

LETTER from the CANADIAN AMBASSADOR to Estonia, Latvia and Lithuania

It is a great pleasure to present to the readers of CanadExport three countries that Canadians should know more about, since they offer real opportunities for Canadian exporters and investors.

Estonia, Latvia and Lithuania—often referred to collectively as “the Baltic states”—are, in reality, individual nations with their own histories and characteristics. They emerged as modern, independent countries in 1918, but their political, economic and social flowering between both world wars was suppressed by successive Soviet, Nazi and again Soviet occupation from 1940 to 1991. However, since they regained their independence a decade ago, they have moved into the forefront of the transition economies of Central and Eastern Europe. Their populations are individually small, but together they represent a market in size, if not yet in standard of living, roughly equivalent to Sweden, Austria or Switzerland. They are well located in the heart of the Baltic Sea region, which links more than 120 million people—one of the fastest-growing areas in Europe. All three are members of the World Trade Organization, and are working hard and enthusiastically to join the European Union (EU) and the North Atlantic Treaty Organization (NATO).

The three Baltic economies represent one of the great success stories in Central and Eastern Europe. Their gross domestic products (GDPs) are growing at over 4% per year. Their banking systems, with close links to the Nordic countries and Germany, are sound, and their currencies have shown remarkable stability. The Estonian kroon and Lithuanian litas are tied to the euro, while the Latvian lat is pegged to the Special Drawing Rights of the International Monetary Fund. Their inflation rates in recent years have been low, and prices for accommodation, and other goods and services, are reasonable compared with most European countries.

All three countries have good education systems and well-trained, productive labour forces. High-quality employees are thus available, and local employment agencies can help companies that are establishing themselves in this region to identify them. All three countries have legislation and regula-

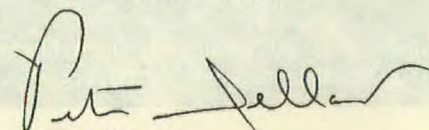
tions guaranteeing foreign investors the same rights and obligations as local enterprises. Also, investment protection legislation defines and limits the right to nationalization and expropriation according to Western standards.

These are countries of great cultural richness and a high quality of life. Despite wars, occupations and destruction, architecturally Tallinn, Riga and Vilnius are very attractive. Tallinn has a harmonious and well-preserved medieval city centre; Riga has the greatest concentration of Art Nouveau buildings in Europe; and Vilnius is the largest Baroque city north of the Alps. In addition, the three cities' historic centres are registered on the UNESCO list of World Heritage Sites. The number of cosy coffee bars, good restaurants and high-quality shops, and the vibrant cultural life in the three capitals testifies to a growing affluence and an attachment to good living. An important aspect of life in the three capitals is culture. For more information, see “In Your Pocket” (originally a Canadian initiative) at: www.inyourpocket.com

Although these are not the largest European markets, they present niche opportunities for more enterprising exporters and investors. The **Canadian Embassy in Riga** (www.dfait-maeci.gc.ca/dfait/missions/baltiks), and our embassy offices in Tallinn and Vilnius, will be pleased to provide you with advice and assistance in exploring the Baltic markets. For more information, consult: www.infoexport.gc.ca

Finally, Estonia, Latvia and Lithuania have embassies in Ottawa as well as consulates in Toronto and other centres in Canada. I invite you to seek their advice on potential partnerships and other business links with their countries.

Welcome to the Baltic states. We look forward to hearing from and working with you to develop new Canadian-Baltic business relationships.


Peter McKellar

AGRI-FOOD

» ESTONIA

During the last 10 to 12 years, the Estonian food-processing industry has shifted from a large-scale production system supplying certain products to the Soviet Union to a modern and efficient industry meeting EU requirements. The food-processing industry has traditionally been the largest industrial sector in Estonia. The output of this sector in 2000 amounted to 0.56 billion euros, constituting 25.1% of Estonian industrial output (excluding energy and mining) and 13% of exports, with 27% of the food-processing industry's products being exported. The European market is gradually opening to Estonian producers as they adapt to EU hygiene requirements and as the EU increases its import quotas for Estonian products.

Opportunities: Estonia offers modernizing, rapidly growing, high-quality companies, with low production costs and local raw materials, in a favourable business environment—with low tax rates, including zero tax on reinvested profits, and an excellent geographic location.

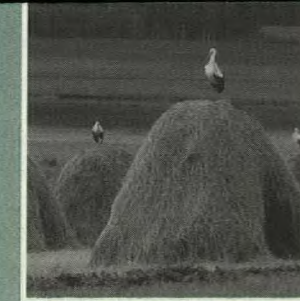
OTHER INFORMATION SOURCES:

Association of Estonian Food Industry: www.toiduliit.ee
Estonian Ministry of Agriculture: www.agri.ee
Foodfest Trade Show (September): www.profexpo.ee

» LATVIA

The agri-food sector is represented mostly by local companies undergoing restructuring and development. Dairy farming, pork production, fisheries and cereal production are the priority subsectors. Milk and fish production fully satisfy domestic demands for basic products, whereas locally produced meat covers only half of the national consumption. Many supermarkets and chain stores have opened in recent years.

Opportunities: New technologies and competitive machinery are in demand in this sector. There is a growing interest in health and dietary foods, environmentally friendly products, and packaging. There are several positive trends in the sector such as investments in modern and cost-effective technologies, and a focus on improved food quality. Meat, fish and dairy processors are differentiating their product lines to remain competitive. Major competition is faced from local, other European and U.S. food producers such as Danone,



Nestlé, Kellogg's, Santa Maria and Masterfoods. Most food-processing equipment is imported from Europe or North America.

OTHER INFORMATION SOURCES:

Latvian Food Center:
www.packaging.lv/eng/pages/pcentrs.htm
Ministry of Agriculture: www.zm.gov.lv
Packaging Association: www.packaging.lv
Riga Food Trade Show (September): <http://sun.lcc.org.lv>

» LITHUANIA

Milk, meat and fish processing are the principal sectors of food-industry production (44% of all agricultural output). A number of the processing companies have quality certificates allowing them to export to the EU. The food industry recently focused on quality by investing in technological modernization. Recently, a growing concentration and consolidation of companies has occurred. The trend toward organic agriculture and dietary and environmentally friendly products will continue to grow. Supermarkets and chain stores have opened throughout the country, but consumers remain very price-sensitive given their still relatively low purchasing power.

Opportunities: There is potential in value-added foods and technologies, especially in frozen foods. Attention is being devoted to packaging, and there is a potential for green packaging technologies and packaging equipment for small businesses.

OTHER INFORMATION SOURCES:

Agrobalt Trade Show (May), or Žuvis Trade Show (fish) (November): www.litexpo.lt
Ministry of Agriculture: www.zum.lt
Lithuanian Agricultural and Food Products Market Regulation Agency: www.litfood.lt
State Plant Protection Agency: www.vaat.lt
State Veterinary Service: www.vet.lt

As of April 1, 2002, a market study will be available at: www.infoexport.gc.ca