



KCCI - Country Wrap: Estonia (Jan. 2018)

Estonia – a brief overview

Estonia is the fastest developed economy in the Baltic region with open and flexible economic policy in place. The state is least populous in whole Schengen Area, NATO, OECD, Eurozone and European Union having only 1.3Mn residents. Estonia has outpaced other regional Baltic states with regard to the construction services, business services and travel services. The country firstly introduced one of its kind “E-Residency” to the non-residents through which it has become easier for the businessmen to flourish new industry in Estonia.

ESTONIAN ECONOMY

The Estonian government has always adhered to the strategy of free trade and liberal investment laws based on balanced budget. The exports of services constitute around 26% of the country's GDP. It is expected that the state will further stabilize with economic growth of approximately 3% in the 2017-18. Estonia's banking system is efficient and modern having well connected Scandinavian structure. The VAT system is harmonized with EU prerequisites fixed at 20%. Income tax has also remained low for long time at 20% flat tax with no other extra hidden taxes. However redistributed profits are subject to tax at 20%.

The cost of basic facilities including telecommunications, transport services, property expenses, labor and energy is comparatively lower in Estonia than rest of the Baltic States. Nonetheless, quality of products in the country have earned good reputation. Estonian government provides level playing field to its foreign investors with respect to local firms with the right to own a land along with the unlimited profit and capital repatriation facilities. The presence of free economic zones at Muuga Port and Silamae in Estonia coupled with the mushroom growth of industrial parks has further made it an attractive destination for investors.

Capital City: Tallinn

Currency: Euro

Key agri-products of Estonia

The key agri products of Estonia are grain, potatoes, vegetables; livestock and dairy products; fish.

Key Industries of Estonia

The key industries of Estonia are food, engineering, electronics, wood and wood products, textiles; information technology and telecommunications.

Estonia's major trading commodities and partners

The major export partners of Estonia are Sweden (17.9%), Finland (16%), Latvia (9.2%), Russia (6.5%), Lithuania (6%), Germany (5.9%) and Norway (4.1%). The country import products from Finland (13%), Germany (11%), Lithuania (9%), Sweden (8.3%), Latvia (8.2%), Poland (7.2%), Netherlands (6.3%), Russia (5.7%) and China (4.8%).

ECONOMIC RELATIONS BETWEEN PAKISTAN AND ESTONIA

If both the countries have their respective embassies or consulates on each other's territories, it will help strengthen relationships between both the countries and mutually benefit people belonging to both the countries. In an effort to entice Pakistani businesses to invest in Estonia, govt. has allowed non-residents to own 100% of the corporate rights of Estonian enterprises. In this regard, Pakistani businesses can enjoy benefit of the current rules by setting up their branch offices or open new businesses in Estonia. It would give them full access and representation in the European markets.

Bilateral Trade Relations between Pakistan and Estonia

Though Pakistan has GSP Plus agreement with the European Union since December 2014, Pakistan's exports to Estonia has dropped significantly since then while Bangladesh's exports to the same has rose considerably in the past two years. During Fiscal Year 2017, Pakistan exported goods of worth \$ 13.28Mn as against exports of \$ 12.85Mn. Pakistan's import from Estonia stood at \$ 3.82Mn as compared to \$ 3.80Mn a year before.

POTENTIAL FOR ENHANCING TRADE BETWEEN ESTONIA AND PAKISTAN

-Pakistan can export **petroleum oils & bituminous oils minerals** to Estonia as the country import the petroleum oils in bulk quantity from other parts of the world.

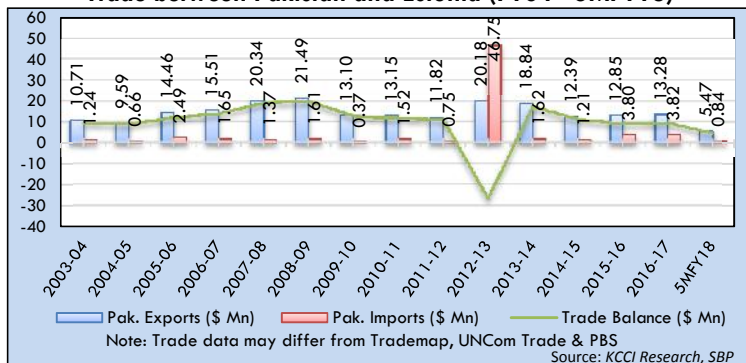
- Estonia has large imports of Electronic integrated circuits from around the world. By enhancing its manufacturing of Electronic Integrated Circuits, Pakistan can bolster its export to Estonia.

Economic Indicators

Indicators	Unit	2015	2016	Change
GDP (PPP)	\$ Bn	37.67	38.94	3.37%
GDP per Capita	\$	29,100	29,700	2.06%
GDP growth	%	1.70	2.10	0.40%
Forex Reserves	\$ Bn	414.80	352.20	-15.09%
External Debt	\$ Bn	18.30	19.05	4.10%
Exports of Goods	\$ Bn	12.04	12.36	2.66%
Imports of Goods	\$ Bn	12.99	13.31	2.46%
Trade Balance	\$ Bn	-0.95	-0.95	0.0%
Current Account	\$ Bn	493.20	443.00	-10%
FDI - at Home	\$ Bn	22.0	22.19	0.77%
FDI - at Abroad	\$ Bn	9.16	9.40	2.53%
CPI	%	-1	0.80	1.30%
Prime Lending Rate	%	4.48	4.23	-0.25%
Population	Mn	N/A	1.25	-
Unemployment	%	6.2	6.8	0.60%
Literacy Rate	%	N/A	100	-

Sources: KCCI Research, CIA Factbook

Trade between Pakistan and Estonia (FY04 - 5MFY18)



Estonia's Trade - Commodity Wise (2016)

Top 10 Exports Items	(\$ Mn)	Top 10 Imports Items	(\$ Mn)
Electric mach. & equip.	2,918	Electric mach. & equip.	2744
Wood & articles	1,339	Machinery, Mech. Apps	1585
Mineral fuels, oils .	1,169	Vehicles other than railway	1521
Machinery, Mech. Apps	1,112	Mineral fuels, oils	1472
Furniture; bedding	1,093	Plastics & articles	656
Vehicles other than railway	790	Pharmaceutical products	469
Articles of iron or steel	472	Wood & articles	467
Optical, measuring	420	Iron and steel	426
Plastics & articles thereof	362	Articles of iron/steel	400
Iron & steel	227	Optical, measuring	310

Sources: KCCI Research, Trademap

Pakistan's Trade with Estonia - Commodity Wise (2016)

Top 10 Export Items	(\$ Mn)	Top 10 Import Items	(\$ Mn)
Cotton	6.06	Other made-up textile articles	0.68
Leather Articles; saddlery	3.03	Pulp of wood	0.57
Other made-up textile articles	2.73	Wood & its articles	0.28
Knitted Apparel Artcl., clothing	1.03	Iron and steel	0.19
Unknit Apparel Artcl, clothing	0.92	Electric mach. & equip.	0.18
Optical, measuring	0.58	Organic chemicals	0.13
Toys, sports requisites	0.44	Edible veg., roots, tubers	0.10
Man-made staple fibres	0.37	Aluminium & articles thereof	0.08
Tools, implements	0.28	Copper & articles thereof	0.05
Pharmaceuticals	0.20	Machinery, mech. apps.	0.04

Sources: KCCI Research, Trademap