elite-cemetery moved to a place behind Ulbroka, where the first private cemetery has been opened. The place for burial would cost about 500 LVL here plus additional rental payments. Municipal authorities want a share of profit as well: presently a new proposal is under discussion in Riga City Council in order to establish yearly rental payments (about 0,25 LVL per square meter).

As a rule the services of undertakers' offices are at the range of 150 — 1 000 and more LVL: some middle-range funeral would cost around 200-350 LVL. This amount is similar to that one has to pay for the services in Riga City

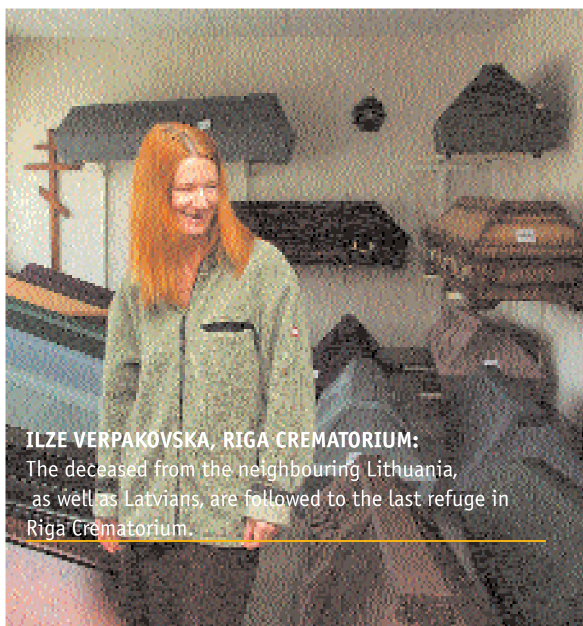


Crematorium. It is well worth mentioning that cremation service is used not only by Latvians but is quite popular among Lithuanians as well. According to relatives' wishes, a coffin can be either bought at the crematorium, or an exclusive polished oak-coffin rented.

THE LAST REFUGE TO PETS

Two years ago a pets cemetery *Citi medibu lauki*, so far the only one in the region, was opened; the total area is 6,14 hectares. Its owner and creator **Ugis Rukitis** told the *BC*'s correspondent that in case a client chooses individual place of burial, a 25-500 LVL deal is concluded depending on a tomb's position and size. A yearly payment of 35 LVL is charged for communal service. Running payments are envisaged at a rate of 2% from a yearly fee, but not less than 1 lat. A pet's burial in a "common tomb" would cost 5 lats. So far one-third of the cemetery's territory is occupied.

BC **is thankful to Konstantin Zhiharev, the president of one of the oldest undertaker's office in Latvia —** ***Rantan*** **(phone +371 7272289).**



ILZE VERPAKOVSKA, RIGA CREMATORIUM: The deceased from the neighbouring Lithuania, as well as Latvians, are followed to the last refuge in Riga Crematorium.

Everything is According to Traditions, Although

By Tatjana Komorkaja
From Vilnius, Lithuania

The death rate in Lithuania is at the level of 40-41 thousand people per year. About 45 funeral companies have been providing their ritual services through more than a 100 undertakers' offices and mortuary rooms around Lithuania. It is estimated that about 80 mln LTL are yearly involved in the business.

VILNIUS: People often choose this Ford re-arranged for ritual services.

A CHURCH INSTEAD OF A SEPULCHRAL HALL

Not all Lithuanians would take a "standard-set" funeral service; most faithful ones would rather choose a church service with all necessary attributes for the occasion. Thus, ritual centre at Vilnius Archbishopric is an integral part of the whole church structure. As soon as a church can not be involved in a business activity, *Ekonomo Tarnyba Ltd.* (or Superintendent Service) was established in order to deal with real estate issues, new construction and all kind of so-called ritual services. That is probably the only church in Europe to suggest people the needed services, at the same time earning something without being too dependent on church donations; although about two years ago a church community in Paris started providing similar services.

The director of the Centre of Ritual Service **Justas Augustinavichus** has told *BC* that the network is quickly developing. So far there are four sepulchral halls in Roman-Catholic churches in Vilnius with some ideas of expansion to other country's regions. The prices of the church services are at an average level and being quite flexible. According to Centre's director, once people turned to church service they come there again and again.

THE RULE OF LAW IS NEEDED

The largest and the most vigorous group on the funeral market is Lithuanian Ritual Service Association — LRSA which unites 30 companies. The LRSA's president and simultaneously the director of his own funeral service company in Vilnius **Vitalij Gasperovich** told *BC*'s correspondent that the Association was established by people who were tired of absence of regulations in this sphere in Lithuania. Presently LRSA unites both: service suppliers as well as various goods manufacturers and suppliers.

"There is a tradition, said Mr. Gasperovich, — as soon as one makes successful business, the neighbour wants to establish the same, thinking that he can do much better. Let's take Kaunas for example: it is common that some companies start their activity, some go bust; in Kaunas this process has accelerated as some firms even do not hide their intention to earn quick money by all means and disappear from the market afterwards. The business of companies of this kind is arranged around three main "stages" — emergency car driver, policeman, hospital attendant".

As LRSA's president considers, the truth is that only people that show mercy and compassion can stay in this business, as everything here depends on one's relationships with people. As an outcome of LRSA's efforts, fierce competition in the market has relaxed. And there is another positive outcome: previously there were no governmental structures to govern "the delicate issue", as partly two ministries were involved, i.e. Ministry of Culture and Ministry of Economy. Now the whole service is within the domain of Ministry of Environmental Protection.

Mr. Gasperovich continued, "We would like our business to become a licensing matter in the future, so that only those with licenses, with corresponding facilities and a certain quality level of services would participate". And Mr. Gasperovich is very much aware of the excessive administrative threat connected to additional licensing. But the threat of unfair competition is much greater; Gasperovich reminded one of the well-known recent cases about such unfair competition taking place in Kaunas. A funeral company acquiring "valuable" information from hospital and police, already some minutes after a person's death addressed the relatives in order to make a deal on a future funeral, threatening them that otherwise "they would not get much service". Taking advantage of the situation the funeral agents managed to get money from the

...n the Range of Options is Wider

deceased relatives twice: first, as a full payment for the coming funeral and second, as public assistance which is due in such kind of events.

FRIENDS OFTEN MAKE VITAL DECISIONS

The situation is further aggravated by the fact that funeral service is usually bought at the place where the fatal event has occurred, which makes the service completely regional or local. In big cities the choice of the undertaker's office depends on friends and relatives in 70-80% of the cases. According to Mr. Gasperovich, whose funeral ceremonies' house on Orlandy Street was built 30 years ago, at that time it was a unique construction with such particulars as 15-meter ceilings and wonderful acoustics. In the second popular funeral company in Vilnius, in Northern suburb, the halls look like those in a regular citizen's apartment without any accessories and high ceilings. Some new, quite pretty and interesting constructions have been appearing.

Mr. Gasperovich continues, "I am in this business since 1990 and can tell you that the range of services has increased dramatically in contrast with the late state funeral agency *Paslauga*. For example, previously there were just 3 kinds of coffins — with caring holders, without them and so-called non-standard coffins. At present our firm alone can suggest about 60 various types of coffins. As for transportation, previously there was only one standard type of catafalque; now besides it we have a car for flowers and transport for attendants. Even catafalques are of various models now. Thus, so-called Ford-model re-arranged by our mechanics is of great demand and is highly popular".

LRSA is closely cooperating with the corporation of Russian funeral companies' directors; the corporation works in 46 regions of Russia. They exchange opinions, experience, trying to solve urgent documentation and transport issues. Assistance, according to LRSA's director, produces feasible results in reducing red-tape, as it is often easier for a living person to cross the border then for a dead.

Although funeral companies provide numerous and various services, the range of services, in fact, is quite conservative and traditional. There are still no private cemeteries in Lithuania; therefore local administration usually arranges tenders for the management of existing cemeteries. The tenders are won by private funeral companies, or their own firms specifically created for that purpose.

There are neither crematoriums in Lithuania, nor cemeteries for pets. Though, some pets are cremated in the place called Retavos, but that has nothing to do with the feelings of their owners. The whole process is better known as "animal utilization" and as a rule quarantine animals, cattle from veterinary clinics, etcare brought there. •

VILNIUS: The relatives do not have to look for strong men among the acquaintances, organizers of ritual services will provide all the necessary.

APPROXIMATE FUNERAL PRICES IN VILNIUS' UNDERTAKER'S OFFICE, IN LTL

Digging the grave	493
Deceased transportation	168
Coffin	from 400 to 900
Funeral catafalque	350
Transportation of attendants	400
Carrying-out of coffin	362
Hall rent	from 400
Funeral gown	about 150
Funeral suit	about 150

Source: Lithuanian Association of Ritual Services.

You Can Die, but not Now...

By Valentin Zvegincev
From Tallinn, Estonia

It is expensive to pass away in Estonia, but it is more expensive to be born.

The Estonian authorities are very much concerned; the death rates considerably exceed the birth rates. Two years ago the country's Prime-Minister **Juhan Parts** made a strange decision that the state had to stimulate the birth rate, and that the government had to take it personally. Then the press was involved in discussion of the problem trying to figure out how in fact the ministers would "personally" take part in solving the problem. Two years have already passed, and it has to be acknowledged that the birth rate has slightly increased, however, the death rates are still very high. Undertaker's offices, as a result, are flourishing, taking into consideration that there are not very many of them in Estonia.

THE COSTS ARE AT STAKE

Funeral service has never been cheap in Estonia for the simple reason that a person needs to be buried in any case. Quite a few firms in Estonia are involved in rendering such service; three main offices are in the country's capital, Tallinn. The prices in all firms are generally at the same level and range of services does not differ much, i.e. transport, coffins, wreaths, music, etc. Average funeral costs would include (in EEK): coffin at about 975-27000, catafalque — 350-750, wreath — starting form 500, reciter — 500 and up, preparation of a tomb — 150, burial — 1015-1650. These are the basic expenses at the most elementary level. Some other could be easily added up to that, e.g. inscription badge, funeral repast, selective music, etc. So, in total average funeral in Estonia would come to about 7-9 000 EEK.

Some in the profession think that in the business-like, market economy one can easily make profit at the expense of others' grief. Simple examples are at hand: regular wreath of carnation, flowers and some fir-tree branches, would cost about 400 EEK, though the single flower would hardly cost more then 10 crones. Well, the ribbon with deceased name would add up to the price! In short, as soon as the death rate is quite high in the country and usually funerals are pilled up with wreaths, one can say that the business is flourishing indeed.

IT'S DIFFERENT IN LATVIA

The undertakers are not very eager to dwell on their activities; thus **Toomas Daum**, an undertaker from Tallinn, was willingly telling *BC*'s correspondent about funeral services in Latvia and Lithuania and was quite reluctant on Estonian situation. He said in part, "There are about 1 mln people in Riga (in fact, 745 thousand, Editor's note) and 29 undertakers' offices; we have 400 thousand people in Tallinn and only 3 such offices". Company's turnover is a much-covered issue, but it is quite clear that the prices in Estonia are much lower than in the two other Baltic countries. All undertakers' offices are complaining over the lack of adequate regulations and laws. Toomas Daum said, "There is no law that regulates our activity in Estonia, hence we face constant difficulties". It has to be admitted that difficulties do not prevent high returns. **Maja Burlaka**, press-secretary of Estonian Ministry of the Interior, said to *BC* that 17 831 death cases were registered in 2004.

CREMATION PROCEDURE

Until 1993 there were no crematoriums in Estonia; the first crematorium was built in Tallinn. It has two furnaces, the first one was brought to Estonia in 1993, and the second one, the most ecologically clean furnace in the world, was placed in 1999. In 1997 another crematorium was built in Tartu. Thus, during about 10 years more than 23 000 people were cremated in Tallinn and Tartu.

A new kind of service was inaugurated in Tallinn crematorium in 1998: the ultimate funeral service could be pre-paid at present by all interested with price-level according to current price situation and the exchange rate. Such deals are valid for any time in future.

Presently, the cremation service costs about 2 500 — 3 700 EEK, plus the price of burial urn and other incurred procedural expenses.

PET'S FUNERAL

Everybody loves pets; cats and dogs are in almost all houses and apartments around the country. People take great care of them, but then comes a day of sorrow and we have to part with our little beloved creatures. Most people do not know what to do with the dead creature and often wrap the deceased pet in a dark cloth and throw it in a dustbin. The director of newly created crematorium for pets **Vjacheslav Coj** says that such practice should be terminated.

Presently, a special crematorium for pets is being elaborated and initial construction works have begun. Mr. Coj refused discussing prices for such peculiar funeral services, saying that it is too early to talk about it. Although competitors, the regular pets' cemeteries, are saying that the prices for future services would be extremely high. The worker of cemetery for pets **Tijna Truumaa** notices, "The price for a pet's funeral is presently about 150-300 EEK; small pets' funeral, such as a mouse or a parrot, are almost free of charge. But, as we know, a new crematorium would charge for everything, only transport fee would be around 1 thousand crones".

According to Mrs. Truumaa, pets' funeral is not in great demand in Estonia. She says, "There are only two cemeteries such as ours in the country — in Rakvere and Valga. I would not say that people use our services much, in average one service per day". •

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Revenues of Companies Providing IT-Services are Increasing

By Martynas Visockas and Vilma Lisauskaite
Prime Investment, Lithuania

Top-20 companies providing IT-services in the Baltics indicate a remarkable revenue growth compared to IT-services in 2004. *Prime Investment* provides a regular overview of IT-services in the Baltic market.

In our list revenues from IT services do not include any sales of hardware, resold software, office equipment or other products. Based on the methodology implemented by *Prime Investment*, value added is calculated as (EBIDTA + personnel cost).

Prime's TOP-20 Baltic IT service companies evidenced a significant growth of 24% in revenues comparing to 2004. However total revenues grew at a slower rate of 15.4%, which explains the fact why the share of IT services in total revenues rose from 37% in 2003 to 39% in 2004 according to the data presented by the majority of the largest Baltic IT companies. According to *IDC WW Black Book* (March 2005), IT spending grew by 16.5% in the Baltic States in 2004.

MicroLink Group sustained its leading positions and increased its revenue from IT services by 69% and total revenue by 20%. *Exigen Group* acquired *Dati Group* last year and thus occupied the 2nd place among the largest Baltic IT service providers, despite revenue decrease in 2004.

TOP-20 BALTIC IT SERVICES COMPANIES IN 2004, THOU EUR

	IT services revenues		Change in IT services rev.	Services as % of total rev.	Total revenue		Change in total rev.
	2004	2003	2004/2003	2004	2004	2003	2004/2003
1. MicroLink Group (Estonia/Latvia)[1]	30500	18040	69%	44%	70000	58200	20%
2. Exigen Group (Latvia)[2]	18164	19291	-6%	100%	18164	19291	-6%
3. Sonex Holding (Lithuania)[3]	10861	9268	17%	16%	66902	55317	21%
4. Informacines Technologijos Group (Lithuania)[4]	9947	6237	59%	87%	11474	7539	52%
5. Alna Group (Lithuania)[5]	7697	7623	1%	45%	17016	18946	-10%
6. IT Alise (Latvia)[6]	6315	5122	23%	79%	8040	6013	34%
7. Sintagma Group (Lithuania)[7]	2491	1998	25%	32%	7878	6632	19%
8. Tilde SIA (Latvia)	2367	2234	6%	100%	2367	2234	6%
9. Helmes (Estonia)[8]	2234	1879	19%	38%	5947	4596	29%
10. Webmedia (Estonia)	2084	1023	104%	90%	2314	1297	78%
11. New Vision Baltija Group (Lithuania)[9]	2027	1668	22%	25%	8225	8515	-3%
12. Blue Bridge (Lithuania)	2007	2201	-9%	10%	19811	16045	23%
13. Algoritmu sistemos (Lithuania)[10]	1981	1555	27%	97%	2052	1555	32%
14. Elsis Group (Lithuania)[11]	1739	n. a.	n. a.	13%	13707	11305	21%
15. Compservis (Lithuania)	1374	1335	3%	21%	6404	3956	62%
16. Prototechnika Group (Lithuania)[12]	1300	1036	25%	88%	1481	1354	9%
17. Baltic Amadeus (Lithuania)	1277	1006	27%	12%	10641	8387	27%
18. HNIT-Baltic Geoinfoservisas (Lithuania)	1183	1403	-16%	51%	2318	2273	2%
19. Edrana (Lithuania)	1056	808	31%	96%	1103	863	28%
20. Compservis atvirosios sistemos (Lithuania)	1055	1686	-37%	50%	2101	6603	-68%
Average	**-**	**-**	**24.0%**	**39%**	**-**	**-**	**15.4%**

Source: Prime Investment.

Consolidated companies:

[1] In 2003*: MicroLink AS, MicroLink Estonia AS, MicroLink Arvutid AS, Delfi AS, SIA MicroLink Latvia, SIA Baltijas Datoru Akademija, SIA Delfi, SIA SAF Tehnika, SIA MicroLink Datori, UAB MicroLink Lietuva (former MicroLink Data), UAB Baltic Computer Academy (former UAB MicroLink Netcoms), UAB Fortek IT, UAB Delfi*. In 2004*: MicroLink AS, MicroLink Estonia AS, SIA MicroLink Latvia, SIA Baltijas Datoru Akademija, SIA SAF Tehnika (Group's company till May, 2004), UAB MicroLink Lietuva, UAB Baltic Computer Academy, UAB Fortek IT.*

[2] *SIA Exigen Latvia, DATI Group.*

[3] *UAB Sonex Kompiuteriai, UAB Sonex Sistemos, UAB Sonex Identifikaciniai Duomenys, UAB Informaciniu technologiju techninis centras, UAB Ars Computandi, UAB Sonex Lizingas, SIA Sonex Riga, SIA Softex Latvija, Sonex Computers AS, ZAO Sonex, ZAO Xorex-Service* (both Byelorussia).

[4] *UAB Informacines Technologijos, SIA Mebius IT, UAB Mebius IT Vilnius.*

[5] *AB Alna, UAB Alna Business Solutions, UAB Alna Software, UAB Alnos infrastrukturos sprendimai, UAB Alnos mokymo centras, UAB Alna Intelligence, UAB Tesauras, UAB DocLogix.*

[6] In 2003*: SIA IT Alise*. In 2004*: SIA IT Alise, IT Alise Estonia AS, SIA EProtect.*

[7] *UAB Sintagma, UAB Sintagma technika.*

[8] In 2003*: Helmes AS, MarkIT.ee AS*. In 2004*: Helmes AS (MarkIT.ee AS* was sold in 2004*).*

[9] *UAB New Vision Baltija, SIA New Vision, New Vision AS.*

[10] *UAB Algoritmu sistemos, UAB Infoterra.*

[11] *UAB Elsis, UAB Elsis-Biuro sistemos, UAB Elsis-TS, UAB Elsis-Verslo sprendimai, UAB Elsis GP, UAB Elsis Pro, UAB Elsis LAT, UAB Elsis Kaliningrad, UAB Elsis SPB.*

[12] *UAB Prototechnika, UAB Prototechnikos iranga, UAB Prototechnikos kompiuteriai, UAB Apskaitos sistemos, UAB Apskaitos iranga.*

Informacines Technologijos Group, which entered Estonian market last year, realized a substantial growth of 59% and surpassed *Alna Group* in terms of IT services sales. Another very notable progress was demonstrated by *Webmedia*, which doubled its revenue from IT services, increased average number of employees from 30 to 47 (currently employs ~80) and occupied the 2nd place in the rankings of companies' working efficiency (counted as value added per employee).

Although the level of revenue grew last year, the companies added 25% less value per employee than in 2003 due to fierce competition. Unfortunately, we have not been able to obtain data for some companies, which might have been placed well in the rankings and would have improved the average numbers. *Helmes* sustained its 1st position in value added per employee rankings (EUR 172 per working day) despite a decrease of this figure by 14%.

The largest total value added was created by *Exigen Group* (EUR 13.9 million) which left behind *MicroLink Group* whose value added decreased by 37% last year. The combined value added of these two companies was higher than the total value added of all the other companies in the list taken together. •

BALTIC STATES TO BE A DRIVING GROWTH

According to the forecasts of *EITO* (European Information Technology Observatory) IT market with planned 9.2% growth in 2005 in Lithuania, Latvia and Estonia will be the second fastest growing IT market in the EU after Poland (10.1%).

EITO also states that in 2005 IT market in Lithuania will grow faster than in its neighbouring countries. IT market growth is expected to reach 11% in Lithuania, 9.3% in Estonia and 6.3% in Latvia. Lithuanian and Estonian IT markets grew by 9.1% last year reaching EUR 1 053 mlrd and EUR 767 mlrd respectively, while in Latvia it grew by 8.9% to EUR 839 mlrd.

EITO concludes that the growth of IT market in the Baltic Countries is mainly driven by increasing sales of computers and customized software solutions as well as sales of peripheral equipment to local computer networks. Fixed line telecommunications services are the slowest growing segment of IT market today and its providers are clearly losing their market positions to mobile operators.

ALNA AIMS AT ACQUIRING THE LEADING POSITION IN THE BALTIC ERP MARKET

Business management system and consulting company *Alna Business Solutions* acquired 80% of shares in Estonian IT company *PerSimplex*, which specializes in the development of IT strategy, ERP (enterprise resource planning) consulting, development of software solutions, and development and maintenance of outsourced IT applications and infrastructure. This acquisition allows *Alna Business Solutions* to increase the number of ERP specialists from 80 to 110.

According to **Tomas Milaknis**, the CEO of *Alna Business Solutions*, it is a natural step towards the company's strategic goal to become the leader in ERP implementation in the Baltics.

Alna Intelligence, another company of *Alna Group*, took over Latvian IT service company *Unitree*, which will preserve its current activities and top management.

MG BALTIC SELLS TETRANETA TO SONEX HOLDING

At the end of 2004, *Sonex Holding* took over *Tetraneta*, which was an in-house IT management and programming solution provider for *MG Baltic*, one of the largest holding companies in Lithuania. It is expected that new deal will help *MG Baltic* reduce IT management costs, while *Sonex Holding* will strengthen its positions in business management solutions, specialized programming works and IT management fields.

BALTIC IT COMPANIES BY VALUE ADDED IN 2004, THOU EUR

	Value added per employee		Change	Value added		Change	Average number of employees	
	2004	2003	2004/2003	2004	2003	2004/2003	2004	2003
Helmes (Estonia)[8]	43.0	49.8	-14%	1935	2491	-22%	45	50
Webmedia (Estonia)	33.3	23.6	41%	1566	709	121%	47	30
HNIT-Baltic Geoinfoservisas (Lithuania)	32.4	30.7	6%	1296	1104	17%	40	36
Baltic Software Solutions (Lithuania)	24.9	n. a.	n. a.	398	n. a.	n. a.	16	13
Tilde SIA (Latvia)	24.9	20.4	22%	1244	919	35%	50	45
BCS Itera (Estonia)	23.9	11.8	103%	311	283	10%	13	24
MicroLink Group (Estonia/Latvia)[1]	23.0	31.0	-26%	13330	21000	-37%	580	677
Compservis (Lithuania)	22.6	28.6	-21%	1083	1344	-19%	48	47
IT Alise (Latvia)[6]	22.1	21.1	5%	3870	3105	25%	175	147
Sintagma Group (Lithuania)[7]	21.1	17.7	20%	2665	1944	37%	126	110
Exigen Group (Latvia)[2]	20.4	20.4	0%	13852	13251	5%	680	650
Elsis Group (Lithuania)[11]	15.0	5.6	167%	3522	1710	106%	235	305
Alna Group (Lithuania)[5]	12.5	21.7	-42%	3701	5445	-32%	296	251
NRD (Lithuania)	11.8	10.3	14%	353	289	22%	30	28
Compservis atvirosios sistemos (Lithuania)	8.5	124.5	-93%	85	1120	-92%	10	9
Edrana (Lithuania)	6.3	10.1	-37%	393	516	-24%	62	51
Prototechnika Group (Lithuania)	3.0	2.7	10%	239	206	16%	80	76
New Vision Baltija Group (Lithuania)[12]	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	123	110
Baltic Amadeus (Lithuania)[9]	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	120	110
Blue Bridge (Lithuania)	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	88	66
Algoritmu sistemos (Lithuania)[10]	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	60	55
Average	**20.2**	**26.9**	**-24.7%**	**-**	**-**	**-10.8%**	**-**	**-**
Average per working day, EUR	**80.9**	**107.5**						

Source: Prime Investment.

Nice Treaty — Present Union's Legal Background

By Eugene Eteris
European Integration Institute, Denmark

Rejection of the EU draft Constitution by France and Holland in June 2005 jeopardized the main legal background of the Union's development. While general opinion of EU member states' governments was to put the Constitutional draft on ice, a lot of arguments have been produced as to the presently valid basic law of the European Union. No doubt, the latest Nice Treaty provides such "constitutional basis" for cooperation and integration of the member states for the feasible future, until a new legal document could be agreed upon by the Union members.

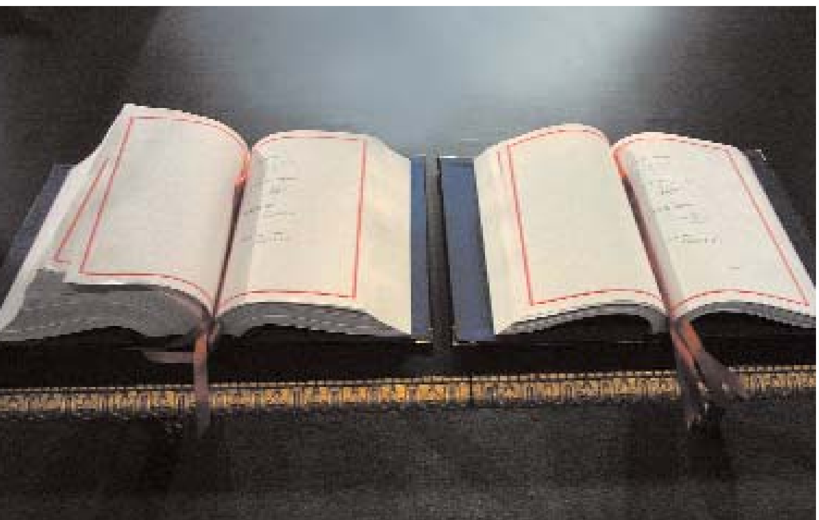
The European Union, as well as its predecessor European Economic Community, has been governed by mutually agreed documents called treaties. During Union's more than half a century existence, there were several such treaties; by the way, rejected draft's official title is "Treaty Establishing Constitution for Europe". The Maastricht Treaty on European Union (TEU) was enforced in November 1993 and Amsterdam Treaty, in May 1999, the latest treaty was that signed in Nice in February 2001 and enforced in February 2003.

Nice summit took place on December 7-10, 2000 with the aim of introducing changes in cooperation efforts of member states considering the Union's new enlargement up to 25 members. It was important for the "Union of 15" to create common rules for European integration with the "Union of 25". Preparations for Nice summit started at another intergovernmental conference in February 2000 where preliminary agreements have been reached concerning decision making procedures in the enlarged Union, as well as a decision to adopt The Charter of Fundamental Rights of the Union. For the first time in Union's history the member states had a conclusive and binding document reflecting modern approaches to human rights' protection, such as: Human dignity is inviolable. It must be protected. No one shall be subjected to torture or to inhuman or degrading treatment or punishment.

Disagreements among member states concerning various issues did not allow for a final document to be signed at the summit; the ceremony was postponed until February 26, 2001. Then followed an unexpectedly long ratification procedure in all 15 states which took about two years and ended in February 2003, when at last Nice Treaty entered into force.

INSTITUTIONAL CHANGES

Nice Treaty made several changes to existing treaties; the most important ones are mentioned below:



First of all, the *European Parliament* member ship should be increased to reflect increased membership. After extensive discussions the ultimate number of EP members was increased from 626 to 732. These figures included 50 "potential" MEPs from Rumania (33) and Bulgaria (17). Until they have not joined the Union, their places would be distributed among existing 25 members. Final account when all 27 members were present would be the following: the largest number of MEPs is from Germany -99; Great Britain, France and Italy -72 each; Spain and Poland -50 each. The Baltic States would be represented by 6 MEPs from Estonia, 8 from Latvia and 12 from Lithuania.

Secondly, changes in the voting system within the *Union's Council of Ministers*. The Council is the most important decision-making institution in the EU. Council's membership includes EU sectoral ministers who, depending on the issue at stake, make decisions either by majority or qualified majority voting (QMV). In the former case each state has one vote; in the latter one, each state has a "weighted" vote. Thus, four big states: Germany, United Kingdom, France and Italy have 29 votes each; Spain and Poland — 27 each, etc.; Estonia, Latvia and Lithuania have 4 weighted votes each. Total number of votes in QMV procedure is fixed at 345 with 258 votes necessary for QMV to take effect. The QMV procedure includes 24 weighted votes for Rumania and Bulgaria, i.e. the situation when the number of the EU members would reach 27.

Other novices were that Council majority was needed when the legal draft came from the Commission, and two-thirds of votes in all other cases. In QMV procedure majority will constitute at least 62 per cent of Union's cumulative population.

Nice Treaty increased the number of integration policy issues by 30 that could be decided by QMV procedure. At the same time, decisions concerning taxation issues and social policy still need unanimous approval.

Thirdly, the number of Commissioners in the *European Commission* was increased to 25, i.e. one commissioner from each member state. With the next EU enlargement to 27 members the Treaty arrangement concerning Commission structure would change again according to certain rotation principles to be approved by the Council later on. Decision on Commission membership would be taken by the Council by unanimous voting procedure.

Fourthly, the changes occurred in the composition of the *EU Court of Justice* (CoJ) and the *Court of First Instance* (CFI) represented by each of the new member sates, i.e. 25 representatives in each Court. Besides, the CFI's competence was enlarged and the CoJ Statute was adopted containing all the important issues for the two courts' internal activities.

ENHANCED COOPERATION

The Treaty has envisaged a possibility for member states to establish an enhanced cooperation between themselves in one of the EU policy cooperation areas. Minimum 8 countries will be involved; they will address a request to the Commission, specifying the scope and objectives of such proposed cooperation. The Council takes a final decision (in unanimous voting) after obtaining consent from the European Parliament.

Nice Treaty has made changes in about 40 articles in the previous treaties, i.e. in 16 TEU articles and in about 35 EEC articles; all these declarations and statements were included into the Treaty's supplement. The Treaty has elaborated a concerted plan to prepare Union's Draft Constitution by the European Convent for further ratification. •

European Economic Area: Concerted Assistance to Central and Eastern Europe

By Eugene Eteris
Special report from Copenhagen

The new EU member states, in particular, those in the Baltics have already seen some practical outcomes from the first assistance from the EU structural funds. The general feelings are mixed, some are positive, some are not. Most common reaction is that available funds are not enough. So, three other European states — Iceland, Norway and Lichtenstein joined the EU states in concerted efforts (so called European Economic Area — EEA) to provide new opportunities and new areas for cooperation.

.Presently 28 states in the world's most integrated regional market with some 470 million citizens try to make a difference. Recent conference in Foreign Office of Danish Trade Council shed some light on extended EEA cooperation efforts.

STRUCTURAL FUNDS ARE STILL VALID

Anne Steffensen, chef for export and international issues at Danish Trade Council (DTC), opening the conference, specifically mentioned that EU experience gained in the Nordic states during the last half a century could be used in the Baltic States if the Union is going to be most competitive region in the world.

Danish permanent representative in the EU **Christina Pind** underlined the basic features concerning the EU structural funds activity in 2004-2006 (we already published some information on these funds in *BC* last year). The purpose of major structural funds is to provide cohesion, i.e. to eradicate differences in the regional development of the Union. Total EU funds of about 21,8 billion euro are distributed among the Baltic States in the following way (in mln.euro): Lithuania — 1 366, Latvia — 1 036 and Estonia — 618. For example in Latvia, the following major sectoral priorities emerged (in %): infrastructure — 32,5; entrepreneurship — 25; human resources — 21,2; rural areas — 14,6; fisheries — 4 and technical assistance — 3. In this regard, regional strategies should be followed, and it is fully national responsibility (Brussels does not interfere!). Another novice — applications are to be written in national languages, not any more solely in English.

THE EEA'S FINANCIAL MECHANISM

Through this mechanism Iceland, Lichtenstein and Norway provide 600 million euros for projects in 13 EEA member states. Additionally, Norway has made 567 million euros available to projects in the 10 new EU member states through Norwegian Financial mechanism, making about 1,2 billion euros for priority sectors during the period 2004-09.

According to EEA grants (www.eeagrants.org) break-down of allocations for the Baltic States is the following (in '000 euros):

- Lithuania 67 257
- Latvia 54 769
- Estonia 760

The major recipient countries are Poland (559 mln euros, or about 47% of available resources), Hungary (135 mln, or 11%) and Czech Republic (111 mln, or 10%). **Kurt Haugen**, Senior Financial Controller in Financial Mechanism Office in Brussels underlined priority areas for project proposals: environmental protection, sustainable development, European cultural heritage conservation, development of human resources, health and childcare. Norwegian financial mechanism can provide funding for three additional spheres: implementation of legislation in the field of security, border control and strengthening of the judiciary; regional policy and cross-border activities; technical assistance in EU legislation implementation.

NEW PARTNERSHIP FOR COHESION

Each beneficiary state signs a Memorandum of Understanding (MoU) for EEA and Norwegian Financial mechanism. The MoU contains a framework agreement, managerial set-up, specification of priority areas and specification of forms of grant support.

The Czech Republic was the first beneficiary state with a suggested 10,7 mln euros for individual projects already in May this year. Slovenia was the second state with a call worth of 14,1 mln euros. The Financial Mechanism Committee (Iceland, Lichtenstein, Norway) makes decisions for the EEA financial mechanism; Norwegian Ministry of Foreign Affairs makes decisions concerning Norwegian financial mechanism.

Applicants send applications to national focal point which reviews them and in a positive case forwards to Financial Mechanism Office in Brussels — FMO (with screening by the EU), gives reasoned recommendation followed by signing a grant agreement.

Individual projects are normally of 250 000 euros; all applicants must be registered as legal entities, in the relevant beneficiary states as private or public entities. Contributions in general may not exceed 60% of project costs. In case they are co-financed by governments, allocations may increase up to 85% of the project costs. The web site: www.europaportalen.no, and FMO e-mail: fmo@efta.int. •

Financial Integration into the EU and Free Movement of Capital

By Eugene Eteris

Starting with this issue *BC* publishes a series of articles on the EU financial markets and financial integration, the theme of a great interest to our readers. As soon as the theme itself is rather complicated and stretching across several interrelated subjects, we decided to concentrate on some issues that are most interesting and important for our magazine's CEO and management readers. These are the following issues: a) general aspects of the Union's financial integration and freedom of payments; b) integration in the EU banking and insurance sectors; c) bourses, exchanges and financial services; d) the EU financial regulatory framework and control. Almost identical material is to be published in *BC* Russian language issues, although with certain alterations.

Almost five years have elapsed since the first concentrated efforts- rather successful generally- have been taken in order to create single/internal financial market in line with other EU basic freedoms. EMU and common currency have been installed; the latter was adopted by almost half of the present 25 member states. But true and genuine financial freedom is still far from being achieved and incorporated in the Union's economic market; most of its ingredients are still in the hands of national financial institutions and governmental regulations.

Free movement of capital has been among the four basic "construction blocks" on which the whole structure of the EU internal market rests. Some parts of financial markets are fragmented and have a long history of state involvement, some are almost totally integrated and nearly rival those in the US in size and liquidity. On the equity side integration is less complete.

Financial market regulation started, in fact, at the time of the Communities founding Treaties signed in 1957 in Rome with the first efforts in banking legislation harmonization in 1970s and securities market in 1980s. Financial infrastructure and payment systems were under regulation since 1990s.

Financial integration has become the key issue in raising competitiveness and growth in the Union, in broadening and deepening regional economic consolidation. This integration has advanced strongly in the last quarter of a century, mainly due to internal market forces, technological progress and introduction of common currency — euro.

Most advanced, so far, financial integration (FI) has been in the European debt market and in the wholesale trade for short-term debt instruments. Much slower was the FI progress in the retail banking sector. SMS companies and households are still very modest users of cross-border financial services. The same is true for payments by transfers, clearing of securities and settlements.

FINANCIAL INTEGRATION DEVELOPMENT IN THE EU: GENERAL OVERVIEW

There are, generally, four main parts of any national or international financial system: accumulation of savings, spreading of risks (concerning investments), allocation of financial resources and corporate governance (security markets).

The EU financial integration history follows major steps in economic integration and internal market through Union's almost 50-years of development

As it is clearly seen, liberalization in the financial sector is lagging behind other European Union integration spheres, i.e. goods, people and services. In the initial founding EEC Treaty in 1960s there had been very vague ideas as to "financial freedoms", besides a general confirmation that "all restrictions on payments between member states... will be prohibited", although within the framework of Chapter 4 "Capital and payments" provisions (and most of them contained various "relaxations" to uphold such restrictions).

IMPORTANT LANDMARK

One of the most decisive instruments in regulating EU financial integration is Financial Services Action Plan (FSAP) adopted in 1999. The Plan is remarkable in several aspects, e.g. it is a planning instrument covering a 5-years development; it provides common legal criteria for financial market, payments, investments and control over credit institutions.

FSAP of 1999 is universally regarded as a catalyst instrument for the Union's financial integration; with the only disadvantage that it was adopted more than four decades after the initial common market integration efforts. Important to mention that about 80 per cent of the recommendations in the plan (about 36 out of total 42) have been approved by both the main EU institutions and the member states. But FSAP implementation at the level of member states is far from being optimal and is not yet completed. More or less complete integration has occurred only in euro money market deposits, having common reference rates, i.e. Eonia and Euribor.

For example, Eonia and Euribor as short term money market reference rates are calculated on the basis of 48 EU banks (at least one, usually 2-3, banks from each euro-area state; one from each non-euro, old EU member states; and one from four major international banks are taking part in assessments).

The EU regulation on European "supranational" company (*Societas Europaen*), effective from October 2004, can facilitate both cross-border payments and financial integration in the EU.

The EU adopted some other regulatory measures which were included in the FSAP:

• Joint EU Parliament and the Council Directive of May 19, 1998 (COM 98/26/EC) on settlement finality in payment and securities settlement systems.

• EU Parliament and the Council Directive of May 28, 2001 (COM 2001/34/EC) — so-called Prospectus Directive — on the admission of securities to official stock exchange listing and on information to be published on those securities. It entered into force in December 2003. This joint directive combined three previously issued directives on stock exchanges in 1979, 1980 and 1982.

• EU Parliament and the Council Directive (COM 2002/47/EC) of June 6, 2002 on financial collateral arrangements.

• EU Parliament and the Council Directive of January 28, 2003 (COM 2003/6/EC) — so-called market abuse directive — on insider dealing and market manipulation.

• Joint EU Parliament and the Council Directive (COM 2003/71/EC) of November 1, 2003, which amended Directive 2001/34/EC on the prospectus (offering and listing securities) to be published when securities are offered to the public and admitted to trading.

• So-called Investment Service Directive: Joint EU Parliament and the Council Directive of April 21, 2004 (COM 2004/39/EC) on market and financial instruments.

The latter directive which will enter into force in 2006 aims at offering market participants wider opportunities to choose the appropriate market in the EU member states for clearing and settlements.

It is interesting that financial services were not covered by the services directive proposed in spring 2005. Thus, the country of origin principle in the directive draft would not apply to a subsidiary or a permanent branch; therefore for example, the UK-incorporated subsidiary of a German parent company will continue to be subject to the UK law. The country of origin principle will apply only to services provided on a temporary cross-boarder basis from one EU member state to another. For example, this can happen when a French company sends IT specialists from France to the UK. And it does not give any rights to the US or Japanese companies, as directive applies only to the EU nationals. ECFSAP already in 1999 incorporated in general the principles of home state control and country of origin control in relation to financial institutions as soon as they have national banking authorizations.

Notes: The articles in this series are based on various foreign financial publications (including *Financial Times* in December 2004 — July 2005), European Central Bank reports and papers (published in 2001-2004), the EU institutions' directives and the Bank of Finland's financial integration study (A: 108, published in 2004).

The following EU Commission communication reports were taken into account:

• European Commission (2003). Working paper — SEC (2003), 628. ***Tracking EU financial integration.***

• European Central bank (2004). General documentation on Eurosystem monetary policy instruments and proceedings. ***Implementation of monetary policy in the euro area.*** Frankfurt.

• EU Commission (2004). ***Financial services action plan: progress and prospects***. Expert group on banking. Final report. May, 2004.

EU Commission (2004). ***Financial services action plan: progress and prospects.*** Expert group on insurance and pensions.

• The Giovannini Group (2003). Second Report on ***EU clearing and settlement arrangements***. Brussels, 2003.

• EU Commission (2004). Communication from the Commission to the Council and the European Parliament: ***Clearing and settlement in the EU — the way forward***. COM (2004), 312. •

(to be continued)

FINANCIAL INTEGRATION OF THE EUROPEAN UNION THROUGHOUT HISTORY

1957	Treaty on European Economic Community and Customs Union provisions.
1969	First Council decision to create Economic and Monetary Union-EMU
1977	Launch of European Monetary System — EMS (with subsequent stages)
1988	Deregulation of capital movements among EMS states
1989	Second Banking Directive
1992	Maastricht Decision on the final EMU's plan. Single license principle
1993	Directive on Investment Services
1999	Introduction of Euro and creation of European Central Bank. Council's Financial Services Action Plan (FSAP) and Target-payment system
2002	Common euro banknotes and coins in 12 euro-zone states.
2003	New legal framework for payments in Internal Market
2004	Integrated EU clearing and settlement infrastructure
2005	Adopted additional FSAP measures

IMPORTANT ABBREVIATIONS OF TERMS (USED IN THIS SERIES OF ARTICLES)

IBAN	International Bank Account Number
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TARGET	Trans-European Automatic Real-time Gross-settlement Express Transfer System
Eonia	Euro overnight index average
Euribor	Euro Interbank offered rate
SEPA	Single Euro Payment Area
Repo	Repurchase agreement

Challenges to Financial Liberalization

By Eugene Eteris

Unstable political situation after EU Council's "crisis summit" in June 2005 has revealed a trend to turning off the integration tide in Europe and consequential rejection of free-market economic reforms in the continent. But although Europe's growth prospects and long-term cohesion seem dim, financial liberalization goes on. Internal financial "integration logic" forces the market to develop, though with an ultimate threat to aims of financial liberalization and consumers of financial services.

Bourses and stock exchanges (SE) in Scandinavia, including the three Baltic States, have entered a period of intensive consolidation. Presently *OMX Exchange* (*OMXE*) owns and administers SE in 6 capitals of North European countries -Copenhagen, Stockholm, Helsinki and the three Baltic States: Tallinn, Riga and Vilnius. Denmark, the last one in the row, joined *OMXE* in February 2005. These consolidation efforts have led to creation of the largest SE in Northern Europe with about 632 billion euros in shares' turnover, though a small fraction on financial transactions in shares and stocks in Europe (See Table 1). Only Norway and Island are not members of the *OMXE*.

MERGER TRENDS

OMXE's Finnish boss **Jukka Ruuska** is looking forward to include in *OMXE*'s enlarging system SE in Oslo and Ireland. The latter with its 36 bill euro turnover is apparently ready for any prospective merger.

Mergers and acquisitions both in banking and SE have been actively developing in Europe, presenting growing threat to financial liberalization. Thus Euronext with the second largest turnover in Europe (about 2 thou bill euros last year) has already shown its interest in acquiring *London SE*, the biggest in Europe; London in its turn could make an effort to take over *OMXE*. Recent big scandal over *Deutsche Bourse*'s intention to acquire *LSE* has just proved that mergers would go on. In fact, there is nothing unusual in that, as *OMXE* and other exchanges on the continent are public entities which, in their turn, are listed on European stock exchanges.

And not only European exchanges have a tendency for mergers; the European banks have it as well. Thus among European banks (see table 2) both large and small are active in the process (see table 3).

Very strong competition in banking sector and efficiency requirements provides a drive for present mergers. The pace was already symptomatic in 2004 and will most likely proceed in the future.

It has to be mentioned that *Euronext*'s offer for *LSE* is awaiting a merger decision by the UK Competition Commission in mid-September 2005, and it was "well received" by all parties.

OMXE STRUCTURE

Sole largest share holder in *OMXE* is Wallenberg's-clan investment fund ***Investor*** which has about 11% of bourse's share capital, followed by Swedish and Finish governments; in contrast to Danish investors that acquired only about 2,3% of *OMXE* shares. Experts say that there is no danger that local brokers and traders would leave local market for regional and international ones. Jukka Ruuska means that European brokerage systems are becoming more and more universal using common rules. For example, *OMX* trading system SAXES is becoming common to traders in Norway, Island and Farer Islands. This provides a greater opportunity for larger mergers in the future in order to attract more investors.

JUKKA RUUSKA: President of OMX Exchanges.

CONCLUSION

Present rather restricted cross-border payment efforts in the EU member states together with strong actions in bourses' consolidation do not allow for adequate customers' protection. One-third of major banks revenues presently stem from customers' fees. No doubt, "enlarged bourses" can make big entries possible for firms and companies (so-called, blue chip entries), providing closer ties with customers; the only question is whether the services would be cheaper and better? •

1. MAIN SE TURNOVER IN EUROPE, BLN EUR, 2004

Irish SE	36
Oslo Bourse	108
OMX Exchange	632
SWX/Virt-x	633
Borsa Italian	733
Spanish Exchanges	963
Deutsche Bourse	1.238
Euronext	1.987
London SE	4.151

Source: OMX Exchanges.

2. EUROPEAN LARGEST BANKS ASSETS, BLN EUR, 2004

HSBC	146,2
Royal Bank of Scotland	78,3
UBS	72,4
Grupo Santander	59,0
Barclays	51,2
BNP Paribas	50,0
HBOS	48,5
BBVA	43,3
Unicredito/HVB	41,0
Credit Suisse	39,3

Source: ECB Information Materials, 2005.

3. LARGEST BANK MERGERS IN EUROPE, BLN EUR, 2004

Unicredito-HypoVereinsbank (HVB)	19,50
Abbey National — BSCH	13,85
Credit Commercial — HSBC	8,85
HypoVereinsbank-Bank Austria	8,15
Nordbanken — Merita	3,86
Unibank — Nordic Baltic	3,78
Christiania Bank-Merita Nordbanken	2,84
SG Warburg-Schweizerischer Bank	2,61
Hansabank — Swedbank	1,83
Danske Bank — National Europe	1,54

Source: Boursen, Denmark, 14 June, 2005.

GROSS DOMESTIC PRODUCT

	Latvia	Lithuania	Estonia
GDP at current prices, mln EUR			
2002	9759	14927	7469
2003	9802	16271	8042
2004	10968	17927	8893
GDP at constant prices, %			
2002	106.4	106.8	107.2
2003	107.5	109.7	105.1
2004	108.5	106.7	106.2
GDP per capita, EUR			
2002	4174	4303	5498
2003	4216	4711	5942
2004	4742	5218	6592

Source: The Latvian Central Statistics Office.

WAGES, EUR

	Latvia	Lithuania	Estonia
Monthly average, Q1 2005			
Gross wage	323.0	368.0	475.0
% to Q1 2004	116.4	110.8	110.1
Min. wage, April 2005	114.0	145.0	172.0
% to April 2004	100.0	111.1	108.5
Old-age pension, monthly average, Q1 2005	113.0	114.0	147.0
% to Q1 2004 %	115.0	114.3	111.1

Source: The Latvian Central Statistics Office.

FOREIGN TRADE, Q1 2005, MLN EUR

	Latvia	Lithuania	Estonia
Export (FOB):			
total	888	1960	1363
to EU-25	693	1391	1070
% of total	78	71	79
Import (CIF):			
total	1417	2401	1750
from EU-25	1008	1415	1304
% of total	71	59	75
Balance of foreign trade	-529	-441	-387

Source: The Latvian Central Statistics Office.

FOREIGN DIRECT INVESTMENTS

At the end of quarter	Latvia	Lithuania	Estonia
FDI, stock, total, mln EUR			
Q4 2004	3298	4690	6987
Q4 2003	2634	3968	5164
Per capita EUR			
Q4 2004	1430	1369	5171
Q4 2003	1142	1151	3308
FDI, flows, mln EUR			
Q4 2004	118	129	243
Q4 2003	59	97	121
% of GDP			
Q4 2004	3.9	2.7	10.6
Q4 2003	2.2	2.2	6.0

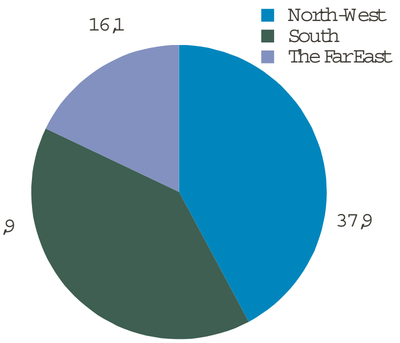
Source: The Latvian Central Statistics Office.

TURNOVER OF GOODS CARRIED BY RAIL TRANSP. IN THE BALTIC STATES, MLN T

	2004	2005	2005/2004, %
	January — May		
Latvijas dzelzcels	21.9	22.9	104.7
Lietuvos gelezinkeliai	18.4	19.2	104.3
Eesti Raudtee*	10.6	15.6	147.3

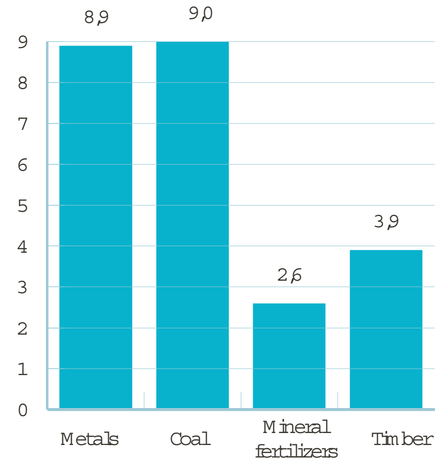
*Source : RZD-Partner, LDz. (*January — April)*

TRANS-SHIPMENT OF CARGO BY RUSSIA'S WATER WAYS, Q1 2005, MLN T



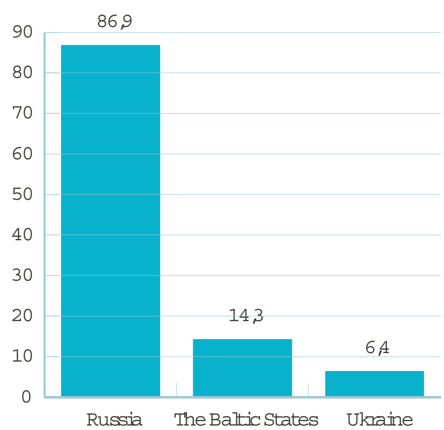
Source: Sea Shipping of Russia.

TRANS-SHIPMENT OF THE MAIN EXPORT GOODS THROUGH RUSSIA'S SEA PORTS, Q1 2005, MLN T



Source: Sea Shipping of Russia.

FOREIGN TRADE GOODS CARRIED THROUGH SEA PORTS OF RUSSIA, THE BALTIC STATES, UKRAINE, Q1 2005, MLN T



Source: Sea Shipping of Russia.

AVERAGE PRICES FOR GOODS AND SERVICES, EUR PER KG

	Latvia			Lithuania			Estonia		
	April 2004	July 2004	April 2005	April 2004	July 2004	April 2005	April 2004	July 2004	April 2005
Beef	2.45	2.51	2.67	2.20	2.92	3.04	2.58	2.52	2.83
Pork	2.57	2.60	2.56	2.43	2.83	2.38	3.21	3.13	3.18
Chicken	1.98	1.92	1.91	1.58	1.80	1.62	2.39	2.39	2.32
Sausage boiled	2.66	2.61	2.52	2.46	2.63	2.59	2.43	2.56	2.65
Butter	2.92	3.00	3.32	3.40	3.49	4.53	3.36	3.58	3.95
Milk, 2,5% of fat, 1l	0.46	0.47	0.47	0.47	0.47	0.52	0.45	0.44	0.44
Eggs, 10 pcs	0.93	0.90	0.85	0.76	0.64	0.78	0.91	0.88	0.84
Rye bread	0.67	0.68	0.68	0.62	0.66	0.65	0.80	0.81	0.82
Rolls of high grade wheat-flour	0.82	0.84	0.83	0.81	0.85	0.85	0.91	0.93	0.91
Sugar	1.00	0.99	0.94	0.94	0.98	0.89	0.46	1.03	0.99
Potatoes	0.21	0.27	0.26	0.19	0.41	0.24	0.34	0.51	0.35
Vodka 40% alc. vol., 1l	7.98	7.75	7.29	6.96	6.97	7.20	8.36	8.34	8.82
Petrol A-95, 1l	0.64	0.69	0.77	0.73	0.78	0.81	0.62	0.69	0.76
Electricity, per 100 kWh	6.85	6.76	6.40	8.40	8.40	8.98	7.00	7.00	7.86

Source: The Latvian Central Statistics Office.

THE COST OF SEVERAL GOODS AND SERVICES IN DIFFERENT CITIES OF THE WORLD IN 2005, EUR

Goods or services	London	Paris	New York	Tokyo	Riga
Monthly rent of a first-class two-bedroom apartment (without furniture)	2472	1900	2904	3469	1000
A one-way ticket on a bus or metro	2.91	1.40	1.66	1.95	н. д.
International daily newspaper	1.45	1.70	1.39	3.49	3.44
Music CD	18.86	23.50	16.55	18.21	25.09
A cup of coffee, including tips	2.60	2.20	2.74	3.04	3.05
Lunch at a fast-food restaurant, including hamburger	6.38	5.90	4.77	4.77	2.55

Source: Mercer Human Resource Consulting.

THE MOST EXPENSIVE FOR LIVING CITIES OF THE WORLD

Position		City, country	Index (New-York = 100)	
2005	2004		2005	2004
1	1	Tokyo, Japan	134.7	130.7
2	4	Osaka, Japan	121.8	116.1
3	2	London, Great Britain	120.3	119.0
4	3	Russia, Moscow	119.0	117.4
5	7	Seoul, South Korea	115.4	104.1

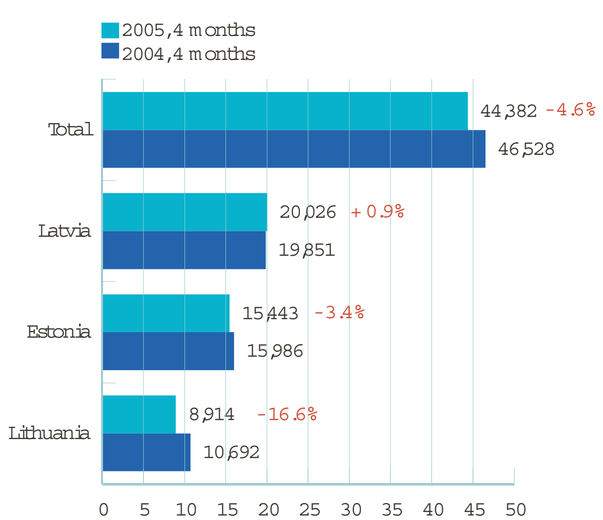
Source: Mercer Human Resource Consulting.

THE SALARY YOU RECEIVE IS:

The answer	%
Official	44
Partly-official	23
Non-official	10
I do not work	13
I do not understand the question	9

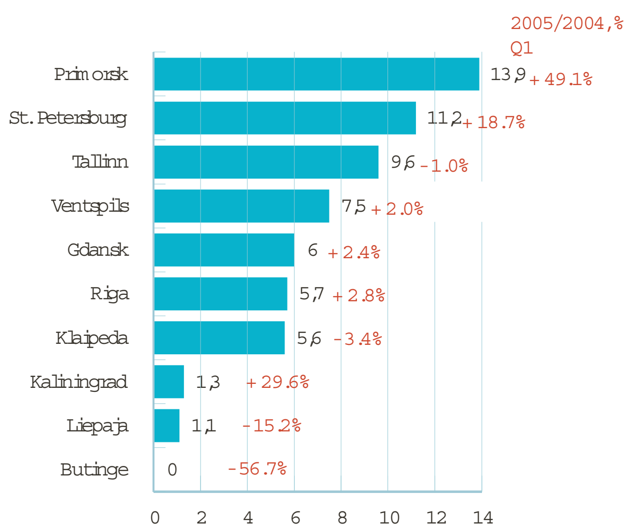
Source: DELFI. Survey made in Latvia July 13. Number of participants — 3466.

CARGO TURNOVER IN THE BALTIC PORTS, MLN T



Source: RZD-Partner.

TURNOVER OF GOODS IN THE EASTERN COST PORTS OF THE BALTIC SEA, MLN T



Source: LETA, Association of Sea Ports of Russia.

International Exhibitions and Conferences in 2005
in which BC is planning to participate

Name		Place	Date
RIGA FOOD 2005	E	Riga, Latvia	08.09 — 11.09
6 Baltic Sea Region Communication Forum	F	Riga, Latvia	12.09 — 13.09
CIS OFFSHORE	E, C	St. Petersburg, Russia	13.09 — 15.09
AutoTrans 2005	E	Moscow, Russia	13.09 — 16.09
HUSUMWIND — The leading international wind energy industry trade fair	E, C	Husum, Germany	20.09 — 24.09
Transit — TransKazakhstan 2005	E	Astana, Kazakhstan	21.09 — 23.09
13th BALTIC VALUATION CONFERENCE 2005	C	Tallinn, Estonia	22.09 — 24.09
NEVA — International Shipbuilding Exhibition and Conference	E, C	St. Petersburg, Russia	26.09 — 29.09
EXPOGAS ST. PETERSBURG 2005	E	St. Petersburg, Russia	26.09 — 29.09
TRANSTEC NEVA 2005 — International Transport Exhibition	E	St. Petersburg, Russia	26.09 — 29.09
INFOCOM 2005 — Infocommunications	E	Moscow, Russia	28.09 — 01.10
TransUkraine 2005	E	Odessa, Ukraine	29.09 — 02.10
EXPO REAL — International Commercial Property Exposition	E	Munich, Germany	04.10 — 06.10
BELARUSENERGIA, BELARUSECOLOGIA, BELARUSCONTROLA	E, C	Minsk, Belarus	04.10 — 07.10
KIOGE — Kazakhstan International Oil & Gas Exhibition & Conference	E, C	Almaty, Kazakhstan	04.10 — 07.10
TRANSPORT + LOGISTICS	E	Kiev, Ukraine	04.10 — 07.10
REAL ESTATE	E	Helsinki, Finland	05.10 — 07.10
European Rail Forum	F	Brussel, Belgium	05.10 — 07.10
CITY. REAL ESTATE. INVESTMENT 2005	E	VILNIUS, LITHUANIA	06.10 — 08.10
POWER & ENERGY 2005	E	Kiev, Ukraine	08.11 — 11.11
INFORMATION TECHNOLOGIES AND COMMUNICATION	E	Kiev, Ukraine	12.10 — 15.10
XI International CEREAN Conference — Central European Real Estate Association Network	C	Kiev, Ukraine	13.10 — 15.10
INTERBANK — International Exhibition of Banking Equipment	E	Warsaw, Poland	13.10 — 15.10
WAREHOUSE. TRANSPORT. LOGISTICS 2005	E	Moscow, Russia	17.10 — 21.10
INFOBALT — International Trade Fair of Information Technology, Telecommunications and Office Equipment	E	Vilnius, Lithuania	19.10 — 22.10
Russian Regions' Investment and Innovation Attraction	F	St. Petersburg, Russia	20.10
New City in the Old Walls: Housing Construction	C	Riga, Latvia	21.10
IT:M — IT Event for Medium-sized Enterprises Hamburg, Trade Fair and Convention for IT-Solutions in Small and Medium-sized Enterprises	E	Hamburg, Germany	23.11 — 26.11
BANKING AND FINANCE IN THE BALTICS	C	Riga, Latvia	24.10 — 25.10
DKM — International Trade Fair for Finance and Insurance Industry	E	Dortmund, Germany	25.10 — 27.10
EXPORAIL — Railway Technology Fair	E	Moscow, Russia	26.10 — 28.10
POWER KAZAKHSTAN 2005	E	Almaty, Kazakhstan	02.11 — 04.11
OIL AND GAS 2005	E	Kyiv, Ukraine	08.11 — 11.11
3rd BALTIC BRANDING CONFERENCE	C	Riga, Latvia	14.11 — 15.11
EBIF — European Banking & Insurance Fair	E, C	Frankfurt/Main, Germany	15.11 — 17.11
INVESTCITY — Polish Cities Investment Fair	E	Poznan, Poland	15.11 — 18.11
EUROPORT 2005	E	Amsterdam, Netherlands	15.11 — 18.11
BALTIC SEA REGION COMMUNICATIONS FORUM	F	Riga, Latvia	22.11 — 23.11
2nd INTERNATIONAL EXHIBITION "REAL ESTATE"	E	Riga, Latvia	25.11 — 27.11
Transport and Logistics in International Trade. Information Technologies	C	Tallinn, Estonia	08.12 — 09.12

E — exhibition, C — conference, F — forum